Annual Report 2007

Cargotec

we keep cargo on the move™

Cargotec 2007

Board of Directors´ Report and Financial Statements 2007

Annual General Meeting

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Centre, Katajanokanlaituri 6, Helsinki, Finland, on Friday, February 29, 2008 at 10:00 a.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 19, 2008.

Shereholders must register by 4:00 p.m. on February 25, 2008. Shareholders must register to attend the meeting over the internet (www.cargotec.com), by telephone (+358 204 55 4284), by fax (+358 204 55 4275) or by mail (Cargotec Corporation, Shareholder register, P.O. Box 61, FI-00501 Helsinki, Finland). 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 29, 2008 that of the distributable profit, a dividend of EUR 1.04 per class A share and EUR 1.05 per class B share in circulation be paid. Only those registered as shareholders at the Finnish Central Securities Depository by March 5, 2008, 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 12, 2008.

Financial Reports in 2008

Cargotec Corporation will publish the following financial reports in 2008 in English and Finnish:

April 18, 2008	Interim report covering the period January–March 2008
July 17, 2008	Interim report covering the period January–June 2008
October 20, 2008	Interim report covering the period January–September 2008

The Annual Report, 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 +358 204 55 4275. The Annual Report will be sent to all shareholders.

Changes of Address

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

Cargotec improves the efficiency of cargo flows by offering handling systems and the related services for the loading and unloading of goods. Cargotec's brands, Hiab, Kalmar and MacGREGOR, are global market leaders in their fields and their solutions are used on land and at sea – wherever cargo is on the move. Extensive services close to customers ensure the continuous usability of equipment. Cargotec is the technology leader in its field, its R&D focusing on innovative solutions that take environmental considerations into account.

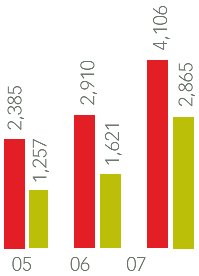
The year 2007 was a year of growth for Cargotec in many areas. Sales grew by 16 percent. The order book reached a record-high level with orders received amounting to over 4 billion euros. As a result of organic growth as well as several acquisitions the number of employees grew by close to 3,000 persons.

Cargotec Key Figures

		Financial period 2007	Financial period 2006	Pro forma 2005	Financial period Jun 1–Dec 31, 2005
Orders received	MEUR	4,106	2,910	2,385	1,366
Order book Dec 31	MEUR	2,865	1,621	1,257	1,257
Sales	MEUR	3,018	2,597	2,358	1,419
Operating profit from operations*	MEUR	221.1	222.6	179.8	112.9
Net income for the period	MEUR	138.4	166.1	136.6	87.4
Return on equity	%	15.6	20.2	19.2	20.8
Return on capital employed	%	16.8	23.1	20.9	21.9
Gearing	%	33.9	12.3	15.7	15.7

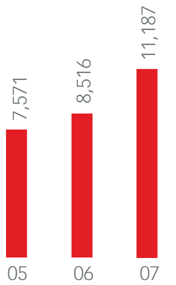
* Excluding one-off items

Orders Received*
Order Book



* Pro forma for 2005

Number of Employees at the End of Period



Sales by Business Area

Hiab 31%
Kalmar 44%
MacGREGOR 25%

Sales by Market Area

EMEA 56%
Americas 21%
Asia Pacific 23%

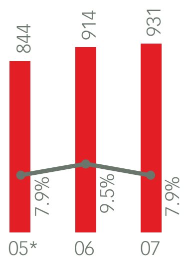
Employees by Market Area

EMEA 67%
Americas 11%
Asia Pacific 22%

Load Handling

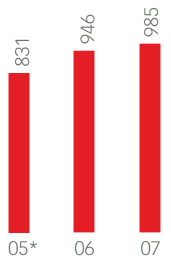
Hiab is the global market leader in on-road load handling solutions. The products are in use when goods are moved in local transportation, building industry, waste handling, recycling, agriculture and forestry, public services and in the defence forces.

Sales and Operating Profit (%)



* Pro forma

Orders Received

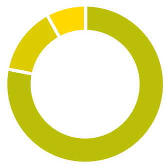


* Pro forma

Sales by Market Area

EMEA 67%
Americas 23%
Asia Pacific 10%

Employees by Market Area

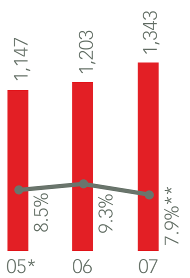


EMEA 78%
Americas 14%
Asia Pacific 8%

Container and Heavy Load Handling

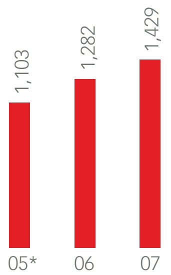
Kalmar is a global provider of container and heavy duty materials handling equipment, automation applications and related services. Its solutions are used in terminals, ports, heavy industry and distribution centres.

Sales and Operating Profit (%)



* Pro forma
** Excl. container spreaders inspection and repair programme

Orders Received



* Pro forma

Sales by Market Area

EMEA 56%
Americas 27%
Asia Pacific 17%

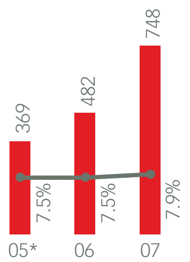
Employees by Market Area

EMEA 61%
Americas 12%
Asia Pacific 27%

Marine Cargo Flow Solutions

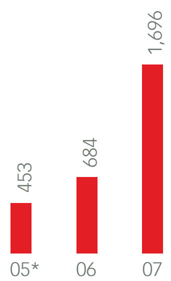
MacGREGOR is a global provider of marine cargo flow and offshore soloutions which are used in general cargo, bulk, container and RoRo vessels as well as in bulk terminals and in offshore industry.

Sales and Operating Profit (%)



* Pro forma

Orders Received



* Pro forma

Sales by Market Area

EMEA 42%
Americas 8%
Asia Pacific 50%

Employees by Market Area

EMEA 57%
Americas 1%
Asia Pacific 42%

Our basic beliefs are One Company, Market Leader, Services and People. One Company means that we work as one entity emphasising cross-functional interaction within our organisation. We want to be the market leader in our field, and we aim to strengthen our position by growing our service business as well as by developing innovative products. By attracting and retaining the best people in our business and by developing their know-how we ensure the success of our strategy.

CEO's Message

Cargotec's Development Continues

Dear Reader

Cargotec's operating environment provided both successes and challenges in 2007. High demand and an improved market position in various areas were evidenced by our strong order flow. In MacGREGOR in particular, we won a record number of orders, enabling us to begin 2008 with a very long order book extending several years ahead. At Kalmar, we invested in the development of new-generation, energy-efficient equipment and automation solutions. Container ports throughout the world need to ensure the efficient handling of constantly increasing container volumes through automation, thus providing interesting growth opportunities over the next few years. Naturally, the quality problem discovered in our container spreaders was a disappointment to us. We had to book a major cost reserve due to the related inspection and repair programme at the very end of the year. With respect to Hiab, its excellent performance in Europe and Asia did not fully compensate for the gap caused by the sharp downturn in the U.S. construction industry.

Implementation of Our Strategy Continued

Cargotec continued to develop its operations in 2007 in line with its four basic beliefs: One Company, Market Leader, Services and People. We have clear targets for our five-year strategic period of 2007–2011 and are working steadfastly towards achieving our set targets.

In line with our One Company model, we capitalised on economies of scale in the further development of our global network. The first joint Cargotec offices began operating in China, India and the United Arab Emirates. Our new sourcing organisation, which began operating at the beginning of 2007, was able to support our purchasing amidst a challenging component availability situation, thus contributing to major growth in sales and deliveries.

Strong Growth Consolidated Our Market Position

We achieved a healthy sales growth of 16 percent in 2007. Increasing world trade and expanding global cargo flows will continue to provide us with major growth opportunities in the years to come. In 2007, we continued to pursue our active acquisitions policy, as in the previous year. We completed a total of 14 acquisitions and are extremely pleased with the resultant strengthening of our market position, global presence and know-how. I am particularly delighted with the expansion of our marine cargo flow expertise to offshore support vessels, as well as the first steps taken in acquiring our own production capacity in India. On the acquisitions front, the German competition authority's decision to ban our acquisition of the Italian company, CVS Ferrari, announced at the end of 2006, was a disappointment to us. We found the grounds of the decision so surprising and unjust that we decided to appeal against it. From the viewpoint of the competitiveness of European companies, it would be extremely regrettable if the actions of regulatory authorities were based on narrow, national self-seeking.

Targeting to Become the Leader in Services

Our large, global base of installed equipment and our customers' growing interest in outsourcing their service activities are providing us with excellent opportunities for profitable growth. Proactive maintenance is playing an increasingly important role in reducing the lifetime operating costs of equipment and the 32 percent growth in our service business is strong proof of our success in developing our offering. We expect to gain a further boost to this growth through the Cargotec Services business model, launched in 2007, aimed at focusing resources and service know-how between Cargotec's business areas more efficiently. Cargotec Services acts as an internal centre of expertise, where cooperation in service concept development, spare parts sales and the training of service people will be strengthened by a matrix organisation.

Major Growth in Personnel

The number of Cargotec employees increased by almost three thousand persons in 2007. Attracting and retaining the best talent in the industry is playing an increasingly important role in the further growth of our Company. In 2007, Cargotec's people strategy focused on the design and introduction of a people development and training framework as well as the development of uniform processes and tools supporting the activities of our human resources management. The most important internal project was the creation of a Code of Conduct for Cargotec and the arrangement of training related to its implementation. Training events were arranged in May and June in various parts of the world for approximately 250 of Cargotec's top executives by using tailored training material, after which these executives carried the message forward in their own units during the autumn. We seek to create a uniform business culture for Cargotec and act in a responsible manner wherever we are present.

Cargotec's Development Continues

We now have only the first year of implementing our five-year strategy behind us. In addition to continued growth, our aim for 2008 is to raise our profitability towards our target levels. One of the key steps towards this goal is the On the Move change process launched at the beginning of 2008 in order to speed up activities supporting One Company thinking. We can clearly improve the efficiency of our operations in several areas. Our strong order book at the beginning of 2008 is furthering this change process. Increasing our operational efficiency is primarily an enabler of future growth.

I would like to thank our customers and partners for their cooperation during these times of strong and dynamic growth. I also wish to extend my thanks to both old and new Cargotec employees for a busy year of growth. The year 2007 required patience from our shareholders, and we are fully aware of the expectations directed at us. Developing our Company requires persistent work, but we are progressing with confidence. Today, I am even more excited than a year ago about the opportunities with which our industry is providing us.

Mikael Mäkinen
President and CEO

Cargotec’s solutions are used in material-flow hubs where goods are loaded or unloaded in ships, ports, terminals, distribution centres and local transportation.

Cargotec’s cargo handling solutions include on-road load handling equipment, container handling equipment, heavy industrial material handling equipment, marine cargo flow solutions, and their related services. Cargotec’s key customer groups include ship owners, ship and port operators, ship builders, distribution centres, fleet operators, truck owner-operators and logistics companies. Other major customers include heavy industry, terminals and municipalities as well as the defence forces of various countries.

Cargotec operates globally, either through its own sales companies or distributors. Its production units are located in Finland, Sweden, Norway, Estonia, Poland, the Netherlands, Ireland, Spain, the United States, China, India, Korea, Malaysia and Singapore. MacGREGOR has outsourced most of its manufacturing to partner plants that are located mainly in Asia.

Demand for Cargotec’s products is based on increasing world trade as well as the growing need of land and sea transportation. Increasing production volumes in heavy industry require more efficient material handling equipment. Shipyards’ record-high order books are boosting demand for MacGREGOR’s marine cargo handling solutions such as ship cranes, hatch covers and container securing equipment.

The usage of containers i.e. containerisation in goods transportation has increased, thanks in particular to the cost-efficiency of container transports. Kalmar’s container handling equipment is needed at both the port of departure of the goods and at the destination. Increasing vessel capacity requires that ports make additional investments in more efficient cargo handling equipment to ensure that container handling time at the container yard is as short as possible.

Demand for Hiab’s cargo handling equipment goes hand in hand with increasing land transportation, the liveliness of the building sector and new truck registrations. Furthermore, increasing waste processing efficiency and a higher degree of environmental awareness are reflected in increased demand for Hiab’s products.

Demand for services is on the increase due to the fact that customers appreciate both versatile service skills and sufficient service resources enabling the uninterrupted operation of equipment. Cargotec’s aim is to build a leading position in services.


Loader cranes


Demountables


Tail lifts


Truck-mounted forklifts


Forestry and recycling cranes


Ship-to-shore cranes


Yard cranes


Straddle carriers


Shuttle carriers


Reachstackers


Terminal tractors

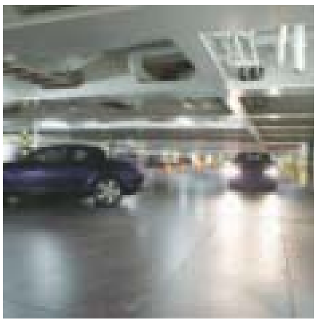

Forklift trucks


Log stackers


Deck cranes


Hatch covers


Lashing systems


RoRo equipment


Mooring systems


Bulk handling solutions


Offshore

Cargotec's Strategy
2007 A Year of Growth

Cargotec's strategy, confirmed for the years 2007–2011, is based on profitable growth in developing and consolidating markets. A key goal is to build Cargotec a leading position in services. In 2007, the implementation of Cargotec's strategy focused on actions creating the basis for achieving the targets set for the five-year period.

Growth in material flows and ever higher demands on the efficiency of cargo handling imply a favourable growth environment for Cargotec. Cargotec's position as the market leader in cargo handling is based on a global presence throughout the material flow chain, in materials handling hubs such as local transportation, terminals, ports, distribution centres and ships. As the market leader, Cargotec has excellent preconditions for faster-than-market growth and participation in the industry's consolidation.

Cargotec provides customers with increasingly efficient cargo loading and unloading, with the help of continuous product development and intelligent automated solutions. The entire life cycle of products and customers' mounting environmental and safety requirements are taken into consideration in product design and development.

The service business is developed by utilising the extensive machine base delivered. The Cargotec Services operating model offers customers worldwide reliable and professional service concepts and services based on product life cycle thinking. A strong presence in the customer's daily operations also supports the development and sales of Cargotec's new equipment.

Growth through a Broader Presence and Product Offering

The intensive growth in material flows requires a stronger presence from Cargotec. During the year Cargotec expanded its manufacturing operations closer to the customers in the growing markets of Asia and the Baltic Countries. The actions aim at establishing Cargotec as a truly global company providing customised and cost-efficient cargo handling solutions to meet local needs.

In 2007, the sales and service network expanded both organically and through acquisitions. The target is to create the leading network in the industry. Product offering in the marine cargo solutions side was expanded into the rapidly growing offshore segment.

The costs arising from the integration of acquired companies burdened the result for 2007. However, by integrating the acquisitions into the existing network Cargotec can quickly expand into new areas and utilise the scale advantages in maintaining its global network, hence enabling the offering of services to customers more cost-efficiently.

Competitive Strength and New Solutions through a Focus on Technology

Investments made in product development as well as the development work carried out in cooperation with customers are playing a key role as Cargotec builds its sustainable competitive advantage. For instance, at container ports, the increasingly larger size of ships and higher volumes of containers handled require, at a minimum, the modernisation of equipment and an increase in the number of equipment or alternatively redesigning the operations of the entire container yard. Automation is emerging into a more focal role as part of the comprehensive solutions that customers need. Focal areas of product development include reducing fuel consumption and the electrical operation of equipment.

Higher Efficiency through Enhanced Cooperation

More efficient internal operations are required for Cargotec to reach its profitability targets. Measures were initiated in several functions to enhance cooperation and better utilise the economies of scale involved in competencies and operations between business areas.

Operations are being centralised in shared premises and corporate structures simplified. In 2007, Cargotec's operations in China, India, Russia and the United Arab Emirates were combined, while purchasing activities were enhanced and competencies strengthened by centralising the procurement of key sourcing categories.

Availability of qualified personnel is increasingly becoming a constraint for Cargotec's rapid growth. As a result, Cargotec has increased corporate-wide activities in recruitment and personnel development.

Cargotec's financial targets for the years 2007–2011

Annual sales growth exceeding 10 percent (incl. acquisitions)

Raising the operating income margin to 10 percent

Gearing below 50 percent

Dividend 30–50 percent of earnings per share


ERSK

Cargotec
A Technology Leader in its Field

Cargotec's research and development activities create innovative cargo handling solutions which enhance the customer's business operations, are energy-efficient and meet environmental requirements.

Cargotec is a forerunner in the development of environmentally-friendly and, simultaneously, efficient equipment that takes extensive advantage of automation. Its product development priorities include the utilisation of electric solutions and the application of hybrid technology in various types of equipment. In 2007, Cargotec started to build a shared product development unit in India. Product development resources are strengthened through acquisitions supporting Cargotec's R&D activities. In 2007, Cargotec acquired Advanced Cargo Transshipment B.V., a Dutch company specialising in the development of navigation systems and control and monitoring programmes for container ports.

Strong Product Development Continued in Automation Solutions

Kalmar Intelligence & Automation, a specific unit established in 2005 focusing on the development and marketing of automated product solutions based on various intelligent features in cooperation with its customers, has grown rapidly. Kalmar has a long tradition in automated applications: at the beginning of the 1990s the first generation of the automated stacking cranes (ASC) were introduced. In 1997, Kalmar launched the Smartrail® container position verification system, followed by the Smartpath®, Remote Machine Interface (RMI) and Fleetview. In turn of the millennium, Kalmar automated the first container port in Brisbane, Australia. Equipment deliveries to Brisbane have continued, with five new fully automated straddle carries being supplied in 2007.

A significant automation project is the automation of first and second phase of the Port of Hamburg's biggest operator, HHLA's, Burchardkai container terminal. Kalmar has by the end of year 2007 agreed on the delivery of 24 ASCs and all related automation and control systems to the Port of Hamburg.

Automation Innovations in 2007

Automation solutions were warmly welcomed by Kalmar's customers in 2007. At the beginning of the year, the first terminal tractors featuring a remote machine interface, developed by Kalmar and previously used in other container handling equipment, were sold. This system enables monitoring of the condition and maintenance need of the fleet leading to increased uptime and decreased maintenance costs. The new generation terminal tractors with CAN-BUS monitoring system that speeds up their operation was launched to the market during autumn. The CAN-BUS monitoring system integrates all terminal tractor operations enabling control through one control panel. This improves terminal tractor operation efficiency and also helps in maintenance planning.

During autumn 2007 Kalmar introduced a new automation product, the Smartspot, which enables optimising container handling between terminal tractors and ship-to-shore or mobile yard cranes. Smartspot improves the accuracy of container positioning by replacing manual work. The system informs the driver when the right loading or unloading position has been reached.

The 183 straddle carriers in the Port of New Jersey of Maher Terminals, a long-term customer of Kalmar, were equipped with the Smartpath® container position verification system and the Fleetview monitoring system which enables 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 will be shortened and unladen travelling distances will be minimised. Fleetview was also installed in 76 non-Kalmar rubber-tired gantry (RTG) cranes at the Port of Tanjung Pelepas, the fastest growing container terminal in Malaysia. The RTGs had been earlier equipped also with Smartrail®.

MacGREGOR has developed and delivered systems to the offshore sector that enable service and repair of subsea gas and oil wells in all weather conditions. During 2007 MacGREGOR developed the most demanding and largest offshore cranes by capacity equipped with active heave compensation technology.

Environmental Considerations with Respect to Cargotec Products

In its product development activities, Cargotec takes account of the tightening environmental requirements affecting the transportation chain, focusing on energy efficiency, the minimisation of emissions and noise levels and the prevention of oil leaks. A long useful life and good serviceability reduce the environmental effects caused by the products.

In 2007, Cargotec continued to develop various types of electric solutions for its equipment. Kalmar introduced the new E-One+ RTG crane, which is a new version of the environmentally-friendly E-One RTG launched in 2005 and enhanced based on customer feedback. E-One cranes are electrically operated and do not have any hydraulics. The new E-One+ model enables easier servicing, safer use and simpler assembly.

During the year, MacGREGOR continued to develop fully automated container lashing systems and electrically driven ship cranes, hatch covers and RoRo equipment. Compared to hydraulic equipment, electrically driven solutions provide both shipyards and ship owners with various benefits by eliminating the risk of hydraulic leaks and the need for equipping ships with hydraulic pipeworks in shipyards. Furthermore, electronically operated equipment is easy to monitor and service and saves on ship owners' energy costs.

In 2006, Kalmar participated in a two-year development project in the United States aimed at reducing pollution in U.S. West Coast ports by developing a hybrid terminal tractor. In 2007, this project, realised in cooperation with the U.S. Environmental Protection Agency, was expanded to the ports of New York and New Jersey.

Customers appreciate lighter load handling equipment that decreases fuel consumption and where payloads can be increased. Hiab continues the development of electronic controlling systems of the hydraulic systems. This results in more efficient and safe equipment. The overall weight of the equipment and the fuel consumption decreases.

Other Solutions Introduced in 2007

In 2007, Hiab developed a load handling concept for truck manufacturers operating in various markets. Through the concept the truck manufacturer offers the customer a vehicle equipped with load handling solutions selected by Hiab that best serve the customer's load handling need. Several new items of load handling equipment were introduced to the markets in various product groups. The most significant product launches included the HIAB XS 1055, the largest Hiab loader crane by capacity, and the XR 30 hooklift system used in the waste management and recycling industry.

Kalmar introduced the Max Stable, a new reeving stabilizer system which speeds up container stacking by faster and more precise movements. New-generation equipment for empty container handling was also launched, enabling a ten percent average time saving in container hoisting. Thanks to its new hydraulic and electronic systems, this equipment also meets customers' environmental requirements more efficiently.

Cargotec's R&D aims to develop equipment that improves the customer's business in a best possible way and at the same time is environmentally friendly. In developing automated solutions Cargotec is a forerunner in its field. Many of the R&D projects are carried out together with the customer.

A Year of Acquisitions

According to Cargotec's strategy, the Company seeks to grow both organically and through acquisitions. 2007 saw a total of 14 acquisitions, the most important of these being performed by MacGREGOR, Cargotec's business area providing marine cargo flow solutions, which expanded its operations into the offshore segment. Furthermore, Cargotec completed a number of acquisitions to extend its service business.

Indital Construction Machinery (India)

– Sales in 2006: approximately EUR 8 million
– Personnel: 100
– Line of business: manufacture of reach-stackers, forklift trucks and pick-and-carry cranes used for loading trucks
– Why: to increase Cargotec's manufacturing capacity in India and support the growing sales activities in the region

Bay Equipment Repairs Inc. (USA)

– Sales in 2006: approximately EUR 1 million
– Personnel: 13
– Line of business: provision of repair and maintenance services for load handling equipment both in its own repair shop and at customer sites
– Why: to expand Hiab's service business in the growing markets of Florida

Balti ES (Estonia)

– Sales in 2006: approximately EUR 14 million
– Personnel: approximately 600
– Line of business: manufacture of steel structures and components
– Why: to support Hiab's and Kalmar's increasing demand for components and reinforce Cargotec's price competitiveness

Berger (Operations in Czech Republic, Slovakia, Hungary, Croatia)

– Sales in 2006: approximately EUR 16 million
– Personnel: 75
– Line of business: sales, servicing, installation and distribution of load handling equipment
– Why: to strengthen Hiab's competitive position in Eastern Europe

BG Crane Pty. Ltd (Australia)

– Sales in 2006: approximately EUR 20 million
– Personnel: 100
– Line of business: distribution and servicing of load handling equipment
– Why: to strengthen Hiab's competitive position in Australia in the distribution and servicing of load handling equipment

Port Equipment Service Inc. (USA)

– Sales in 2006: approximately EUR 4 million
– Personnel: 56
– Line of business: servicing of container handling equipment in ports and railroad terminals on the U.S. East Coast
– Why: to strengthen Kalmar's service business, particularly in ports and railroad terminals on the U.S. East Coast

Tagros d.o.o. (Slovenia)

– Sales in 2006: approximately EUR 2 million
– Personnel: 35
– Line of business: maintenance of container handling equipment and forklift trucks at the Port of Koper in Slovenia
– Why: to expand Kalmar's service and sales activities in Slovenia and the Northern Balkan Peninsula

Truck och Maskin i Örnsköldsvik AB (Sweden)

– Sales in the accounting period that ended on April 30, 2006: approximately EUR 14 million
– Personnel: 100
– Line of business: equipment sales to heavy industry and the related servicing
– Why: to strengthen Kalmar's sales and service network in Northern Sweden for industrial customers in the wood handling segment

Hydramarine AS (Norway)

– Sales in 2006: over EUR 63 million
– Personnel: 150
– Line of business: development and manufacture of deck machinery equipment, such as cranes
– Why: to expand MacGREGOR's operations into the offshore segment

Plimsoll Corporation Pte Ltd (Singapore)

– Sales in 2006: approximately EUR 40 million
– Personnel: 600
– Line of business: the leading supplier of equipment for oil drilling and gas vessels in the Asia Pacific region
– Why: to expand MacGREGOR's operations into the offshore segment

Vestnorsk Hydraulikkservice AS (Norway)

– Sales in 2006: approximately EUR 5 million
– Personnel: 21
– Line of business: maintenance of hydraulic systems and turnkey deliveries of offshore solutions
– Why: to strengthen MacGREGOR's market position in the maintenance of offshore vessels in the North Sea

Advanced Cargo Transshipment B.V. (the Netherlands)

– Personnel: approximately 10
– Line of business: development and marketing of navigation systems and control and monitoring software
– Why: to increase Kalmar's resources in automated port terminal R&D

In 2007, Cargotec also acquired a majority holding in a Spanish distributor, Kalmar España S.A., and a minority holding in Kalmar Asia Pacific Ltd, the latter now being a wholly-owned subsidiary of Cargotec.

Load Handling

Hiab, Cargotec's business area for on-road load handling solutions and related services, is the global market leader in providing equipment for moving, lifting, loading and unloading products and raw material from vehicles.

HIAB

Sales MEUR
931
+2%

Hiab has 15 production units in ten countries and sales companies and representative offices throughout the world. Its product range includes HIAB loader cranes, MULTILIFT demountable systems, MOFFETT and PRINCETON PIGGYBACK® truck-mounted forklifts, ZEPRO, AMA, FOCOLIFT and WALTCO tail lifts and JONSERED and LOGLIFT forestry and recycling cranes. Versatile services guarantee that the equipment remains safe and productive throughout its life cycle.

Year 2007 at Hiab

Demand for Hiab's load handling equipment remained very buoyant in Europe and Asia Pacific throughout the year. In particular, order books for loader cranes and tail lifts grew while the emerging markets reported growth in sales of cranes and demountables. In the United States, demand fell short of 2006 levels due to a sharp decline in the market situation for the construction industry and a fall in new truck registrations.

Hiab increased its production capacity for loader cranes and tail lifts in its European production units. A new unit was opened in Raisio, Finland, enabling the simultaneous assembly of up to 12 truck superstructures. Hiab's European truck-mounted forklift production was centralised to the Dundalk production unit in Ireland, and the Oude Leije production unit in the Netherlands was converted into a technical centre serving European customers. Hiab restructured the operations of its load handling equipment production units in the United States.

In order to ensure the availability of high-quality components, particularly in Europe, Hiab acquired Balti ES, an Estonian component and steel structure manufacturer. The Company also extended its sales, distribution and service network through acquisitions in Central and Eastern Europe, the Pacific region and the United States. Customers demand more uniform and flexible load handling solutions when expanding operations into several markets.

Hiab's service business grew substantially in Europe due to high equipment utilisation rates and increased outsourcing among its customers.

Focus Areas in 2008

Hiab will combine its loader cranes and forestry cranes product lines at the beginning of 2008. This organisational change will strengthen the use of shared resources in crane product development, manufacturing and marketing. Hiab will also improve the availability of its products and services by continuing to expand its global manufacturing and sales network, particularly in Europe and Asia Pacific. Investments in the service business will continue through the strengthening of Hiab's service shop organisation throughout the world. Hiab will also continue to invest in research and development in order to bring new load handling concepts and products to the market.

Sales MEUR

1,343

+12%

Kalmar's comprehensive product range includes various types of container handling equipment, such as ship-to-shore cranes, yard cranes, shuttle and straddle carriers, reachstackers and empty container handlers. Furthermore, Kalmar provides forklift trucks for heavy industrial use, log stackers for the wood and paper industry and terminal tractors for distribution and logistics centres, in addition to which it is a forerunner in the development of automation solutions for container handling in ports. Over 85,000 Kalmar machines are currently in operation all over the world. Product development is based on understanding customer needs throughout the equipment's entire life cycle. Kalmar further strengthens its presence close to customers by extending its service network.

The Year 2007 at Kalmar

Kalmar strengthened its presence and competitive position in various European countries and the United States by concluding several acquisitions, particularly in the service business, during 2007. In Asia, Kalmar consolidated its market position by extending its local component and sub-assembly purchasing network.

In its product development, Kalmar focused on the development of yard cranes, automation and environmentally-friendly solutions, demand for which is continuously increasing. In 2007, the Company launched several new products and initiated product development projects focusing on, for instance, hybrid technology. Deliveries related to the automatic stacking crane system supplied for the Port of Hamburg's biggest terminal operator, HHLA, continued throughout the year, in addition to which HHLA placed further orders for automatic stacking cranes and their control systems.

Kalmar provides the most extensive service network in its field, its global resources ensuring the uninterrupted operation of equipment at customer sites. The year 2007 saw strong growth in the service business, achieved through acquisitions as well as through organic growth. Since the share of Europe, the Middle East and India in Kalmar's overall business has grown due to acquisitions, the Company restructured its global sales and service organisation by dividing the sales operations of EMEA into several sub-areas. This enables Kalmar to better serve its customers by providing equipment, service and financing solutions that take account of local needs. Furthermore, the operating model related to product development was revised by establishing a new management team in charge of product development. The purpose of this is to ensure the internal coordination, cost-efficiency and quality of product development work.

Focus Areas in 2008

Kalmar will continue to expand its operations in Asia and invest in product development. Moreover, the sales and service business will be strengthened in various regions in order further to enhance its customer focus. One of the areas of development is a strategic key account model through which Kalmar seeks to improve its operating model with selected terminal operators.

Container and Heavy Load Handling

Kalmar, Cargotec's business area for container and heavy load handling, automated applications and the related services, provides solutions for ports, terminals, distribution centres and heavy industry worldwide.

Marine Cargo Flow Solutions

MacGREGOR, a Cargotec business area, provides marine cargo flow and offshore solutions and their related services for commercial cargo, offshore support and naval logistics vessels as well as for oil rigs and bulk terminals throughout the world.

MacGREGOR

Sales MEUR
748
+55%

MacGREGOR operates in major shipping and shipbuilding countries, supplying various types of hatch covers, ship cranes, offshore load handling solutions, bulk handling solutions as well as lashing equipment and RoRo equipment such as ramps, bow doors and car decks.

The Year 2007 at MacGREGOR

MacGREGOR's most significant event in 2007 was the expansion into a new business, the offshore segment, expanding the range of ship types served by MacGREGOR, thus balancing the impact of cyclical fluctuations in the shipbuilding industry. The offshore equipment markets are expected to grow due to increasing demand for oil which leads to more demanding drilling conditions in the deep sea. MacGREGOR acquired a Norwegian company, Hydramarine, and a Singaporean company, Plimsoll, that provide a versatile range of solutions for the offshore support vessels and oil rigs, including cranes, davits used for launching and hoisting lifeboats, winches and cargo flow systems. The acquired companies were combined to form the MacGREGOR Offshore division that employs close to 900 people and leverages both companies' strengths and geographic reach as well as services.

MacGREGOR's order intake was record-high in 2007 due to the very active shipbuilding market in all the ship types to which MacGREGOR delivers. Order intake for ship cranes was particularly high, substantially improving MacGREGOR's market share in this product group. Production partner plant capacity increased, particularly in China, to meet the growing demand. The market for service solutions and conversion and modernisation projects also grew. Customers' growing interest in outsourcing their service activities was reflected in higher demand for MacGREGOR's comprehensive Onboard Care service concept.

Focus Areas in 2008

MacGREGOR will focus on the growth of the Offshore division by utilising Plimsoll's and Hydramarine's technological know-how in winches and cranes and by providing increasingly comprehensive services for offshore equipment. A new offshore equipment production unit will be opened in Tianjin, China during 2008. Additionally, the increased order intake will require partner plants to expand their production capacity in other products too. Furthermore, MacGREGOR wants to focus on better meeting the growing demand for conversion and modernisation projects.

Cargotec's service business is based on a clearly defined service offering and strong presence in key service hubs worldwide. These services cover both the extensive installed machine base delivered by Cargotec as well as equipment supplied by other manufacturers. Systematic service operations and long-term service contracts extend the equipment's useful life cycle and minimise costs imposed on customers as the result of down-time and other problems.

The Year 2007 at Cargotec Services

In 2007, Cargotec strengthened its service business by implementing the new Cargotec Services operating model. The aim of this is to speed up the growth of its service operations by better focusing resources and service know-how between Cargotec's business areas. In order to strengthen its intellectual capital, global service network and service offering, the Company concluded a significant number of acquisitions and launched several development projects.

Customers have increasingly continued to outsource their maintenance activities in order to improve their operational flexibility and cost-efficiency and ensure the availability of expert services. This was particularly reflected in the growing demand for comprehensive service concepts.

A large number of new service contracts were signed in all of Cargotec's businesses. In Europe, there was strong demand for load handling equipment services due to the increased amount of installed equipment and high utilisation rates. Demand for services related to container handling equipment remained high in Europe and Asia, and stable elsewhere in the world. Demand for services for cargo handling equipment used on ships remained strong both in Asia and Europe. The increasing number of vessels delivered from shipyards is also having a positive impact on the services market. A three-year service agreement was signed with Italian Grimaldi Group covering the maintenance of selected cargo handling equipment on 26 Grimaldi RoRo ships. The new Offshore division enables the provision of services also to offshore customers.

Focus Areas in 2008

Cargotec will continue to focus on services in 2008. The Company is seeking strong organic growth in services which it will complement through acquisitions that enhance its present service network. Cargotec will continue to strengthen its market presence by expanding its global service network. A special focus will be placed on total service contracts as well as major refurbishment and conversion projects. Service concept development, spare part chain management, the training of service personnel and the utilisation of existing know-how and skills will be strengthened through the Cargotec Services operating model.

Services Sales

* Pro forma

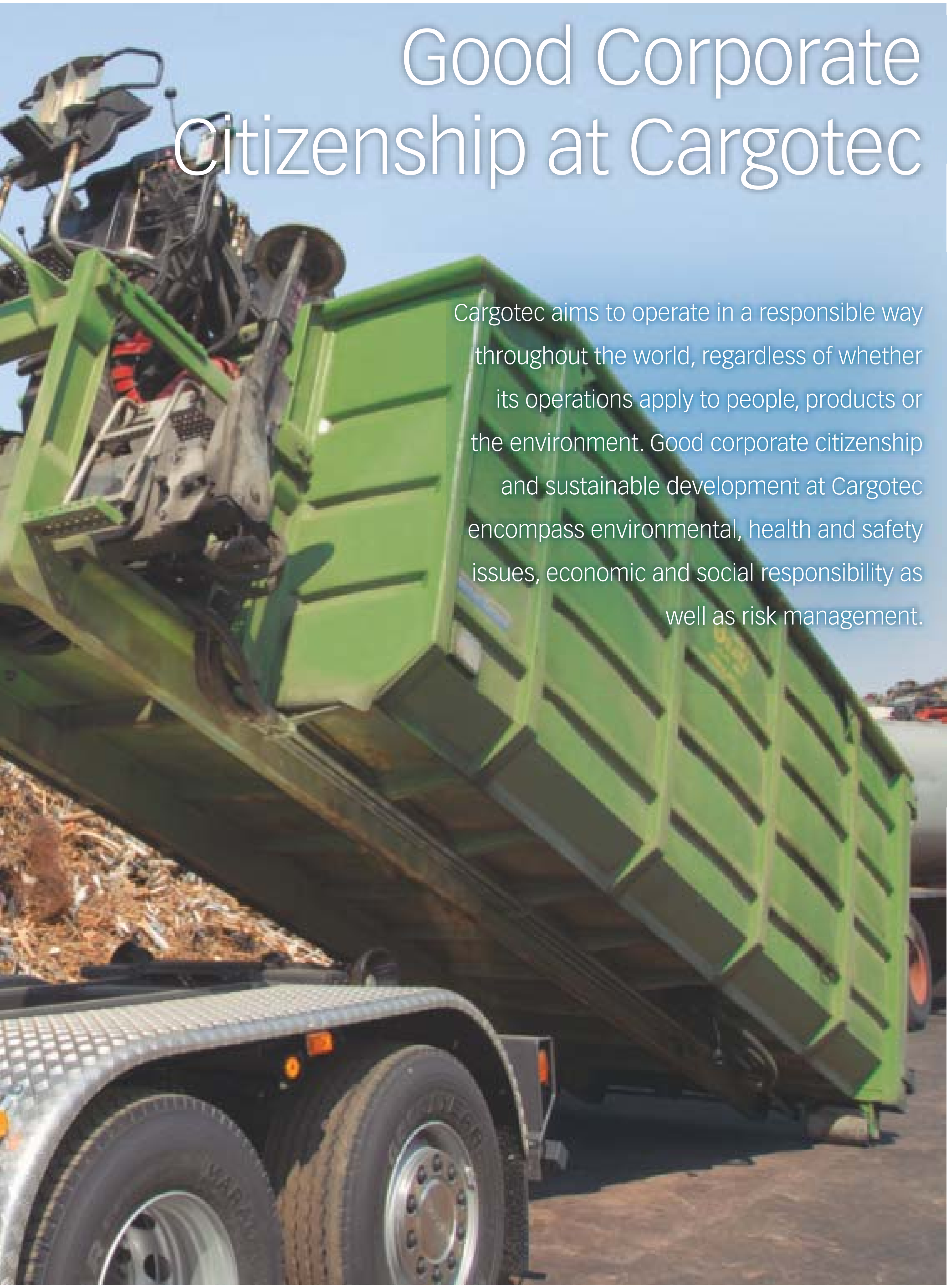
Cargotec Services

Cargotec's extensive service offering close to customers ensure the continuous usability of cargo handling equipment. By strengthening its service business, Cargotec meets its customers' needs in a comprehensive manner throughout the world.


MULTILIFT XR
XR21Z

Good Corporate Citizenship at Cargotec

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



Principles of Sustainable Development

The key to Cargotec's own success is its customers' success. Cargotec is committed to its customers in the long term with the purpose of meeting their expectations, including in terms of sustainable development.

The most important international principles of sustainable development supported by Cargotec include:

- The UN Declaration of Human Rights
- Global Compact, the UN global corporate responsibility initiative
- The ILO Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises

In addition to these, Cargotec has signed the Business Charter for Sustainable Development by the International Chamber of Commerce (ICC).

Operations in compliance with sustainable development play an important role in the global operating environment and future cargo handling solutions. Mounting efficiency requirements are being placed on the transport of consumer and industrial goods, in addition to which attention is being paid to the safety, usability and energy efficiency of products and services as well as the minimisation of emissions. At Cargotec, 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 essential part in Cargotec's entire supply chain, the Company pays special 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. In their business operations, subcontractors and suppliers are expected to abide by international human rights as well as rules and practices related to environmental issues. Cargotec seeks to promote sustainable development among its subcontractors and suppliers.

Container Handling Presented at the Finnish Science Centre Heureka

Cargotec is sponsoring the Ships and the Sea Exhibition at the Finnish Science Centre Heureka in Vantaa, near Helsinki. The exhibition informs visitors about ships, ports, navigation and mariners through concrete examples.

Through this sponsorship, Cargotec is targeting children and young people in particular, seeking to present its cargo handling operations in ports and on vessels with the aim of stimulating interest in this field as a possible future employer.

Within the exhibition, Cargotec is sponsoring a container reachstacker simulator created in cooperation with experts from Kalmar. Reachstackers are used for stacking containers in small- and mid-sized terminals, where versatile container-handling equipment is required. At Heureka, exhibition visitors can pick up a container in accordance with the instructions provided by the simulator and move it to the desired location while sitting in a real reachstacker control cabin. Furthermore, visitors can watch videos presenting container handling equipment at work in various ports.

The Heureka Science Centre attracts over 200,000 visitors every year. The Ships and the Sea Exhibition was opened in September 2007 and will remain open until January 2009 after which it will possibly be hired out to foreign science centres over several years. Cargotec's container reachstacker simulator has proven one of the most popular attractions of the exhibition.

Division of Responsibility Related to Sustainable Development

Cargotec's Corporate Governance Principles define its management and governance principles. Sustainable development is increasingly reflected in operational planning and control, with business areas and units being in charge of its practical implementation. In 2007, Cargotec continued to define company-wide indicators and create uniform reporting principles and data collection systems, as part of its efforts to steer sustainable development practices within its various units. Internal data collection and reporting was initiated in the Company's most important production units.

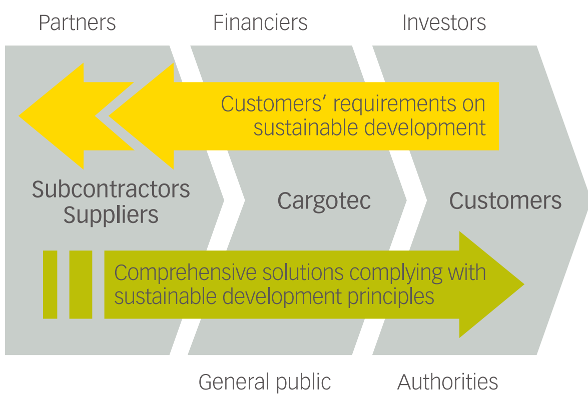
Responsible persons have been nominated for the various sub-areas of sustainable development, such as human resources, environmental, health and safety, and risk management. The Company is drawing up plans for the most important actions related to sustainable development, the key factors lying in the identification and consideration of the effects of products and operations throughout their life cycles.

Ethical Guidelines and Policies

In the spring of 2007, Cargotec's Board of Directors approved and adopted a Code of Conduct for the entire Company, which defines shared ethical principles and practices and determines Cargotec's role as a responsible member of the local and global communities of which the Company forms a part. Staff training related to the implementation of the Code of Conduct was arranged comprehensively around the world during 2007.

In addition to the Code of Conduct, Cargotec applies company-wide policies to its human resources, environmental, health and safety, and risk management issues. Cargotec is currently updating the structure and content of these operating policies. The most important operating policies are approved by the Company's Board of Directors.

In order to implement these policies, business areas have adopted an array of practical tools, such as standardised, international quality, environmental, and health and safety management systems.



Environment

Cargotec is committed to operating in a responsible manner and taking environmental considerations into account in all decision-making related to its business operations. The Company develops environmentally advanced cargo handling solutions that meet customer needs.

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

Environmental Requirements during Product Development

Through its products and service offering, Cargotec aims to help its customers improve their environmental performance. 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 minimisation of emissions and noise levels 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.

Quality and Environmental Management Systems Applied

Adherence to environmental norms based on the legislation in force is a fundamental part of Cargotec's environmental work. 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 include detailed 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 purchasing agreements and carries out quality audits, which increasingly include environmental issues, at its partners' locations.

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

Operational guidelines related to the management of environmental issues are included in the quality systems of most of MacGREGOR units.

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

During 2007, Cargotec defined shared environmental indices and began to collect environmental data from its major sites. These indices are related to the use of energy, water and materials, emissions and waste, and compliance matters. The systematic monitoring of environmental matters and the related internal reporting enhance Cargotec's ability to identify any substantial environmental effects arising from its operations and, in this way, steer its operations in a more efficient direction with fewer environmental effects.

Cargotec Promotes the Protection of the Baltic Sea

Cargotec wishes to contribute to the future wellbeing of the environment and has selected the Baltic Sea as its main environmental protection target.

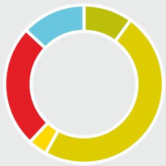
Material flows and sea transportation are an essential part of Cargotec's global business operations. For centuries, the Baltic Sea has been a major trade route between east and west and an important link joining the various countries and cultures around it. By supporting the protection of the Baltic Sea, Cargotec wishes to promote its conservation as a natural recreational area and a vital operating environment.

The Baltic Sea is the world's most polluted sea. Eutrophication caused by various types of pollutant emissions as well as the spread of toxic substances in the marine environment are regarded as the main causes of recent changes in the Baltic Sea's ecosystem. The most visible indication of this is the extensive cyanobacteria blooms that have become common in the Gulf of Finland almost every summer.

In early 2007, Cargotec made a donation to the John Nurminen Foundation's Clean Baltic Sea Fund. The purpose of this project was to finance the implementation of a chemical phosphorus removal system in St. Petersburg's largest wastewater treatment plant, which was introduced in October 2007. Cutting the amount of phosphorus carried into the sea by wastewater is the key to the reduction of eutrophic loading and the mass occurrences of cyanobacteria in the Gulf of Finland. According to research evidence, phosphorus removal is the most cost-effective individual measure which would improve the condition of the Gulf of Finland.

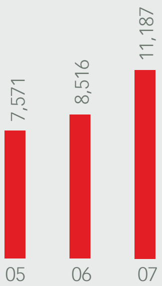
Cargotec is sponsoring the operations of the Baltic Sea Action Group (BSAG), whose establishment is currently being planned. The purpose of BSAG is to improve the condition of the Baltic Sea by creating the prerequisites for such an improvement and launching projects which are both practical and profitable in the long term and that attract private and public sector players and financiers from the Baltic Sea countries. The aim is to accelerate the progress of Baltic Sea conservation projects by enhancing international cooperation between researchers, decision-makers, financiers and executors.

Employees by Function



Sales 10%
Product Supply 48%
R&D 4%
Service 25%
Support 13%

Number of Employees at the End of Period



Personnel

People are the most important asset for Cargotec's strategic development and growth. Cargotec aims to attract and retain the best people in the industry in order to maintain its market position.

Cargotec's business strategy creates the basis for its future success and is also the starting point in its people strategy. Cargotec's Board of Directors approved a new people strategy in June 2007 to meet the challenges posed by the globally increasing personnel.

Human Resources Management and People Strategy

In 2007, Cargotec strengthened its global human resources management, whose task it is to design and realise an action plan based on the people strategy as well as agree on the related focus areas, which are then implemented by local human resources units worldwide.

The aim of Cargotec's people strategy is that its employees be committed to working in line with the corporate strategy, be experts in their field and feel motivated by their work. Employees' commitment is supported by providing interesting job and development opportunities. The basic principle is that a motivating reward system, clear objectives as well as an open communication and leadership culture together create a good working environment.

Personnel Structure and Changes in 2007

On December 31, 2007, Cargotec had a total of 11,187 employees, an increase of 2,671 persons from 2006. 15 percent of the employees were female and 85 percent male. 3 percent of Cargotec's total employees worked part time and 97 percent full time.

Acquisitions concluded by Cargotec in 2007 significantly increased the number of personnel in Europe and Asia. In addition, new personnel were recruited for various opera-

tions in Asia Pacific and Europe. In the United States, the Company had to restructure operations and reduce personnel at its load handling equipment production units in line with weakening market demand.

In 2007, Cargotec adopted a new, shared reporting practice providing more extensive information on employees to support its decision-making on a global level. Moreover, the implementation of a global human resources information system was evaluated.

Compensation

Cargotec rewards its employees through various incentive systems. In 2007, the annual salary review process was enhanced by harmonising guidelines for handling salary reviews.

Cargotec has a top management incentive programme which defines both short- and long-term targets. The incentive programme consists of a long-term, share-based reward system and the top management's bonus scheme that comprises both financial and personal targets. Furthermore, Cargotec's local units have collective incentive schemes based on the unit's financial and productivity targets. During the financial period, salaries and remunerations to employees totalled EUR 356 million.

Human Resources and Competence Development

In 2007, Cargotec's people strategy action plan focused on the design and introduction of a people development and training framework as well as the development of uniform processes and tools supporting the activities of the human resources management. Other focus areas included talent management and recruitment.

A performance management process and the related tools were developed for Cargotec during 2007. The purpose of this process is, in cooperation with supervisors, to align the setting of employees' individual targets and determining personal development plans with business strategy and goals. In 2007, the new system was implemented among Cargotec's top management, and will be gradually extended to cover the entire personnel.

The annual management review process targeted at managers and key personnel was enhanced by developing methods and tools helping supervisors to identify key experts and future leaders more effectively. Furthermore, the succession plans for key assignments were revised. During the report year, Cargotec developed its recruitment process and methods with the aim of utilising Cargotec's global organisation to promote job rotation. Cargotec also invested in its external employer image by increasing its visibility in the labour market and cooperating with universities and other educational institutions at, for instance, fairs.

In 2007, uniform guidelines for global assignments were drawn up to ensure the application of similar principles and practices to employees on global assignment throughout Cargotec. Furthermore, integration guidelines were standardised for human resources management to ensure the smooth integration of personnel recruited through acquisitions in Cargotec's organisation.

Training Programmes

Training events related to the introduction of the Code of Conduct implemented in Cargotec in 2007 were arranged for approximately 250 supervisors in eight different locations worldwide. At regional personnel training and discussion events supervisors provided employees in their own area of responsibility with necessary training to the Code of Conduct. Cargotec requires that each employee abide by the rules set forth in the Code of Conduct.

Cargotec's human resources competence development consists of both centralised, corporate-level training programmes and local training programmes provided in the various Cargotec countries. In 2007, training was organised locally, based on local employee and business needs.

A common global induction programme, Cargotec Experience, was developed for new employees. The purpose of this programme, which has a similar content in all countries, is to familiarise new employees with Cargotec and its global operations, business areas, products and markets as well as committing them to Cargotec's corporate culture. In 2007, Cargotec Experience was organised seven times in various parts of the world, with almost 200 employees attending the programme.

In 2007, a management training framework was designed for Cargotec, providing training programmes targeted at middle and top management. The Leading the Move programme was expanded from Kalmar to all business areas, focusing on the development of supervisors' leadership skills in a multicultural operating environment and the strategic development of business areas. Furthermore, Cargotec initiated the Sourcing Excellence training programme for sourcing and purchasing managers and key employees. The aim of this programme is to promote uniform sourcing processes and purchasing tools as well as the achievement of shared sourcing strategy synergies within Cargotec.

Hiab continued its Young Potentials training programme, coaching young future talents in supervisor and communication skills. Kalmar carried out a salesforce train-

ing programme that focuses on the development of sales skills in multicultural business operations. Furthermore, the Sales Leadership Master Class, an advanced sales executive training programme, was launched in cooperation with various companies and educational institutions.

Cargotec invested in service training on the basis of the needs of the business areas. MacGREGOR implements a global Service Academy training programme in cooperation with various educational institutions. Service engineers participating in this programme receive tutored training alongside their full-time jobs. Furthermore, Kalmar's training centre in Asia provides technical product training in order to improve the product know-how of service personnel.

Cooperation Increases Interaction

Cargotec applies an employee cooperation 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 organised at corporate and location level. At the locations, cooperation is based on national legislation. Cooperation forums at corporate level include the Cargotec Personnel Meeting in Europe, which consists of personnel representatives from the various EU and EEA countries, in addition to which the Cooperation Committee operates in Finland and the Corporate Information Committee in Sweden. These forums, convening on an annual basis, are joint meetings for personnel and management, while the working committees operating under these forums meet more frequently. In 2007, 14 staff representatives from seven different countries and seven management representatives participated in the Cargotec Personnel Meeting.

Near Future Goals

In 2008, Cargotec will expand both the structure and content of its corporate-wide personnel and management training and development programmes, with a particular emphasis on service training. The new intranet system currently under construction will enhance the provision of virtual e-training for the entire personnel throughout the world. Furthermore, a shared intranet will improve internal communications and support interactive collaboration. The utilisation of personnel competencies and resources will be further improved throughout the organisation by encouraging internal job rotation. Cargotec will continue to develop its recruitment methods to attract the industry's best talents and clarify its employer image to increase its competitiveness as a potential employer.

Cargotec will focus on a mentoring and coaching programme for key personnel while continuing to develop the leadership skills required by a multicultural organisation. Compensation and reward systems will be further unified, and position classifications will be updated. In 2008, Cargotec will conduct a corporate-wide workplace atmosphere and job satisfaction survey, the results of which will be utilised to launch development projects aimed at further improving job satisfaction and committing personnel to the realisation of Cargotec's growth strategy.

Health and Safety

Cargotec is committed to protecting its employees' health and safety at work. The aim is to provide a safe working environment by applying high health and safety standards. Each employee is responsible for protecting him or herself and his or her co-workers, workplace, community and environment. Everyone must also report any deficiencies in occupational health and safety and prevent possible damage or injuries.

The basis for Cargotec's health and safety work is continuous development, with the aim of minimising industrial injuries by means of preventive measures. Health and safety management is being developed by adopting the OHSAS 18001 system and performing regular audits and training. Cargotec will continue to build the OHSAS 18001 system for its production units.

Cargotec has begun to standardise its monitoring of injuries and sick-leave absences. In 2007, the Company also began to collect health and safety indices from its major sites. These results enable a better understanding of the factors affecting health and safety status as well as finding areas of improvement. According to the internal statistics, the most common injuries causing sick leave were hand-related injuries.

Product Safety

Cargotec aims at preventing health and safety risks related to the use of products and services through its continuous product development and quality assurance activities. Product safety matters are part of the product development process, where the focus is on product safety improvements and the safety aspects of equipment throughout the product's life cycle.

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

In 2007, company-wide guidelines for the reporting and handling of damage and injuries were adopted. According to these guidelines, any damage or injury to Cargotec employees or third parties which may be related to Cargotec products is reported to Cargotec's top management. Furthermore, incidences of damage or injury are analysed and corrective measures are implemented to the required extent.

Risk Management

Cargotec's risk management is based on the Company's risk management policy that defines risk management goals, principles and responsibilities. The purpose of risk management is to support the strategy and goals of Cargotec by anticipating potential 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, analysing and controlling potential risks.

Cargotec Applies a Holistic Risk Management Approach

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

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

In 2007, Cargotec continued to implement its holistic risk management action plan. At corporate level, the focus areas of risk management comprise supplementing corporate policies, principles and guidelines while ensuring the comprehensiveness and functionality of risk management throughout Cargotec. Risk management activities and tools are being developed for the Cargotec's key risk areas while data collection, reporting and monitoring indicators are being further developed to enhance risk management and ensure its continuous improvement.

Risk Management Organisation

Cargotec's President and CEO and the Executive Board are responsible for the Company's risk management activities and their implementation and control, and report to the Board of Directors. The Company has an Internal Audit function which is responsible for internal control and business risk auditing. The Internal Audit reports to the Audit Committee. Cargotec's Risk Management function creates and develops company-wide risk management principles, operating models and tools, and supports their application and implementation in the business areas and units. It is the task of the Corporate Treasury function to manage financial risks centrally, while business areas and units are responsible for managing the risks involved in their own operations. Matters related to risk management are systematically evaluated during the various business units' quality and environmental system audits and management reviews, and as part of corporate restructuring.

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, acquisitions, and dealers' and subcontractors' activities.

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

Risk Management Responsibilities

Risk category	Risks	Responsibility
Strategic risks	– Business development risks – Business environment risks – Market risks – Technology risks – Political, economic, cultural and legislative development – Brand	– Board of Directors – President and CEO – Executive Board – Business Area Management
Financial risks	– Currency risks – Interest rate risks – Liquidity and funding risks – Credit and counterparty risks – Operational risks of the Treasury Function	– Corporate Treasury – Business Area and Unit Management
Operational risks	– Product integrity risks – Supplier risks – Information security risks – Quality – Contract management – Property risks – Business continuity and crisis management – Social risks/compliance – Crisis situations	– Business Area and Unit Management – Risk Management – Internal Audit – Human Resources – Corporate IT – Quality Management – Global Sourcing
Hazard risks	– Occupational health and safety – Insurance and claims handling – Personnel security risks – Premises security risks – Natural catastrophes – Environment	– Unit Management – Health and Safety Organisation – Property Management – Risk Management

Financial Risks

Cargotec's treasury operations and financial risk management principles are defined in the Corporate Treasury Policy. The Company's financial risks are centrally managed and administered by the Corporate Treasury, which draws up financial risk reports for the Company management on a regular basis. Financial risks arising from Cargotec's business activities include currency, interest rate, refinancing and liquidity, counterparty and operative credit risks. The Company seeks to protect itself against these risks in order to ensure a financially sound basis for developing its business operations. 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. The materialisation of such risks may lead to bodily injuries, property damage, business interruption or product liability claims. Cargotec's main activities related to the management of these risks are related first and foremost to increasing product safety and information security and assuring business continuity.

With respect to key person risks, succession plans for leadership and key assignments are updated on an annual basis.

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

Cargotec's Risk Management Activities in 2007

In 2007, Cargotec performed an identification and analysis of supplier risks and IT risks and continued to perform risk assessments related to supplier and other business interruption risks. The dependency risk tool implemented in the said assessments has been delivered to the various business units for continuous risk monitoring and control purposes and as a basis for planning the measures required.

In 2007, a programme was launched to evaluate and develop the business units' risk management level. The related unit-specific risk assessments cover the business sites' operative risks and hazard risks and are performed in all major sites at regular intervals. In 2007, risk assessments were performed in ten business sites in line with the programme. Based on their results, the units' key development areas in the field of risk management are related to information security and continuity planning.

Furthermore, assessments related to transport risks were carried out in various business units. The purpose of such assessments is to prevent loss or damage in the various stages of the transportation logistics process. Moreover, claims handling was harmonised and specific guidelines were drawn up in order to make the related control and monitoring more efficient. Claims reports provide up-to-date summaries of loss or damage occurrences and trends.

Cargotec initiated the comprehensive collection of environmental and health and safety data aimed at providing information supporting Company risk management. During the first stage, the applicability and development needs of the data collection system have been analysed in a number of key production sites selected as pilot units.

The purpose of information security and risk management is to ensure the confidentiality, integrity and availability of critical business data. During 2007, Cargotec redefined its Information Management (IM) Strategy in order to support its business strategy and meet future business requirements. The IM Strategy consists of IT Infrastructure, Information Systems (IS) and Information Security strategies as well as an IT/IS Governance model for business-aligned IT/IS decision making.

In 2007, several actions for improving IT infrastructure security and information security awareness were initiated by, for instance, continuing and intensifying the implementation of a company-wide Information Security Policy and various technical standards related to information security.

Development areas have been identified in mobile users' information security, ensuring the security of newly acquired companies and the common data network.

Efforts to build up a corporate IT continuity planning framework have also been initiated. Other focus areas in the near future include information system risk assessments and increasing general information security awareness.

The purpose of Cargotec's product development is to maintain and develop its products' technical and safety 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 ("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 Shareholders' Meeting, the Board of Directors ("the Board"), and the President and CEO. Cargotec complies with the insider guidelines of the OMX Nordic Exchange Helsinki as well as the Corporate Governance Recommendation for Listed Finnish Companies issued by the Stock Exchange, the Central Chamber of Commerce, and the Federation of Finnish Industries, EK, which came into force on July 1, 2004.

Shareholders' Meeting

Cargotec's administrative body with the highest decision-making power is the Shareholders' Meeting that is convened by the Company's Board. According to the Articles of Association, the Annual General Meeting ("AGM") shall be held annually within three months after the closing of the financial period, on a day designated by the Board. An Extraordinary Shareholders' 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 Shareholders' 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 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 a notice 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 notice specifies the matters to be considered by the meeting as well as the proposals by the Board to the meeting. The shareholders must register for the meeting in a manner specified in the notice.

The names of the candidates to Cargotec's Board are published in connection with the notice of the Shareholders' 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, 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 notice 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 Shareholders' Meeting.

It is the Company's aim that all members of the Board and the President and CEO be present in the Shareholders' Meeting, and that a candidate standing for the Board for the first time attend the Shareholders' 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, 2007, the AGM was held on February 26, 2007.

Shareholder Rights

A shareholder has the right to attend the Shareholders' Meeting if he or she has been entered into the register of shareholders at least ten days before the meeting and if the shareholder has declared to the Company his/her intention to attend in the manner specified in the notice of the Shareholders' Meeting. A holder of nominee-registered shares can also attend the Shareholders' Meeting by registering him/herself in the register of shareholders and declaring to the Company his/her intention to attend the meeting. A shareholder has the right to raise issues for consideration by the Shareholders' Meeting if he or she so requests in a written notification to the Board in good time for the matter to be included in the notice of the Shareholders' Meeting. In the Shareholders' Meeting, all shareholders have the right to raise questions and propose resolutions. A dividend will be paid to any shareholder who is registered in the Company's shareholder register on the record date of the dividend payment.

Board of Directors

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

Cargotec's AGM of February 26, 2007 confirmed the number of members in the Board as six according to the proposal of the Nomination and Compensation Committee. Carl-Gustaf Bergström, Henrik Ehrnrooth, Tapio Hakakari, Ilkka Herlin, Peter Immonen and Karri Kaitue were re-elected as regular members of the Board.

In its organisational meeting, the Board elected Ilkka Herlin to continue as Chairman of the Board and Henrik Ehrnrooth to continue as Deputy Chairman. Kari Heinistö, Deputy CEO, acts as Board secretary.

With the exception of Carl-Gustaf Bergström, the Board members are independent of the Company and, with the exception of Ilkka Herlin, also independent of significant shareholders in the Company. Carl-Gustaf Bergström served as the Company's President and CEO until 2006. 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 Board members are presented on page 46 and their share and option holdings on December 31, 2007 on page 45 of this Annual Report. Up-to-date information on the shares and option rights held by Board and management is available on Cargotec's website at www.cargotec.com/investors.

Cargotec's Board is responsible for the management and the proper organisation 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's 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 decides 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.

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

Cargotec's Board convened nine times during 2007 with an attendance rate of 100 percent.

Committees of the Board of Directors

Three permanent committees assist Cargotec's Board in its work: the Audit Committee, the Nomination and Compensation Committee, and the Working Committee. The Board elects the members and Chairman of the committees from among its members and confirms the committees' charters. The committees have no autonomous decision-making power. They 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 Company in accordance with its charter by, among other activities, assessing the adequacy and appropriateness of the Company's internal control and risk management as well as handling internal audit plans and reports. Furthermore, the Committee prepares a proposal to the AGM 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 jeopardise 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 Company's Director of Internal Audit, 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 2007, 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 six 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 AGM concerning the composition and remuneration of the Board. Furthermore, the Committee prepares a proposal to the Board 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 and presenting to the Board stock option, share, and other employee incentive programmes as well as preparing proposals concerning the Company's voluntary pension schemes.

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 2007, 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.

Working Committee

In its organisational meeting of February 26, 2007, the Board decided to establish a Working Committee, the tasks of which are to monitor the Company's financial status, prepare strategic issues for consideration by the Board and monitor their implementation.

The Working Committee consists of a minimum of three Board members. In 2007, Ilkka Herlin acted as chairman of the Committee, with Tapio Hakakari and Peter Immonen as members. The Committee convened ten times during the financial period.

President and CEO and the Executive Board

The Board elects Cargotec's President and CEO and determines the terms of employment. Mikael Mäkinen has been Cargotec's President and CEO since 2006.

Cargotec's President and CEO is responsible for ensuring that the targets, plans, guidelines, and goals set by the Board 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 Deputy CEO 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. 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. As of October 1, 2007, Pekka Vauramo, M.Sc. (Eng.), was appointed President of Cargotec's Kalmar business area. Kalmar's previous President, Christer Granskog, retired at the end of 2007 in accordance with his service contract.

The President and CEO and other members of the Executive Board are presented on page 48 of this Annual Report. Their share and option holdings on December 31, 2007 are presented on page 45 of this Annual Report while up-to-date information on these holdings is available on the Company's website at www.cargotec.com/investors.

Compensation

The Shareholders' Meeting decides on the remuneration of the members of the Board. The Board 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.

Cargotec's AGM of February 26, 2007 decided to keep the remunerations of the Board at the previous year's level. The monthly remuneration is EUR 5,000 for the Chairman, EUR 3,500 for the Deputy Chairman and EUR 2,500 for the other Board members. 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 2007, a total of EUR 279,720 was paid in Board remunerations.

The salaries, bonuses and other monies paid to members of the Board, the President and CEO, and the Deputy CEO during the financial period were EUR 2,363,112. For a more detailed specification of the salaries and remunerations paid to these persons, see Note 31 of the Financial Statements.

Compensation for Cargotec's 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 under authorisation by 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.

Seven members of the Executive Board and Cargotec's previous President and CEO and present member of the Board, Carl-Gustaf Bergström, were covered by the Company's top management incentive scheme that ended in March 2007. As part of this scheme, a total of 6,000 of Cargotec's 2005B option rights were distributed to them, in addition to which they received an amount corresponding to the value of the synthetic options related to the scheme plus a cash bonus totalling MEUR 2.9.

In January 2007, Cargotec's Board decided on a new share-based incentive programme for Cargotec's key managers for the period 2007–2011. At the end of 2007 the programme covered 66 individuals, including the members of Cargotec's Executive Board. The purpose of the programme encouraging share ownership is to align the interests of key managers to Cargotec's strategy and financial targets as well as contribute to making them long-term shareholders of the Company. The programme offers key managers a possibility to earn a reward in Cargotec class B shares based on accomplishment of set targets.

The incentive programme consists of four earnings periods, of which the first is two years and the following three periods one year each. The Board decides on the target group of the earnings period and their maximum reward at the beginning of each earnings period. Potential rewards from the incentive programme during 2007–2011 are based on achievement of five-year sales and operating income targets as defined in Cargotec's strategy. The rewards will be paid during 2009–2012 partly in class B shares and partly in cash. The cash portion is dedicated to cover possible taxes and tax-related payments resulting from the reward. The shares distributed as reward will contain a prohibition to hand over or sell the shares within one year of the end of an earnings period with the exception of the final earnings period when no prohibitions are included. The maximum amount to be paid out as shares is 387,500 class B shares currently held by the Company as treasury shares.

Compensation for Cargotec's President and CEO, Mikael Mäkinen, comprises a fixed base salary and a bonus, which is based on the achievement of Cargotec's financial and personal targets. Mäkinen's base salary for the financial year 2007 was EUR 506,689 including benefits. Mäkinen's bonus for the same period was EUR 166,550. He has been granted 1,000 Cargotec 2005B option rights and he is a member of the Company's top management incentive scheme decided upon in January 2007.

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 a compensation for termination of employment corresponding to 6–12 months' salary. One member of the Executive Board is entitled to retire at the age of 60.

In this case, the pension received corresponds to 60 percent of the total average annual salary excluding shared incentive programmes in the last ten full years of service. This arrangement has been covered with insurances taken out by the Company.

During the financial year 2007, Cargotec granted a loan of EUR 2 million to Moving Cargo Oy, a company jointly-owned by the Executive Board for financing an incentive programme for the Executive Board. For further information on the terms of the loan, see Note 31 of the Financial Statements. Cargotec has not granted other special benefits nor made other 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 on a regular basis. Cargotec's financial period is the calendar year.

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

The auditors are elected annually by the AGM and their assignment expires at the end of the first AGM 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 AGM of February 26, 2007 elected authorised public accountants Johan Kronberg and Pricewaterhouse-Coopers Oy as auditors of Cargotec according to the proposal of the Audit Committee of Cargotec's Board. PricewaterhouseCoopers nominated Authorised Public Accountant Jouko Malinen as its principal auditor.

Auditors' fees are compensated against an invoice. For the financial period, the Cargotec companies' audit fees totaled EUR 2.5 (2006: 2.3) million, while EUR 1.9 (2006: 0.9) million was paid in non-audit fees to the auditing firm.

Internal Audit

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 Audit function controls the operations of the Company's major subsidiaries and other units on a regular basis and is responsible for internal control and business risk auditing. The Company's Internal Audit function reports on audit results to the Board's Audit Committee.

Code of Conduct

In the spring of 2007, Cargotec's Board approved and adopted a Code of Conduct for the entire Company. The Code determines how Cargotec personnel are expected to behave in their daily work, internally with their colleagues, and externally with customers and other stakeholders. The Code explains Cargotec's role as a responsible member of the local and global communities that the Company is part of. The Code of Conduct is available on the Company's website at www.cargotec.com/about, under the section Sustainable Development.

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 OMX Nordic Exchange Helsinki, in addition to which the Board has approved internal insider guidelines that are based on the OMX 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 in the Finnish Central Securities Depository's SIRE system.

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.

Communications

Cargotec keeps in touch with its stakeholders by means of open communication and dialogue while attending to its stakeholder relations in a sincere, impartial and confidential manner. However, the rules of the stock exchange may restrict communications in various ways.

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' direct share and option holdings and holdings of controlled corporations on December 31, 2007

	Class A shares	Change*	Class B shares	Change*	2006A options	Change*	2006B options	Change*
Ilkka Herlin	2,940,067		4,361,000	301,000				
Carl-Gustaf Bergström			8,000		1,000		3,000	1,000
Henrik Ehrnrooth			60,000	40,000				
Tapio Hakakari			100,900	3,000				
Peter Immonen			34,000	7,000				
Karri Kaitue								

* Changes during the financial year January 1–December 31, 2007.

Cargotec's Executive Board's direct shareholdings, option holdings and holdings of Moving Cargo Oy, a company jointly-owned by the Executive Board, on December 31, 2007

	Class A shares	Change*	Class B shares	Change*	2006A options	Change*	2006B options	Change*
Mikael Mäkinen			11,000	11,000			1,000	1,000
Kari Heinistö			8,000		1,000		1,000	-1,000
Lauri Björklund			0	-4,000				
Harald de Graaf			9,500	6,425				
Olli Isotalo			1,360	-2,700				
Eeva Mäkelä			5,600	1,500				
Kirsi Nuotto								
Matti Sommarberg			0	-4,000				
Pekka Vartiainen			8,000				1,000	-1,000
Pekka Vauramo								
Moving Cargo Oy			84,354	84,354			5,500	5,500

* Changes during the financial year January1–December 31, 2007 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 Nomination and Compensation Committee and Working Committee
Member of Audit Committee

Chairman of the Board of Directors of Wipunen varainhallinta 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
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 Pöyry Plc, 1997–2003
Executive Board Member of the Pöyry Group, 1996–1997
Chairman of the Board of Directors of Jaakko Pöyry Holding Oy, 1995
Vice Chairman of the Board of Directors of Finvest Plc, 1995–1998
Chief Executive Officer of the Pöyry Group, 1986–1995
President of PEN, Pöyry & Nokia Advanced Engineering, 1984–1985
Employed by the Pöyry Group, 1979–

3. Carl-Gustaf Bergström (b. 1945)
B.Sc. (Econ.), Honorary Mining Counselor
Board member since May 1, 2006
Member of Nomination and Compensation Committee

Member of the Board of Directors of Outotec Oyj and Dacke PMC Holding AB

Member of the Board of Directors of Technology Industries of Finland, 2006–2007
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 Nomination and Compensation Committee and Working Committee

Chairman of the Board of Directors of Enfo Oyj and Esperi Care Oy
Member of the Board of Directors of Etteplan Oyj, Martela Oyj Havator Holding Oy 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

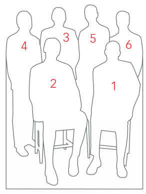
5. Karri Kaitue (b. 1964)
LL. Lic.
Independent member
Board member since July 12, 2005
Chairman of Audit Committee

Vice Chairman of the Board of Directors of Okmetic Group and Outotec 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 Audit Committee
Nomination and Compensation Committee and Working Committee

Chairman of the Board of Directors of WIP Asset Management Oy
Member of the Board of Directors of Mariatorp Oy, Wipunen varainhallinta oy and the Finnish Shareholders Association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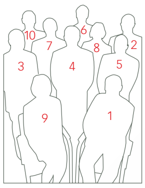
Executive Board



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
Current key positions of trust:
Member of the Board of Directors of Volvo Penta AB and Delta-Sigma Ltd
Member of the Board of Directors of Technology Industries of Finland, 2008–

2. Kari Heinistö (b. 1958)
Deputy CEO, Cargotec Corporation
M.Sc. (Econ.)
Employed by Cargotec Corporation since 1983
Primary working experience:
Chief Financial Officer, 1993–2000
Current key positions of trust:
Member of the Board of Directors of Suomen Autoteollisuus Oy and Scout Foundation

3. 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

4. Pekka Vauramo (b. 1957)
President, Kalmar
M.Sc. (Mining)
Employed by Cargotec Corporation since 2007
Primary working experience:
Employed by Sandvik 1985–2007:
President of the Underground Hard Rock Mining division of Sandvik Mining and Construction (SMC) and member of SMC management team. Sandvik Country Manager in Finland, 2005–2007
President of TORO Loaders division of SMC, 2003–2005
President of Drills division of SMC, 2001–2003

5. Olli Isotalo (b. 1959)
President, MacGREGOR
M.Sc. (Eng.)
Employed by Cargotec Corporation since 1993
Primary working experience:
President, Bromma Conquip AB, 2003–2006
Managing Director, Velsa Oy, 1999–2002
VP, Technology and Production Development, Kalmar Industries AB, 1997–1999

6. Harald de Graaf (b. 1965)
President, Cargotec 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. 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 1977–2002:
SVP, Manufacturing and Purchasing, 1996–2002
Director, Manufacturing and Logistics, KONE Elevators and Escalators, 1993–1996
Current key positions of trust:
Member of the Board of Directors of Nurmi Hydraulics Oy, Dalian Nurmi Hydraulics Co Ltd., Suomen Laatuyhdistys ry and Suomen Konepajainsinööriyhdistys ry
Member of Delegate Council of Helsinki Region Chamber of Commerce

8. Eeva Mäkelä (b. 1973)
Senior Vice President, IR and Communications, Cargotec Corporation (as of Feb 1, 2008: CFO)
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

9. 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

10. 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

Major Stock Exchange and Press Releases Year 2007

January

Jan 2, 2007	Cargotec Receives an Order for over 200 Terminal Tractors from Singapore
Jan 5, 2007	Cargotec Receives Significant Bulk Handling Orders
Jan 8, 2007	Cargotec Receives RTG Order from Brazil
Jan 15, 2007	Cargotec to Acquire Service Company in Balkan
Jan 17, 2007	Cargotec Sets New Financial Targets
Jan 17, 2007	Cargotec Corporation's Board of Directors Decides on Incentive Programme for Key Managers
Jan 17, 2007	Cargotec Expands Load Handling Operations in Eastern Europe
Jan 29, 2007	Cargotec Strengthens Offering to Swedish Industrial Customers
Jan 30, 2007	Cargotec Strengthens its Presence in Australia
Jan 30, 2007	Cargotec Corporation's Financial Statements Review 2006

February

Feb 2, 2007	Cargotec Strengthens Service Set-Up in the U.S.A.
Feb 6, 2007	Cargotec Receives Several Bulk Handling Orders
Feb 13, 2007	Cargotec Receives a Significant Port Equipment Order
Feb 14, 2007	Cargotec Strengthens its Presence in India
Feb 21, 2007	Cargotec Receives Hatch Cover Order from Germany
Feb 22, 2007	Cargotec Funds Earlier Announced Private Placement
Feb 26, 2007	Decisions Taken at Cargotec Corporation's Annual General Meeting
Feb 26, 2007	Cargotec Board of Directors' Organising Meeting
Feb 26, 2007	Cargotec to Start Share Repurchases

March

Mar 6, 2007	Cargotec Establishes Joint Venture for Marine Cargo Handling Equipment in Vietnam
Mar 8, 2007	Cargotec Receives Terminal Tractor Order from Dubai
Mar 15, 2007	Cargotec Expands into Offshore by Acquiring Hydramarine
Mar 29, 2007	Cargotec Continues Expansion into Offshore by Acquiring Plimsoll
Mar 30, 2007	Cargotec Receives RoRo Equipment Orders from Different Ship Yards

April

Apr 5, 2007	Cargotec Receives Record Number of Ship Crane Orders during First Quarter
Apr 23, 2007	Cargotec's Interim Report for January–March 2007

May

May 3, 2007	Cargotec Receives E-One RTG Order from Vietnam
May 14, 2007	Cargotec Acquires Offshore Service Company
May 28, 2007	Cargotec Receives an Order for Four World's Largest Ship Board Twin Cranes
May 30, 2007	Cargotec Acquires Estonian Balti ES

June

Jun 1, 2007	Cargotec to Establish Offshore Division within MacGREGOR
Jun 5, 2007	Cargotec Appoints Pekka Vauramo as President of Kalmar Business Area
Jun 7, 2007	Cargotec Receives Ship Crane and Hatch Cover Order
Jun 12, 2007	Cargotec Signs Service Agreement with Grimaldi Group
Jun 19, 2007	Cargotec Receives Orders for 25 Straddle Carriers
Jun 27, 2007	Cargotec Receives Significant RoRo Equipment Orders from Several Shipowners

July

Jul 2, 2007	Cargotec Receives Orders for 42 Ship Cranes
Jul 5, 2007	Cargotec Receives Orders for 276 Ship Cranes from China and India
Jul 9, 2007	Cargotec Receives Orders for 48 Ship Cranes from China
Jul 13, 2007	Cargotec Acquires a Service Company in the U.S.A.
Jul 17, 2007	Cargotec's CVS Acquisition Put on Hold
Jul 19, 2007	Cargotec's Interim Report for January–June 2007
Jul 20, 2007	Cargotec Secures an Order for Load Handling Equipment from Denmark

August

Aug 6, 2007	Cargotec Receives Order for 30 Straddle Carriers from Italy
Aug 9, 2007	Cargotec Receives Significant Ship Crane Order from China
Aug 14, 2007	Cargotec Receives Offshore Orders Worth Over EUR 55 Million
Aug 27, 2007	German Competition Authority Bans Cargotec's Acquisition of CVS Ferrari
Aug 28, 2007	Cargotec Strengthens its Expertise in Integrated Port Automation Technology
Aug 28, 2007	Cargotec Receives Order for 32 Ship Cranes

September

Sep 13, 2007	Cargotec Receives Order for E-One RTGs from Vietnam
Sep 19, 2007	Cargotec Receives RoRo Equipment Order Worth Over EUR 20 Million from Korea
Sep 24, 2007	Cargotec Receives Ship Crane and Hatch Cover Order from China

October

Oct 3, 2007	Cargotec Receives Offshore Equipment Orders Worth Approximately EUR 60 Million
Oct 18, 2007	Cargotec's Interim Report for January–September 2007

November

Nov 12, 2007	Cargotec Receives Ship Crane Orders from Asia Worth Approximately EUR 70 Million
Nov 22, 2007	Cargotec Receives Order for Two Ship-to-Shore Cranes
Nov 26, 2007	Cargotec Receives an Additional Equipment Order from Container Terminal in Hamburg
Nov 28, 2007	Cargotec Receives Order Worth over EUR 10 Million for Conversion of RoRo Vessel Car Decks

December

Dec 7, 2007	Cargotec Secures a Significant Order for Hooklifts for the German Defence Forces
Dec 10, 2007	Cargotec Receives Order for more than 200 Terminal Tractors from Singapore
Dec 11, 2007	Cargotec Receives Hatch Cover Orders Worth Close to EUR 40 Million from Korea
Dec 17, 2007	Cargotec to Book EUR 18 Million One-Off Cost in Fourth Quarter due to Inspection and Repair Programme of Container Spreaders
Dec 18, 2007	Cargotec Receives Offshore Equipment Orders Worth Over EUR 50 million
Dec 20, 2007	Cargotec Receives Ship Crane Orders Worth Close to EUR 140 Million

All the stock exchange releases, stock exchange announcements and press releases for 2007 are available at www.cargotec.com/media.

Board of Directors' Report

Operating Environment

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

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

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

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

Orders Received

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

Hiab

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

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

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

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

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

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

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

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

Kalmar

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

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

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

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

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

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

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

MacGREGOR

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

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

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

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

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

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

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

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

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

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

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

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

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

Cargotec Services

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

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

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

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

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

Order Book

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

Key figures on financial performance, including comparison data, are shown in their entirety under the section "Key Figures" of the Financial Statements.

Sales

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

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

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

Financial Result

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

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

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

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

Balance Sheet, Financing and Cash Flow

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

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

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

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

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

New Products and Product Development

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

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

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

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

Capital Expenditure

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

In the second quarter, Hiab decided to centralise its

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

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

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

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

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

Acquisitions

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

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

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

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

Hiab's Acquisitions

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

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

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

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

Kalmar's Acquisitions

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

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

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

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

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

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

MacGREGOR's Acquisitions

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

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

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

Employees

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

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

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

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

Environment

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

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

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

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

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

Risks and Risk Management

Cargotec's President and CEO and the Executive Board are responsible for the Company's risk management activities and their implementation and control, and report to the Board of Directors. The Company has an internal auditing function which is responsible for internal control and business risk auditing. The internal auditing reports to the Board's Audit Committee. It is the task of the corporate Treasury function to manage financial risks centrally, while business areas and units are responsible for managing the risks involved in their own operations. Matters related to risk management are systematically evaluated during the various business units' quality and environmental system audits and management reviews, and as part of corporate restructuring.

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

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

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

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

For a more detailed description of financial risks, see Note 2 of the Financial Statements.

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

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

Shares and Share Capital

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

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

In a distribution of dividends, the dividend paid on the class B shares is higher than that on the class A shares. The difference between the dividends paid on the different classes of shares is at minimum one (1) percent and at maximum two and one half (2.5) percent, calculated from the accounting par value of the share.

Market Capitalisation and Trading

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

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

During the financial period, approximately 70.9 million Cargotec class B shares were traded on the OMX Nordic Exchange in Helsinki, corresponding to a turnover of approximately EUR 2,880 million. The average daily trading volume was 283,780 shares or EUR 11,518,825 while the relative turnover for the period was 130.0 percent.

Shares Subscribed for under the Option Rights

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

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

For a more detailed description of the option programme, see Note 22 of the Financial Statements.

Cargotec's Financial Targets and Incentive Programme for Key Managers

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

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

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

Potential rewards from the incentive programme during 2007–2011 are based on achievement of five-year sales and operating profit targets as defined in Cargotec's strategy. The rewards will be paid during 2009–2012 in both class B shares and cash. The cash portion is dedicated to cover possible taxes and tax-related payments resulting from the reward. The shares distributed as reward will contain a prohibition to hand over or sell the shares within one year of the end of an earnings period with the exception of the final earnings period when no prohibitions are included. The maximum amount to be paid out as shares is 387,500 class B shares currently held by the Company as treasury shares.

Loans, Liabilities and Commitments to Persons Belonging to the Company's Inner Circle

During the financial year 2007, Cargotec granted a loan of EUR 2 million to Moving Cargo Oy, a company jointly-owned by the Executive Board for the financing of a top management incentive programme. Cargotec has not granted other special benefits nor made other corresponding arrangements with parties belonging to its inner circle.

For further information on the terms of the loan, see Note 31, "Transactions involving the inner circle".

Changes in Cargotec's Executive Board

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

Board of Directors and the President and CEO

The election of the members of the Board of Directors, and of the auditor, and their remunerations, as well as on changes in the Articles of Association are decided by the General Meeting of Shareholders. The Board of Directors elects Cargotec's President and CEO and determines the terms of employment. 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.

Decisions Taken at Cargotec Corporation's Annual General Meeting

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

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

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

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

Authorisations Granted by the Annual General Meeting

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

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

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

Organisation of the Board of Directors

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

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

Share Repurchases

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

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

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

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

For further information on Board authorisations for the purchase of shares, see the section "Shares and Shareholders".

Short-term Risks and Uncertainties

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

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

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

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

Board of Directors' Proposal on the Distribution of Profit

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

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

Outlook

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

Annual General Meeting

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

Helsinki, January 30, 2008
Cargotec Corporation
Board of Directors

Consolidated Financial Statements (IFRS)

Consolidated Income Statement

MEUR	Note	Jan 1–Dec 31, 2007	%	Jan 1–Dec 31, 2006	%
Sales	3, 5	**3,018.2**		**2,597.1**	
Cost of goods sold		-2,376.8		-2,042.7	
Non-recurring items*		-18.0		-	
Gross profit		**623.4**	**20.7**	**554.4**	**21.3**
Gain on sale of property	14	-		17.8	
Other operating income	6	26.8		22.7	
Selling and marketing expenses		-197.4		-168.1	
Research and development expenses		-38.9		-31.3	
Administration expenses		-176.1		-136.6	
Other operating expenses	6	-34.9		-19.4	
Share of associated companies' and joint ventures' net income		0.3		0.9	
Operating profit	3, 7, 8	**203.1**	**6.7**	**240.4**	**9.3**
Financing income	9	16.7		3.6	
Financing expenses	9	-35.5		-12.0	
Income before taxes		**184.4**	**6.1**	**232.0**	**8.9**
Taxes	10	-46.0		-65.9	
Net income for the period		**138.4**	**4.6**	**166.1**	**6.4**
Net income for the period attributable to:					
Equity holders of the Company		136.5		163.9	
Minority interest		1.8		2.2	
Total		**138.4**		**166.1**	
Earnings per share for profit attributable to the equity holders of the Company:	11				
Basic earnings per share, EUR		2.17		2.57	
Diluted earnings per share, EUR		2.16		2.56	
Adjusted basic earnings per share, EUR	11	-		2.37	

* Kalmar business area related container spreader inspection and repair programme

Consolidated Balance Sheet

MEUR	Note	Dec 31, 2007	Dec 31, 2006
Assets			
Non-current assets			
Goodwill	12	670.2	513.3
Other intangible assets	13	81.0	67.2
Property, plant and equipment	14	253.7	217.6
Investments in associated companies and joint ventures	15	4.8	2.4
Available-for-sale investments	16, 19	2.3	1.6
Loans receivable and other interest-bearing assets 1)	19	5.5	0.1
Deferred tax assets	17	55.5	50.7
Derivative assets	29	8.9	5.1
Other non-interest-bearing assets	19, 20	12.0	2.8
Total non-current assets		**1,094.0**	**860.8**
Current assets			
Inventories	18	657.4	528.9
Loans receivable and other interest-bearing assets 1)	19	0.4	0.3
Income tax receivables		18.3	7.0
Derivative assets	29	50.8	22.5
Accounts receivable and other non-interest-bearing assets	19, 20	582.8	444.2
Cash and cash equivalents 1)	19, 21	179.0	124.3
Total current assets		**1,488.7**	**1,127.2**
Total assets		**2,582.6**	**1,988.0**

1) Included in interest-bearing net debt

MEUR	Note	Dec 31, 2007	Dec 31, 2006
Equity and liabilities			
Equity attributable to the equity holders of the Company			
Share capital		64.2	64.0
Share premium account		97.4	96.0
Treasury shares		-70.0	-23.9
Translation differences		-29.6	-12.0
Fair value reserves		19.9	10.5
Retained earnings		808.7	734.2
Total equity attributable to the equity holders of the Company	22, 23	**890.6**	**868.8**
Minority interest		6.1	8.0
Total equity		**896.7**	**876.8**
Non-current liabilities			
Loans 1)	19, 24	433.3	195.0
Deferred tax liabilities	17	38.5	30.5
Pension obligations	25	35.2	36.2
Provisions	26	38.4	30.3
Derivative liabilities	29	14.9	3.1
Other non-interest-bearing liabilities	19, 27	53.2	15.9
Total non-current liabilities		**613.6**	**311.0**
Current liabilities			
Current portion of long-term loans 1)	19, 24	3.5	4.8
Other interest-bearing liabilities 1)	19, 24	51.6	32.4
Provisions	26	70.8	42.6
Income tax payables		46.9	39.5
Derivative liabilities	29	17.6	15.7
Accounts payable and other non-interest-bearing liabilities	19, 27	882.0	665.2
Total current liabilities		**1,072.4**	**800.2**
Total equity and liabilities		**2,582.6**	**1,988.0**

1) Included in interest-bearing net debt

Consolidated Statement of Changes in Equity

	Attributable to the equity holders of the Company								
MEUR	Share capital	Share premium account	Treasury shares	Translation differences	Fair value reserves	Retained earnings	Total	Minority interest	Total equity
Equity on 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
Net income recognized directly in equity	-	-	-	-16.9	20.8	-	3.9	-0.8	3.1
Net income for the period						163.9	163.9	2.2	166.1
Total recognized income and expenses for the period	-	-	-	-16.9	20.8	163.9	167.8	1.4	169.2
Dividends paid						-41.3	-41.3		-41.3
Shares subscribed with options	0.1	0.9					1.1		1.1
Acquisition of treasury shares			-18.9				-18.9		-18.9
Share-based incentives, value of received services*						0.1	0.1		0.1
Other changes							-	-0.6	-0.6
Equity on Dec 31, 2006	**64.0**	**96.0**	**-23.9**	**-12.0**	**10.5**	**734.2**	**868.8**	**8.0**	**876.8**
Gain/loss on cash flow hedges booked to equity*					18.5		18.5	0.0	18.5
Gain/loss on cash flow hedges transferred to IS					-9.1		-9.1	0.0	-9.1
Translation differences				-17.6			-17.6	-0.7	-18.3
Net income recognised directly in equity	-	-	-	-17.6	9.4	-	-8.2	-0.7	-8.9
Net income for the period						136.5	136.5	1.8	138.4
Total recognised income and expenses for the period	-	-	-	-17.6	9.4	136.5	128.4	1.1	129.5
Dividends paid						-63.2	-63.2	-0.5	-63.7
Shares subscribed with options	0.2	1.3					1.5		1.5
Acquisition of treasury shares			-46.1				-46.1		-46.1
Share-based incentives, value of received services*						1.2	1.2		1.2
Other changes							-	-2.5	-2.5
Equity on Dec 31, 2007	**64.2**	**97.4**	**-70.0**	**-29.6**	**19.9**	**808.7**	**890.6**	**6.1**	**896.7**

* Net of tax

Consolidated Cash Flow Statement

MEUR	Note	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Net income for the period		138.4	166.1
Depreciation		59.8	40.5
Gain on disposals, property	14	-	-17.8
Financing items and taxes		64.7	74.3
Change in receivables		-118.4	18.0
Change in payables		198.5	18.2
Change in inventories		-107.6	-48.9
Other adjustments		-0.4	-0.6
Cash flow from operations		**235.1**	**249.8**
Interest received		5.6	5.4
Interest paid		-12.0	-11.5
Dividends received		0.0	0.0
Other financial items		-12.5	-1.7
Income taxes paid		-43.6	-43.3
Cash flow from operating activities		**172.6**	**198.7**
Capital expenditure		-90.8	-69.3
Proceeds from sales of fixed assets	14	12.5	41.7
Acquisitions, net of cash	4	-172.5	-89.1
Proceeds from divested operations, net of cash	4	-	0.0
Cash flow from investing activities, other items		-13.5	0.9
Cash flow from investing activities		**-264.3**	**-115.8**
Proceeds from share subscriptions		1.5	1.1
Acquisition of treasury shares		-46.1	-18.9
Proceeds from long-term borrowings		274.5	0.1
Repayments of long-term borrowings		-29.5	-25.9
Proceeds from short-term borrowings		40.8	15.9
Repayments of short-term borrowings		-31.5	-7.6
Dividends paid		-63.8	-41.3
Cash flow from financing activities		**145.9**	**-76.6**
Change in cash		**54.2**	**6.3**
Cash, cash equivalents and bank overdrafts at the beginning of period	21	114.5	111.2
Effect of exchange rate changes		-1.1	-3.0
Cash, cash equivalents and bank overdrafts at the end of period	21	**167.5**	**114.5**
Bank overdrafts at the end of period		11.4	9.8
Cash and cash equivalents at the end of period		**179.0**	**124.3**

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. Its registered address is Sörnäisten rantatie 23, 00500 Helsinki, Finland. Cargotec is the world's leading provider of cargo handling solutions, whose products are used in the various stages of material flow in ships, ports, terminals, distribution centres and local transportation.

Cargotec Corporation was formed through the demerger of Kone Corporation on June 1, 2005 when it was also listed on the Helsinki Stock Exchange. The company comprises three business areas: Hiab, Kalmar and MacGREGOR. Since its listing on the stock market, Cargotec has been developed through acquisitions and by strengthening the service offerings provided by its business areas.

These consolidated financial statements were approved for publication by the Board of Directors on January 30, 2008. 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. Furthermore, the General Meeting also has the right to amend the financial statements. A copy of the annual report is available on the Internet at www.cargotec.com and a copy of the consolidated financial statements and the parent company's financial statements from Cargotec Corporation's head office, at Sörnäisten rantatie 23, 00500, Helsinki, Finland.

Accounting Principles

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) approved by the European Union. Financial information is presented in millions of euros and business transactions are based on the purchase method unless otherwise stated. All figures presented have been rounded, due to which the sum of individual figures may deviate from the presented sum total.

Cargotec has applied the following new and amended standards and interpretations as of January 1, 2007:

– IFRS 7, Financial Instruments: Disclosures
– IAS 1 (Amendment) Presentation of Financial Statements – Capital Disclosures
– IFRIC 10, Interim Financial Reporting and Impairment
– IFRIC 11, IFRS2 – Group and Treasury Share Transactions

Consolidation Principles

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

All inter-company transactions, receivables, liabilities, unrealised profits and the distribution of profits within the Group have been eliminated in the consolidated financial statements. The distribution of net income for the period to equity holders in the parent company and to minority interests is presented in the income statement. Equity attributable to minority interests is disclosed as a separate item under equity.

Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date of obtaining control, and divested subsidiaries up to the date of handing over control.

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 on 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 financing 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 the 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 using the balance sheet date exchange rate. Translation differences due to different exchange rates are recorded in equity.

Translation differences caused by the elimination of shareholdings in foreign subsidiaries and translation differences from equity items recognised after the acquisition date are recorded as a separate item under equity. When a subsidiary is sold, accumulated translation differences are recognised 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, and assets and capital expenditure by the geographical location of the assets.

Revenue Recognition

Sales include 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 recognised when the work has been carried out and revenues from short-term services when the service has been rendered. Income from leases is recognised on a straight-line basis over the lease term.

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 the percentage of completion method are not met, costs are recognised as incurred and revenues to the extent that corresponding costs are expected to be recovered. Possible contract losses are recognised as an expense immediately.

Research and Development Costs

Research and development costs are mainly expensed when incurred, since the future financial benefits of new products are proven at such a late stage that the portion to be activated is immaterial and, hence, the costs are not activated. However, development costs fulfilling predetermined financial and technical feasibility criteria are activated. Development costs activated in the balance sheet consist mainly of materials, supplies, direct labour costs and the related overhead costs. These are depreciated on a straight-line basis over their economic useful life.

Income Tax

Tax expenses in the income statement include 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 recognised directly under equity are similarly recognised directly under equity. Deferred tax assets or liabilities consist of temporary differences between financial reporting and taxation calculated based on the effective prevailing tax rates. Temporary differences arise from e.g. defined benefit pension plans, provisions, the elimination of inter-company inventory profits, depreciation differences in tangible assets, untaxed reserves, tax losses carried forward and fair value adjustments in the assets and liabilities of acquired companies. Deferred tax assets relating to tax losses carried forward and other temporary differences are recognised only to the extent that it is probable that future taxable profits will be available against which unused tax losses can be utilised.

Goodwill

Acquired companies are accounted for using the purchase method, according to which the assets and liabilities of acquired companies are measured at fair value upon 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, on at least an annual basis, using the 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 recognised in the income statement.

Other Intangible Assets

Other intangible assets include patents, trademarks, licenses, software, acquired order books and customer relationships. Intangible assets acquired in a business combination are valued at fair value on the acquisition date. Intangible assets with definite useful lives are stated at cost less accumulated amortisations and impairment losses, if any. These assets are amortised on a straight-line basis over their useful lives, which typically do not exceed 10 years. Trademarks with indefinite useful lives are not amortised but are tested for impairment using the value-in-use method. Impairment losses are recognised 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, on 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 repair costs are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the asset's carrying amount and is depreciated over the expected economic useful life of the asset.

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 are incurred.

Impairments

The carrying amounts of non-current assets and other balance sheet items are reviewed for potential impairment on an annual basis. Should any indication arise, the asset is tested for impairment. An impairment test determines the recoverable amount of an asset which 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 recognised impairment loss is reversed if there has been a significant change in the estimates used to determine the recoverable amount, but not to an extent higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment when any indication of impairment exists, at least annually. Goodwill is allocated to the cash-generating units (CGU) of the Group, identified according to the business segment level at 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 in which 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 recognised under goodwill in the income statement are not reversed.

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

Leases, Cargotec as a Lessor

In operating leases, the risks and rewards attendant on the ownership of an asset remain with the lessor. The leased asset is recognised on 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 finance leases, the risks and rewards of ownership are transferred to the lessee. The selling profit is recognised similarly to profit from an outright sale. Finance lease receivables are recognised on the balance sheet at present values. Financial charges relating to finance lease contracts are recognised in the income statement over the lease term, so as to achieve a constant interest rate on the outstanding balance.

Customer Finance

Trade finance arrangements are used in certain customer segments, distribution channels and geographical markets. In these arrangements the Group, as the seller of the equipment, is involved in arranging financing with a financing partner for the customer and/or the dealer. 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 cost or estimated net realisable value, whichever is lower. 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 manufacturing and overheads. An allowance is recorded for obsolete items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to making the sale in question.

Financial Assets and Liabilities

Financial Assets

Financial assets are classified as financial assets recorded at fair value through profit or loss, loans and other receivables recognised at amortised cost, held-to-maturity investments or financial assets available-for-sale. The classification of assets is performed upon the initial purchase and determined in line with the aim of the asset. Assets with maturities under 12 months are included in the balance sheet under 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 include derivative instruments to which hedge accounting is not applied. These are measured at fair value without the impact of possible transaction costs. Changes in fair value are recognised in the income statement.

Loans and other receivables at amortised cost are not quoted on the market and are not kept for trading purposes. Loan receivables are measured at amortised 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. Impairment losses are recognised in the income statement if the carrying amount of the loan receivable is greater than the estimated recoverable amount.

Accounts receivable are recorded at the original invoiced amount less an estimated valuation allowance for impairment. An allowance is recognised when there is objective evidence that the Group will not be able to collect all amounts due.

Held-to-maturity investments are valued at accrued cost. There were no held-to-maturity investments on the balance sheet date.

Financial assets available-for-sale consist of investments in shares or interest-bearing investments. Current financial assets available-for-sale are valued at fair value. Changes in fair values are booked in the fair value reserve under equity, taking the tax effect into account. Changes in fair values are transferred from equity to the income statement when the investment is sold or when there is objective evidence that the fair value has decreased in such a way 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 an event occurring after the recognition of the impairment loss. Impairment of investments in shares cannot be reversed.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash balances, short-term deposits with banks and other short-term liquid investments with a maturity of up to three months. Bank overdrafts are included in other current interest-bearing liabilities. In the cash flow statement, bank overdrafts are deducted from cash and cash equivalents.

Financial Liabilities

Financial liabilities are classified as financial liabilities recorded at fair value through profit or loss, or financial liabilities recognised at amortised cost. Liabilities with maturities of under 12 months are included in the balance sheet under current liabilities, and those with maturities of over 12 months under non-current liabilities, except for derivative instruments recorded at fair value through profit or loss, which are included under current liabilities regardless of maturity.

Financial liabilities recorded at fair value through profit or loss consist of derivative instruments to which hedge accounting is not applied. They are measured at fair value without the impact of possible transaction costs. Changes in fair value are recognised in the income statement.

Financial liabilities recognised at amortised cost are initially recognised in current and non-current liabilities at fair value, net of any transaction costs incurred. This category includes interest-bearing and non-interest-bearing payables. 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.

Derivative Financial Instruments and Hedge Accounting

On the date of entry into a derivative contract, the Group designates it as either a) a cash flow hedge of highly probable operative cash flow or cash flow from a firm commitment, b) a fair value hedge of a loan or deposit, another balance sheet item or a firm commitment in foreign currency, c) a hedge of an investment in a foreign entity or as d) a derivative not qualifying for hedge accounting. On the balance sheet date, all derivative instruments fell into the categories of cash flow hedges or derivatives not qualifying for hedge accounting.

Derivative instruments, to 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.

Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and are subsequently measured at fair value on each balance sheet date. Fair values of FX forward contracts and forward rate agreements are based on quoted market rates on the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as the present value of the estimated future cash flows. Options are valuated based on generally accepted valuation models. No options or forward rate agreements were in use on the balance sheet date.

Hedge accounting in accordance with IAS 39 is applied to hedges of operative cash flows and hedges of cash flows associated with foreign currency denominated borrowings. To qualify for hedge accounting, the Company documents the hedge relationship of the derivative instrument and the underlying hedged item, the Company's risk management targets and the strategy for applying hedge accounting. When starting hedge accounting, and at least upon every interim closing of the accounts, the Company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset any changes in the fair value of the underlying asset or cash flow.

Changes in the fair value of effective cash flow hedges under hedge accounting are recognised under equity in the fair value reserves. The ineffective portion is recognised immediately in the income statement. Cumulative gains or losses on the hedge deferred to equity are recognised in the income statement as an adjustment of the underlying hedged item when the underlying hedged item is recognised. The cumulative change in the fair value of hedging instruments relating to operative items no longer expected to materialise are recognised immediately in the income statement under other operating expenses. When the hedging instrument is sold, the contract is revoked or exercised or the relationship between 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 under equity and is recognised in the income statement when the underlying operative item materialises.

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 recognised under equity through the statement of changes in equity. Gains and losses accumulated under equity on an efficient portion of the hedging instrument are transferred to the income statement when the foreign operation is disposed of.

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

Dividends

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

Pension Obligations

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

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

Provisions

Provisions are recognised 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 of the costs required to settle the obligation on the balance sheet date. If the time value of money is significant, the provision is stated at the present value of estimated costs.

Provisions for warranties cover the estimated costs of repairing or replacing products still under warranty on the balance sheet date. Provisions for warranties are calculated based on the historical experience of levels of repairs and replacements.

A provision is recorded for a loss-making contract when the costs required to fulfil the commitment exceed the gain expected from the contract.

A restructuring provision is recorded when the Group has prepared a detailed restructuring plan and began the implementation of, or communicated, the plan. A restructuring plan consists of at least the following information: business which is affected by the restructuring, the 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 the costs to be incurred and the timetable of the plan. No provision is made for expenses related to the continuing operations.

Treasury Shares

When the Company purchases shares in Cargotec Corporation, the consideration paid and directly attributable costs are recognised as a deduction in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs and the 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 the vesting period has begun after the formation of the Company on June 1, 2005.

Options are valued at fair value on the grant date and recognised as an expense in the income statement during the vesting period. For equity-settled share-based payment transactions (e.g. share options), a corresponding increase is recorded under equity. For cash-settled share-based payment transactions (e.g. synthetic option), a corresponding debt is recorded. The cost of the options determined upon the grant date reflects the Group's estimate of the number of options that it 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 the Black-Scholes option pricing model. Non-market criteria are not included in the fair value of the option but taken into account in the number of options assumed to have been vested at the end of the vesting period. Upon each closure of the accounts, the Group updates its estimate of the final amount of the options to be vested. 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 at fair value during each financial period until the liability is settled. Any changes in estimates and fair values are recorded in the income statement over the vesting period.

When the share options are exercised, the proceeds, net of any transaction costs, are credited to the 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 that Cargotec's management make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities upon the date of the financial statements, and the reported amounts of income and expenses during the financial period. These estimates are based on the management's best knowledge of current events and actions and actual results may differ from the estimates. Accounting estimates are employed in the financial statements in order to determine reported amounts, including the impairment of goodwill and other assets, the useful lives of tangible and intangible assets, and provisions and taxes.

Revenue Recognition

The completed contract method is Cargotec's main revenue recognition principle. The percentage of completion method is applied to separately identified long-term contracts. Completion is generally measured by reference to the cost incurred to date as a percentage of the estimated total project costs. The margin is recognised prudently in accordance with historical variations in pre- and post calculations. If there is any uncertainty about the margin, costs are recognised when incurred and no profit is recognised. Possible contract losses are immediately recognised as an expense and recognised 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 expenses. The percentage of completion method is only used when a reliable estimate of the stage of completion can be made.

Taxes

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

Provisions

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

Business Combinations

The measurement of the 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 that the estimates and assumptions are sufficiently reliable for determining fair values.

Impairment Testing

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

Adoption of New or Revised IFRS Standards

In 2008, Cargotec will adopt the following new and amended standards and interpretations by the IASB published in 2007.

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group expects the new interpretation to have an effect mainly on the notes to the financial statements.

The following published standards and interpretations are not yet effective in 2008 and they are not to be applied by the Group in 2008.

- IFRS 8 Operating Segments
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes

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 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 the spring of 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 where 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 recognised as an adjustment to equity. The pro forma accounting principles prior to the listing are presented in Cargotec's listing particulars.

Restatement of the Previous Year's Figures

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

2. Financial Risk Management

Organisation of Finance Function and Financial Risk Management

Cargotec finance function and financial risk management are conducted according to the "Main Principles of Treasury Management", approved by the Board of Directors and supervised by the Treasury Committee, appointed by the Board. The Treasury Committee is responsible for defining the Treasury Policy and organising and monitoring treasury functions. The Treasury Policy specifies detailed guidelines for financing functions, acceptable risk levels and the principles of monitoring and reporting financial risks.

The objective of treasury management is to secure sufficient funding for the Group's operations avoiding financial constraint at all times, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (currency, interest rate, liquidity and funding, credit and operational risks) and to provide the Group Executive Board with information on the financial requirements and risk exposures of the Group and its business units.

The Cargotec Treasury is responsible for funding at Corporate level, managing liquidity and financial risks, providing set up of efficient financing operations and monitoring business unit financial positions. The business units are responsible for hedging their financial risks according to the Treasury Policy and instructions given by the Cargotec Treasury.

Currency Risk

Cargotec operates in approximately 160 countries and, due to global operations, is exposed to risks arising from foreign exchange rate fluctuations. A significant proportion of Cargotec sales and costs are generated in foreign currencies, mostly in US dollars and Swedish krona. Cargotec also operates in countries in which hedging currency risks is restricted, such as in China and South Korea.

The objective of currency risk management is to hedge operations against exchange rate fluctuations, thus allowing time for the business units to react and adapt to changes in exchange rates. The business units consider exchange rate effects when determining export and import pricing, invoicing currencies or currency clauses in contracting. Foreign currency positions, which include sales, purchases and financing related contractual cash flows and highly probable forecast cash flows, are fully hedged through forward contracts with banks. The business units report their risk exposure and hedging level to the Cargotec Treasury.

Cargotec applies hedge accounting under IAS 39 to the majority of its hedging contracts. A change in the fair value of a hedging instrument is recognised in the fair value reserve under equity until the cumulative profit or loss is recorded in the income statement simultaneously with the underlying cash flow. Hedge accounting is not applied in cases where its impact on the consolidated income statement is deemed insignificant by the Cargotec Treasury. The majority of the hedging instruments have maturities of three years or less.

The sensitivity analysis, in accordance with IFRS 7, aims to represent the sensitivity of the consolidated income and equity with respect to foreign exchange rate fluctuations. The calculation of the income statement sensitivity includes the sensitivity of foreign currency denominated financial assets and liabilities in the balance sheet, the sensitivity of hedges assigned to balance sheet items and the sensitivity of hedges to which hedge accounting is not applied, i.e. to which changes in fair values are recognised through profit or loss. The sensitivity of equity arises from hedges of forecast cash flows, to which hedge accounting is applied and hence changes in fair value are recognised in the fair value reserve under equity. A foreign exchange rate impact on the fair value of the hedge reserve is expected to be offset by the corresponding impact on the underlying cash flow and the income statement as the forecast flows materialise. The net exposures, including balance sheet items and hedges of balance sheet items and forecast cash flows, along with the analysed effects of currency strengthening against other currencies, if occurred at the end of period, are presented in the first table on the next page. Weakening of currency would result in effect of opposite sign. The sensitivity is calculated for five percent exchange rate change.

Investments in non-euro-area subsidiaries cause translation differences, recorded in consolidated equity (translation risk). The objective of managing the translation position is to hedge the capital structure so as to balance the effect of foreign exchange rate fluctuations on debt and equity. The capital structures of foreign subsidiaries may be hedged through cross currency and interest rate swaps or foreign currency denominated debt instruments. For the moment, no hedging requirements have emerged due to the capital structure of the Group.

Interest Rate Risk

Fluctuations in market interest rates have an effect on Group interest outflows and the fair value of interest-bearing receivables, loans payable and derivative instruments. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the income statement, balance sheet and cash flow, also taking account of the market value of net debt. The average interest fixing term (duration) is maintained within the limits set by the Treasury Committee, by balancing between fixed and floating rate debt and by using derivative instruments. On December 31, 2007, the average interest fixing term of the debt portfolio was 59 (December 31, 2006: 34) months and that of the investment portfolio 2 (December 31, 2006: under 1) months.

IFRS 7 Sensitivity analysis – sensitivity to foreign exchange rates

	Dec 31, 2007			Dec 31, 2006		
MEUR	USD	EUR	SEK	USD	EUR	SEK
Net exposure	-392.3	-373.0	2.4	-208.5	-129.5	-4.7
Effect on income before taxes	1.3	0.1	0.2	1.3	0.9	-0.2
Effect on equity	-20.9	-18.8	-0.1	-11.7	-7.3	0.0

The sensitivity is calculated for five percent exchange rate change.

Interest fixing periods on Dec 31, 2007

MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	-179.2	-3.7	-	-	-2.0	-184.9
Non-current loans from financial institutions	121.8	0.4	0.3	0.3	0.3	123.0
Corporate bonds*	-	-	-	-	302.8	302.8
Finance lease liabilities	1.6	1.4	2.5	2.2	3.1	10.9
Current interest-bearing liabilities	51.6	-	-	-	-	51.6
Net	**-4.2**	**-1.9**	**2.8**	**2.5**	**304.3**	**303.6**

Interest fixing periods on Dec 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**

* On December 31, 2007, the interest fixing period for corporate bonds ranged between 5 and 12 years (December 31, 2006: 6 years).

Hedge accounting under IAS 39 may be applied to interest rate swaps, when the effect of the accounting method is deemed significant. Hedge accounting is applied to cross currency and interest rate swaps hedging the USD 300 million Private Placement corporate bonds, funded in February 2007.

On December 31, 2007, Group net debt consisted mainly of fixed rate corporate bonds. The floating rate net debt was EUR 29.2 (December 31, 2006: 35.9) million, which includes floating rate loans payable and bank overdrafts, EUR 133.1 (December 31, 2006: 95.5) million, and floating rate bank accounts and loans receivable, EUR 103.9 (December 31, 2006: 59.6) million. Following the sensitivity analysis in accordance with IFRS 7, if the market interest rate would have been one percent lower/higher, the impact on Group interest expenses on a yearly basis would be EUR 0.3 (December 31, 2006: 0.4) million.

Other Market Risk

In addition to the risks related to the treasury function, Cargotec is exposed to price and supply risks relating to material and energy purchases. The business units are responsible for identifying these risks and determining the required hedging measures. The Cargotec Treasury is responsible for providing arrangements for hedging based on derivative instruments and the same guidelines are applied to commodity hedges as to hedges of other financial risks. Currently, Cargotec does not employ derivative instruments to hedge the risks mentioned above.

Liquidity and Funding Risks

Liquidity risk is defined as risk of liquidity reserves (cash and cash equivalents, and credit facilities) being insufficient to fulfil the operational requirements. The risk is minimised by maintaining sufficient liquidity reserves, so as to secure the operational liquidity requirements and the strategic liquidity requirements, set by the Treasury Committee, at all times.

Funding risk is defined as risk of an untenably high proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities. The management does not regard the Company as having any significant concentrations of funding risk.

On December 31, 2007, Cargotec had EUR 585 (December 31, 2006: 432) million in committed, unused long-term credit facilities. Short-term interest-bearing liabilities and the current portion of long-term interest-bearing liabilities maturing during the next 12 months totalled EUR 43.7 million. Additionally, to fulfil short-term cash management requirements, Cargotec has a EUR 150 million Commercial Paper facility, which was unused.

Table below represents maturity analysis of financial liabilities. The figures are non-discounted contractual cash flows.

Maturities of financial liabilities on Dec 31, 2007

MEUR	2008	2009	2010	2011	2012	Later	Total
Derivatives							
Fx forward contracts, outflow	-1,835.4	-462.6	-270.2	-48.9	-4.4	-	-2,621.5
Fx forward contracts, inflow	1,868.4	463.3	270.2	48.6	4.3	-	2,654.9
Cross-currency and interest rate swaps, outflow	-10.5	-10.5	-10.5	-10.5	-10.5	-274.5	-326.9
Cross-currency and interest rate swaps, inflow	11.3	11.3	11.3	11.3	11.3	250.8	307.5
Derivatives, net	**33.9**	**1.6**	**0.8**	**0.6**	**0.8**	**-23.7**	**14.0**
Accounts payable and other non-interest bearing liabilities	-598.2	-8.8	-31.2	-4.6	-5.4	-2.2	-650.4
Loans from financial institutions, repayments	-40.7	-0.3	-22.0	-20.2	-50.1	-30.0	-163.3
Loans from financial institutions, finance charges	-6.7	-6.3	-6.3	-5.3	-3.7	-5.3	-33.5
Corporate bonds, repayments*	-	-	-	-	-100.0	-203.8	-303.8
Corporate bonds, finance charges	-15.1	-15.1	-15.1	-15.1	-15.1	-47.1	-122.7
Finance leases, repayments	-3.0	-2.5	-2.2	-0.2	-0.2	-2.8	-10.9
Finance leases, finance charges	-0.5	-0.5	-0.4	-0.2	-0.2	-1.3	-3.1
Total	**-630.3**	**-31.8**	**-76.4**	**-45.0**	**-174.0**	**-316.0**	**-1,273.6**

Maturities of financial liabilities on Dec 31, 2006

MEUR	2007	2008	2009	2010	2011	Later	Total
Derivatives							
Fx forward contracts, outflow	-1,555.0	-161.0	-29.2	-0.4	-	-	-1,745.6
Fx forward contracts, inflow	1,540.6	162.9	29.1	0.4	-	-	1,733.0
Interest rate swaps, outflow	0.0	-	-	-	-	-	0.0
Cross-currency and interest rate swaps, outflow	-	-10.5	-10.5	-10.5	-10.5	-285.0	-326.9
Cross-currency and interest rate swaps, inflow	6.3	12.7	12.7	12.7	12.7	293.1	350.1
Derivatives, net	**-8.2**	**4.1**	**2.2**	**2.1**	**2.2**	**8.1**	**10.5**

MEUR	2007	2008	2009	2010	2011	Later	Total
Accounts payable and other non-interest bearing liabilities	-493.0	-2.1	-2.2	-4.3	-4.7	-2.7	-508.9
Loans from financial institutions, repayments	-22.6	-13.1	0.0	-22.7	-20.0	-30.0	-108.4
Loans from financial institutions, finance charges	-3.4	-3.3	-2.8	-2.8	-2.1	-5.6	-20.0
Corporate bonds, repayments*	-	-	-	-	-	-100.0	-100.0
Corporate bonds, finance charges	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-22.8
Finance leases, repayments	-4.8	-3.4	-1.3	-0.9	-0.5	-3.3	-14.3
Finance leases, finance charges	-0.8	-0.5	-0.3	-0.2	-0.1	-1.9	-3.7
Total	**-536.6**	**-22.1**	**-8.2**	**-32.5**	**-28.9**	**-139.2**	**-767.6**

* The maturities of corporate bonds range between 2012 and 2019.

Credit and Counterparty Risks

The business units are responsible for managing the operational credit risks. Due to the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risks are managed through contractual clauses including advance payments, bank guarantees or other guarantees. Risks of default or fraud are controlled by monitoring the creditworthiness of customers. Credit risks relating to major contracts are shared with financial institutions, insurance companies or export guarantee boards, when feasible. More information on trade receivables is presented in Note 20.

The Group holds no significant loan receivables. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee. The Treasury Committee examines counterparties and sets counterparty limits based on their solvency and creditworthiness. The maximum risk relating to these investments corresponds to their carrying amount. However, according to the management assessment no credit losses are anticipated on the investments of liquidity reserves.

Operational Risks of the Treasury Functions

The management of operational risks aims to eliminate losses or increased risk levels due to errors in procedures or insufficient monitoring. The risks are minimised by maintaining a high level of proficiency, identifying and documenting routine procedures and organising responsibilities.

Risks relating to transactions are minimised by conducting regular general assessments and monitoring trading limits, market valuations and daily trade confirmations.

Capital Structure Management

The goal of capital structure management is to secure operational preconditions at all times and to maintain the optimum capital cost structure. The target capital structure is determined by shareholders and is regularly monitored by the Board of Directors.

Gearing calculated as the ratio of net debt to equity is the key figure monitored for capital structure management. Net debt is calculated as net of interest-bearing liabilities and assets, including cash and cash equivalents. Cargotec's long-term target is to keep gearing under 50 percent.

MEUR	Dec 31, 2007	Dec 31, 2006
Interest-bearing liabilities	488.4	232.2
Interest-bearing receivables	-5.9	-0.4
Cash and cash equivalents	-179.0	-124.3
Interest-bearing net debt	303.6	107.5
Equity	896.7	876.8
Gearing	**33.9%**	**12.3%**

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 has activities in terminals, ports, heavy industry and distribution centers. MacGREGOR is the global market leader in providing marine cargo flow solutions, offshore solutions and related services. Its solutions are used in general cargo, bulk, container and RoRo vessels, tankers, bulk terminals and offshore industry. The segment Others consists mainly of those group administration costs, which are not allocated to businesses.

The financial performance of the business segments is measured through operating profit. Financing income and expenses and taxes are not allocated to the business segments. Business segments' assets comprise intangible assets, property, plant and equipment, investments in associated companies and joint ventures, 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 assets, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests and derivatives designated as hedges of future treasury transactions. Business segments' 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.

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

Segment results

Jan 1–Dec 31, 2007

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Sales						
Services	161.1	405.8	190.5	-	-	757.5
Products	766.1	937.5	557.2	-	-	2,260.7
External sales total	927.2	1,343.3	747.7	-	-	3,018.2
Internal sales	4.0	0.0	0.0	-	-4.0	0.0
Total sales	**931.2**	**1,343.3**	**747.7**	**-**	**-4.0**	**3,018.2**
Share of associated companies' and joint ventures' net income	0.1	0.1	0.2	-	-	0.3
Operating profit	**73.8**	**87.5 ***	**59.4**	**-17.5**	**0.0**	**203.1 ***
Operating profit %	7.9%	6.5%	7.9%	-	-	6.7%
Financing items and taxes	-	-	-	-	-	-64.7
Net income	**-**	**-**	**-**	**-**	**-**	**138.4**
Depreciation and amortization	-14.0	-35.7	-9.9	-0.2	-	-59.8
Impairment charges	-	-	-0.1	-	-	-0.1

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

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**
Share of associated companies' net income	0.6	0.1	0.2	-	-	0.9
Operating profit	**86.6**	**111.8**	**36.1**	**6.0 ***	**-0.1**	**240.4 ***
Operating profit %	9.5%	9.3%	7.5%	-	-	9.3%
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.

Segment assets and liabilities

Dec 31, 2007

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Non-interest-bearing assets	662.8	929.0	690.1	16.9	-7.1	2,291.7
Investments in associated companies and joint ventures	3.5	0.2	1.1	-	-	4.8
Unallocated assets, interest-bearing	-	-	-	-	-	184.9
Other unallocated assets	-	-	-	-	-	101.2
Total assets	**666.2**	**929.3**	**691.2**	**16.9**	**-7.1**	**2,582.6**
Non-interest-bearing liabilities	188.9	438.0	439.5	6.2	-7.1	1,065.5
Unallocated liabilities, interest-bearing	-	-	-	-	-	488.4
Other unallocated liabilities	-	-	-	-	-	132.0
Total liabilities	**188.9**	**438.0**	**439.5**	**6.2**	**-7.1**	**1,685.9**
Assets employed	477.3	491.3	251.7	10.7	-	1,231.1
Capital expenditure	14.9	65.9	8.4	1.5	-	90.7

Dec 31, 2006

MEUR	Hiab	Kalmar	MacGREGOR	Others	Eliminations	Total
Non-interest-bearing assets	605.9	794.2	400.1	7.9	-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	**607.2**	**794.4**	**401.0**	**7.9**	**-5.5**	**1,988.0**
Non-interest-bearing liabilities	173.3	384.9	227.9	12.9	-5.5	793.5
Unallocated liabilities, interest-bearing	-	-	-	-	-	232.2
Other unallocated liabilities	-	-	-	-	-	85.5
Total liabilities	**173.3**	**384.9**	**227.9**	**12.9**	**-5.5**	**1,111.2**
Assets employed	433.9	409.5	173.1	-5.0	-	1,011.5
Capital expenditure	29.0	37.6	2.1	0.1	-	68.8

Orders

	Orders received		Order book	
MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Hiab	984.9	946.2	259.7	215.4
Kalmar	1,429.3	1,282.3	660.1	592.7
MacGREGOR	1,695.7	683.7	1,946.3	812.6
Eliminations	-4.2	-1.9	-0.8	-0.2
Total	**4,105.7**	**2,910.3**	**2,865.2**	**1,620.5**

Number of employees

	Average		At the end of period	
	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Hiab	4,091	3,571	4,418	3,647
Kalmar	4,233	3,415	4,459	3,705
MacGREGOR	1,880	994	2,223	1,117
Corporate administration	72	46	87	47
Total	**10,276**	**8,026**	**11,187**	**8,516**

3.2 Geographical Segments

Sales

Jan 1–Dec 31, 2007

MEUR	Hiab	Kalmar	MacGREGOR	Eliminations	Total
EMEA (Europe, Middle East, Africa)	622.9	745.3	310.9	-2.0	1,677.1
Americas	216.7	368.0	63.6	-1.7	646.6
Asia Pacific	91.6	230.0	373.3	-0.3	694.5
Total	**931.2**	**1,343.3**	**747.7**	**-4.0**	**3,018.2**

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**

Non-interest-bearing assets

MEUR	Dec 31, 2007	Dec 31, 2006
EMEA (Europe, Middle East, Africa)	1,304.9	1,039.1
Americas	158.0	186.4
Asia Pacific	256.1	145.7
Goodwill*	670.2	513.3
Eliminations	-92.7	-79.5
Total	**2,296.5**	**1,805.0**

* Goodwill has not been allocated to geographical areas.

Capital expenditure

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
EMEA (Europe, Middle East, Africa)	73.9	55.4
Americas	6.8	6.4
Asia Pacific	10.0	7.0
Total	**90.7**	**68.8**

Number of employees

	Dec 31, 2007	Dec 31, 2006
EMEA (Europe, Middle East, Africa)	7,498	6,032
Americas	1,211	1,215
Asia Pacific	2,478	1,269
Total	**11,187**	**8,516**

4. Acquisitions and Disposals

4.1 Acquisitions

Acquisitions 2007

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

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

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

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

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

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

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

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	15.3	0.2
Property, plant and equipment	25.8	25.5
Inventories	54.0	53.0
Non-interest-bearing assets	43.3	43.3
Interest-bearing assets and cash and cash equivalents	6.7	6.7
Interest-bearing liabilities	-21.1	-21.1
Other non-interest-bearing liabilities	-92.9	-89.0
Acquired net assets	**31.2**	**18.7**
Transaction price	194.3	
Costs related to acquisitions	3.3	
Goodwill	**166.4**	
Transaction price paid in cash	155.4	
Costs related to acquisitions	3.3	
Cash and cash equivalents in acquired businesses	-3.0	
Total cash outflow from acquisitions	**155.6**	

The goodwill is attributable to the experienced and capable personnel employed by the businesses and to the synergies. Synergies are expected from the possibility to expand operations to new market areas and to utilise new product knowledge and new technologies in developing current business.

Management estimates that synergies are also gained from services' greater global presence, utilisation of economies of scale and integration of sourcing and sales network for new products.

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

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, it's 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 2,658 million, if the acquisitions had occured on January 1, 2006.

The table below summarizes the acquisitions in 2006.

Assets and liabilities of the acquired companies

MEUR	Net fair value 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	51.3	51.3
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.

Management estimates that synergies are reached from greater global service presence, utilisation of economies of scale and integration of sourcing and sales network for new products.

4.2 Disposals

Hiab sold in March 2006 the ownership in Bromma Polska Sp. z.o.o. The transaction did not significantly affect Cargotec's result and cash flow.

5. Percentage of Completion Method

Sales include EUR 119.8 (Jan 1–Dec 31, 2006: 35.5) million of income recognised based on the percentage of completion of the long-term construction contracts. The balance sheet includes from the percentage of completion method EUR 31.1 (Dec 31, 2006: 7.2) million in unbilled contract revenue and EUR 19.9 (12.9) million in advances received.

6. Other Operating Income and Expenses

Other operating income

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Gain on disposal of intangible and tangible assets	1.2	1.6
Customer finance related other income	17.6	12.9
Rent income	4.4	3.1
Other income	3.5	5.1
Total	**26.8**	**22.7**

Other operating expenses

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Loss on disposal of intangible and tangible assets	0.1	0.4
Customer finance related other expenses	17.6	12.4
Restructuring costs	4.2	1.1
Other expenses	13.0	5.5
Total	**34.9**	**19.4**

7. Personnel Expenses

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Wages and salaries	352.9	297.4
Equity-settled share-based payment transactions	1.2	-
Cash-settled share-based payment transactions	2.2	3.1
Pension costs*	27.9	24.7
Other statutory employer costs	98.6	83.1
Total	**482.8**	**408.3**

* Pension costs are presented in more detail in Note 25 Employee Benefits. Information on key management compensation is presesented in Note 31 Related-party Transactions and information on share-based payment transactions in Note 23 Share-based Payments.

8. Depreciation, Amortization and Impairment Charges

Depreciation and amortization by function

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Cost of goods sold	35.2	29.6
Selling and marketing	9.8	3.6
Research and development	0.9	0.8
Administration	4.2	4.8
Other	9.7	1.7
Total	**59.8**	**40.5**

Depreciation and amortization by asset type

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Intangible assets	10.6	4.5
Buildings	7.2	5.5
Machinery & equipment	19.4	15.7
Finance lease agreements	0.7	0.7
Customer finance agreements	21.9	14.1
Total	**59.8**	**40.5**

Impairment charges by asset type

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Goodwill	-	-
Other intangible assets	0.1	0.2
Property, plant and equipment	-	0.0
Total	**0.1**	**0.2**

9. Financing Income and Expenses

Financing income

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Interest income on loans receivable and cash and cash equivalents	6.3	2.1
Interest income on interest rate derivatives, cash flow hedges	10.2	-
Interest income on interest rate derivatives, non-hedge accounted	0.1	0.8
Change in fair value of interest rate derivatives, non-hedge accounted	0.0	0.6
Other financing income	0.0	0.1
Dividend income on assets available for sale	0,0	0,0
Total	**16.7**	**3.6**

Financing expenses

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Interest expenses on financial liabilities measured at amortised cost	23.4	8.2
Interest expenses on interest rate derivatives, cash flow hedges	9.0	-
Interest expenses on interest rate derivatives, non-hedge accounted	0.2	1.3
Arrangement and commitment fees relating to interest-bearing loans	0.6	0.7
Other financing expenses	0.7	0.7
Exchange rate differences, net	1.6	1.1
Total	**35.5**	**12.0**

Exchange rate differences included in financing income and expenses

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Exchange rate differences on interest bearing loans and receivables	-22.4	8.3
Exchange rate differences on derivative instruments, cash flow hedges	21.9	-
Exchange rate differences on derivative instruments, non-hedge accounted	-1.1	-9.4
Total	**-1.6**	**-1.1**

Exchange rate differences included in operating income

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Sales		
Exchange rate differences on sales	-1.3	-15.8
Exchange rate differences on hedges of sales	8.7	11.2
Cost of goods sold		
Exchange rate differences on purchases	-2.3	2.4
Exchange rate differences on hedges of purchases	0.4	-0.1
Other operating income and expenses		
Ineffective portion of cash flow hedges	0.0	0.2
Exchange rate differences on derivatives, non-hedge accounted	0.9	0.0
Total	**6.3**	**-2.1**

10. Income Taxes

Taxes in income statement

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Current year tax expense	56.2	66.7
Deferred tax expense	-3.9	-0.3
Tax expense for previous years	-6.3	-0.5
Total	**46.0**	**65.9**

Reconciliation of effective tax rate

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Income before taxes	184.4	232.0
Tax calculated at domestic tax rate*	47.9	60.3
Effect of different tax rates in foreign subsidiaries	11.2	9.9
Previous years' taxes	-6.3	-0.5
Non-deductible expenses and tax exempt income	-9.6	0.5
Benefit arising from previously unrecognised tax losses and temporary differences	-1.9	-1.5
Unrecognised current year tax losses and temporary differences	1.7	0.3
Change in previously unrecognised tax losses and temporary differences	1.2	-3.1
Effect of changes in tax rates	1.7	0.0
Total	**46.0**	**65.9**
Effective tax rate, %	25.0%	28.4%

* The domestic (Finland) tax rate is 26% (2006: 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 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 programme. 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 period.

Adjusted basic earnings per share for the year 2006 is calculated by dividing the net income excluding capital gains after taxes attributable to the equity holders of the Company by the weighted average number of shares outstanding during the year 2006.

	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Net income attributable to the equity holders of the Company, MEUR	136.5	163.9
Weighted average number of shares during financial period, ('000)	62,965	63,695
Basic earnings per share, EUR	**2.17**	**2.57**

	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Net income attributable to the equity holders of the Company, MEUR	136.5	163.9
Weighted average number of shares during financial period, ('000)	62,965	63,695
Effect of share options, ('000)	231	333
Diluted weighted average number of shares during financial period, ('000)	63,195	64,028
Diluted earnings per share, EUR	**2.16**	**2.56**

Basic earnings per share adjusted with non-recurring items

	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Net income attributable to the equity holders of the Company, MEUR	136.5	163.9
Adjustments to net income		
Capital gains*, MEUR	-	-17.8
Deferred tax on the adjustments, MEUR	-	4.6
Adjusted net income attributable to the equity holders of the Company, MEUR	136.5	150.7
Weighted average number of shares during financial period, ('000)	62,965	63,695
Adjusted basic earnings per share, EUR	**2.17**	**2.37**

* In 2006 a capital gain of EUR 17.8 million was recorded from the sale of property.

12. Goodwill

MEUR	Dec 31, 2007	Dec 31, 2006
Book value at the beginning of period	513.3	440.7
Translation difference	-19.3	5.3
Companies acquired	176.7 *	67.2
Companies sold	-	-
Other changes	-0.5	0.1
Book value at the end of period	**670.2**	**513.3**

* Including EUR 10.2 million goodwill from the acquisition of minority interests.

Impairment testing of goodwill

For impairment testing goodwill is allocated to business segments, which form the Cargotec's cash generating units.

MEUR	Dec 31, 2007	Dec 31, 2006
Hiab	181.4	165.6
Kalmar	220.5	203.2
MacGREGOR	268.3 *	144.5
Total	**670.2**	**513.3**

*MacGREGOR includes EUR 123.6 million goodwill of Offshore division, treated separately for impairment testing.

Goodwill is impairment tested annually or more frequently when there is an indication that the current value is not recoverable. The impairment testing of goodwill is carried out by value-in-use method.

Based on the calculations no impairment loss recognition is required.

Assumptions for determining value-in-use

The cash flow projections used in value-in-use calculations are based on financial budgets approved by the management. In addition to the yearly budgeting process, cash flows are projected for a two year period on the basis of cautious growth assumption. Cash flows beyond the three-year period are extrapolated cautiously by assuming no growth. The discount rate (WACC) used was 11.7% (2006: 11.2%) before taxes.

The main source of uncertainty in impairment testing is management's estimates of profitability (EBITA) for each cash generating unit. The outcome of impairment testing is not particularly sensitive for changes in discount rate.

According to management assessment, no conceivable change in the main variables used for impairment testing would result in recoverable cash flow to decrease below the carrying amount.

13. Other Intangible Assets

MEUR	Development costs	Trademarks	Other*	Total
Acquisition cost Jan 1, 2007	1.8	42.0	37.2	81.0
Translation difference	0.0	-0.1	-0.5	-0.7
Additions	7.5	-	2.5	10.0
Disposals	-	-	0.0	0.0
Reclassification	-0.4	-0.8	0.9	-0.2
Companies acquired	0.3	1.7	13.3	15.4
Acquisition cost Dec 31, 2007	**9.2**	**42.7**	**53.4**	**105.3**
Accumulated amortization and impairment Jan 1, 2007	-0.5	-	-13.3	-13.8
Translation difference	0.0	-	0.2	0.2
Amortization during the financial period	-0.3	-0.4	-9.9	-10.6
Impairment charges	-0.1	-	-	-0.1
Disposals	-	-	0.0	0.0
Reclassification	0.4	-	-0.2	0.2
Companies acquired	-0.3	-	-0.1	-0.4
Accumulated amortization and impairment Dec 31, 2007	**-0.7**	**-0.4**	**-23.2**	**-24.3**
Book value Jan 1, 2007	1.3	42.0	23.9	67.2
Book value Dec 31, 2007	8.5	42.3	30.2	81.0

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

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

The trademarks have been valued at fair value in connection with the acquisition (see Note 4.1 Acquisitions). Part of the trademarks have been assessed to have indefinite useful lives, including MacGREGOR. 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 and it is continuously developed. The trademarks are impairment tested annually or more frequently if there is an indication that their current value would not be recoverable.

Other trademarks have been estimated to create cash flow during their useful lives, which are assessed to be about 5 years. These trademarks are amortized on a straight-line basis over their useful lives.

14. Property, Plant and Equipment

MEUR	Land	Buildings	Machinery & equipment	Fixed assets under construction	Advance payments	Total
Acquisition cost Jan 1, 2007	11.6	130.5	366.7	3.2	0.7	512.7
Translation difference	-0.3	-4.5	-10.8	-0.2	0.0	-15.9
Additions	0.9	7.0	59.0	13.7	0.2	80.7
Disposals	-0.2	-0.8	-26.0	-0.3	0.0	-27.2
Reclassification	0.0	2.7	3.8	-5.0	-0.9	0.5
Companies acquired	1.0	8.3	35.4	0.2	0.2	45.2
Acquisition cost Dec 31, 2007	**12.9**	**143.3**	**428.1**	**11.5**	**0.1**	**595.9**
Accumulated depreciation and impairment Jan 1, 2007	-0.8	-63.2	-231.1	-	-	-295.1
Translation difference	0.0	2.1	7.9	-	-	10.1
Depreciation during the financial period	-	-7.5	-41.7	-	-	-49.2
Disposals	-	0.3	11.7	-	-	12.0
Reclassification	-	0.0	0.1	-	-	0.1
Companies acquired	-	-4.1	-15.9	-	-	-20.1
Accumulated depreciation and impairment Dec 31, 2007	**-0.7**	**-72.4**	**-269.1**	**-**	**-**	**-342.2**
Book value Jan 1, 2007	10.8	67.3	135.6	3.2	0.7	217.6
Book value Dec 31, 2007	12.2	70.9	159.0	11.5	0.1	253.7

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, 2006, 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.

Finance lease agreements

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

MEUR	Buildings	Machinery & equipment	Total
Acquisition cost Jan 1, 2007	6.5	8.5	15.0
Translation difference	-0.3	-0.1	-0.5
Additions	0.1	0.6	0.7
Disposals	-	-0.9	-0.9
Reclassification	-	-6.1	-6.1
Companies acquired	-	2.3	2.3
Acquisition cost Dec 31, 2007	**6.2**	**4.2**	**10.4**
Accumulated depreciation and impairment Jan 1, 2007	-2.7	-1.9	-4.6
Translation difference	0.2	0.1	0.3
Depreciation during the financial period	-0.3	-0.4	-0.7
Disposals	-	0.7	0.7
Companies acquired	-	-0.6	-0.6
Accumulated depreciation and impairment Dec 31, 2007	**-2.7**	**-2.0**	**-4.7**
Book value Jan 1, 2007	3.8	6.6	10.4
Book value Dec 31, 2007	3.5	2.2	5.7

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

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, 2007	121.2
Translation difference	-2.5
Additions	37.5
Disposals	-18.6
Reclassification	5.0
Companies acquired	14.3
Acquisition cost Dec 31, 2007	**156.9**
Accumulated depreciation and impairment Jan 1, 2007	-55.8
Translation difference	1.5
Depreciation during the financial period	-21.9
Disposals	6.7
Reclassification	0.2
Companies acquired	-6.5
Accumulated depreciation and impairment Dec 31, 2007	**-75.8**
Book value Jan 1, 2007	65.4
Book value Dec 31, 2007	81.2

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

15. Investments in Associated Companies and Joint Ventures

	Associated companies		Joint Ventures		Total	
MEUR	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Book value Jan 1	2.4	1.6	-	-	2.4	1.6
Translation difference	-0.1	-0.1	-	-	-0.1	-0.1
Share of net income	0.3	0.9	0.1	-	0.3	0.9
Dividends received	-0.2	-	-	-	-0.2	-
Additions	3.0	-	0.1	-	3.2	-
Disposals	-	0.0	-	-	-	0.0
Reclassification	-1.0	0.0	0.2	-	-0.9	0.0
Companies acquired	0.0	-	-	-	0.0	-
Book value Dec 31	**4.5**	**2.4**	**0.4**	**-**	**4.8**	**2.4**

On December 31, 2007 the book value of investments in associated companies included EUR 2.5 (Dec 31, 2006: 0.0) million of goodwill. The book value of associated companies and joint ventures at the end of period does not include publicly listed shares.

Principal associated companies and joint ventures

Dec 31, 2007

						Shareholding (%)	
MEUR	**Country**	**Assets**	**Liabilities**	**Sales**	**Net income**	**Parent company**	**Group**
Hymetal S.A.*	France	7.9	6.8	15.3	0.0	-	40.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd*	China	4.3	0.7	6.0	0.8	-	25.0
Kalmar (Malaysia) Sdn. Bhd.**	Malaysia	0.9	0.4	4.7	0.1	-	50.0
Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.*	Spain	7.9	6.3	16.8	0.7	-	30.0

On December 31, 2007, in addition to companies mentioned above, Cargotec had holdings in 5 associated companies and 2 joint ventures.

In December, Cargotec signed a contract on the acquisition of a 30 percent minority holding in Mareiport (Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.) and Prosa (Protecciones Superficiales y Aplicaciones, S.L.), port service providers in Spain's ports. In January 2007, Hiab made an agreement to acquire the majority of its Australian importer, BG Crane Pty. Ltd. The acquisition was finalised in February.

						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

On December 31, 2006, in addition to companies mentioned above, Cargotec had holdings in 5 associated companies.

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

* Associated company
** Joint venture

16. Non-current Available-for-sale Investments

MEUR	2007	2006
Book value Jan 1	1.6	1.1
Translation difference	0.0	0.0
Additions	0.2	0.5
Disposals	-0.1	0.0
Reclassification	0.0	-
Companies acquired	0.6	-
Book value Dec 31	**2.3**	**1.6**

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, 2007	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired/sold companies	Dec 31, 2007
Tax losses carried forward	16.0	-2.0	-	-0.6	1.5	14.9
Provisions	10.0	5.4	-	-0.7	0.4	15.2
Depreciation difference	1.6	0.0	-	0.0	0.1	1.6
Pensions	3.6	0.3	-	0.0	0.1	3.9
Consolidation entries	6.3	1.4	-	0.0	0.0	7.7
Change in fair value	1.5	-	0.6	0.0	-0.3	1.8
Other temporary differences for assets	11.7	-1.1	-	-0.4	0.2	10.4
Total	**50.7**	**4.0**	**0.6**	**-1.7**	**2.0**	**55.5**

Deferred tax liabilities

MEUR	Jan 1, 2007	Charged to income statement	Charged to shareholders' equity	Translation difference	Acquired/sold companies	Dec 31, 2007
Depreciation difference	3.3	0.3	-	-0.1	0.4	3.9
Goodwill amortization	2.4	0.8	-	-0.3	0.4	3.4
Allocation of fair value on acquisitions	11.5	-2.5	-	-0.2	3.8	12.7
Research and development	0.0	1.1	-	0.0	-	1.1
Change in fair value	5.5	0.0	3.7	-0.4	-0.3	8.4
Other temporary differences for liabilities	7.7	0.1	-	-0.3	1.5	9.0
Total	**30.5**	**-0.2**	**3.7**	**-1.3**	**5.8**	**38.5**

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	-	0.1	-	16.0
Provisions	17.0	-6.3	-	-0.7	-	10.0
Depreciation difference	1.7	-0.1	-	0.0	-	1.6
Pensions	3.9	-0.3	-	0.0	-	3.6
Consolidation entries	5.5	0.8	-	0.0	-	6.3
Change in fair value	3.5	-	-2.0	0.0	-	1.5
Other temporary differences for assets	5.3	6.7	-	-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	-	0.1	0.1	3.3
Goodwill amortization	1.5	1.1	-	-0.2	-	2.4
Allocation of fair value on acquisitions	9.5	-1.0	-	0.0	3.0	11.5
Research and development	0.3	-0.3	-	-	-	0.0
Change in fair value	1.9	-	3.7	-0.1	-	5.5
Other temporary differences for liabilities	1.0	3.9	-	-0.7	3.6	7.7
Total	**18.5**	**2.5**	**3.7**	**-0.9**	**6.7**	**30.5**

On December 31, 2007 Cargotec had EUR 110.6 (Dec 31, 2006: 138.5) 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 0.1 (Dec 31, 2006: 1.4) million will expire during next five years and the rest EUR 105.8 (Dec 31, 2006: 137.1) million have no expiry date or it is over five years.

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

18. Inventories

MEUR	Dec 31, 2007	Dec 31, 2006
Raw materials and supplies	231.5	179.1
Work in progress	228.4	181.0
Finished goods	163.7	149.0
Advance payments	33.8	19.8
Total	**657.4**	**528.9**

Inventories included obsolescence allowances to net realisable value of EUR 38.4 (Dec 31, 2006: 34.8) million.

19. Financial Instruments by Category

Carrying amount by category of financial assets on Dec 31, 2007

MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through profit or loss	Derivatives defined as cash flow hedges	Total carrying amount
Non-current financial assets					
Interest-bearing receivables	5.5				5.5
Available-for-sale investments		2.3			2.3
Derivative assets				8.9	8.9
Other non-interest-bearing receivables	12.0				12.0
Total non-current financial assets	**17.5**	**2.3**	**-**	**8.9**	**28.7**
Current financial assets					
Loans receivable	0.4				0.4
Derivative assets			23.3	27.4	50.8
Accounts receivable and other non-interest-bearing receivables	582.8				582.8
Cash and cash equivalents	179.0				179.0
Total current financial assets	**762.3**	**-**	**23.3**	**27.4**	**813.1**
Total financial assets	**779.8**	**2.3**	**23.3**	**36.3**	**841.8**

Carrying amount by category of financial liabilities on Dec 31, 2007

MEUR	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives defined as cash flow hedges	Total carrying amount
Non-current financial liabilities				
Interest-bearing liabilities	433.3			433.3
Derivative liabilities			14.9	14.9
Other non-interest-bearing liabilities	52.2			52.2
Total non-current financial liabilities	**485.5**	**-**	**14.9**	**500.4**
Current financial liabilities				
Interest-bearing liabilities	55.1			55.1
Derivative liabilities		2.6	15.0	17.6
Accounts payable and other non-interest-bearing liabilities	614.5			614.5
Total current financial liabilities	**669.6**	**2.6**	**15.0**	**687.3**
Total financial liabilities	**1,155.1**	**2.6**	**29.9**	**1,187.7**

Carrying amount by category of financial assets on Dec 31, 2006

MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through profit or loss	Derivatives defined as cash flow hedges	Total carrying amount
Non-current financial assets					
Interest-bearing receivables	0.1				0.1
Available-for-sale investments		1.6			1.6
Derivative assets				5.1	5.1
Other non-interest-bearing receivables	2.8				2.8
Total non-current financial assets	**2.9**	**1.6**	**-**	**5.1**	**9.6**
Current financial assets					
Loans receivable	0.3				0.3
Derivative assets			0.2	22.3	22.5
Accounts receivable and other non-interest-bearing receivables	444.2				444.2
Cash and cash equivalents	124.3				124.3
Total current financial assets	**568.8**	**-**	**0.2**	**22.3**	**591.3**
Total financial assets	**571.7**	**1.6**	**0.2**	**27.4**	**600.9**

Carrying amount by category of financial liabilities on Dec 31, 2006

MEUR	Financial liabilities at amortised cost	Liabilities at fair value through profit or loss	Derivatives defined as cash flow hedges	Total carrying amount
Non-current financial liabilities				
Interest-bearing liabilities	195.0			195.0
Derivative liabilities			3.1	3.1
Other non-interest-bearing liabilities	15.9			15.9
Total non-current financial liabilities	**210.9**	**-**	**3.1**	**214.0**
Current financial liabilities				
Interest-bearing liabilities	37.2			37.2
Derivative liabilities		9.3	6.4	15.7
Accounts payable and other non-interest-bearing liabilities	496.0			496.0
Total current financial liabilities	**533.2**	**9.3**	**6.4**	**548.9**
Total financial liabilities	**744.1**	**9.3**	**9.5**	**762.9**

20. Accounts Receivable and Other Non-interest-bearing Receivables

Non-current receivables

MEUR	Dec 31, 2007	Dec 31, 2006
Other non-interest-bearing assets	12.0	2.8

Current receivables

MEUR	Dec 31, 2007	Dec 31, 2006
Accounts receivable	475.9	385.9
Receivables from construction contracts	26.2	3.5
Deferred interests	4.6	0.1
Other deferred assets	76.1	54.8
Total	**582.8**	**444.2**

Cargotec has deducted EUR 11.1 (Dec 31, 2006: 11.9) million for doubtful accounts from accounts receivable.
No losses in loan receivables were recognised.

Ageing analysis of accounts receivable

MEUR	Dec 31, 2007	Dec 31, 2006
Undue	346.8	284.7
1–90 days due	111.8	89.6
91–360 days due	21.4	17.1
Over 360 days due	7.0	6.2
Total	**487.0**	**397.7**

21. Cash and Cash Equivalents

MEUR	Dec 31, 2007	Dec 31, 2006
Cash at bank and in hand	100.5	59.6
Short-term deposits	78.4	64.7
Total	**179.0**	**124.3**

Cash and cash equivalents in the cash flow statement

MEUR	Dec 31, 2007	Dec 31, 2006
Total cash and cash equivalents	179.0	124.3
Bank overdrafts used	-11.4	-9.8
Cash and cash equivalents in the cash flow statement	**167.5**	**114.5**

The average effective interest rate of the short-term deposits portfolio on December 31, 2007 was 4.58 (Dec 31, 2006: 3.65) percent.

22. 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 OMX Nordic Exchange in Helsinki. 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's 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 2007, Cargotec held 1,904,725 (Dec 31, 2006: 704,725) class B shares as treasury shares. The total cost for shares purchased during the financial period was EUR 46.1 (Jan 1–Dec 31, 2006: 18.9) million. Board authorisations 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 Jan 1, 2006	9,526,089	54,394,866	63,920,955
Share subscription with option rights		125,505	125,505
Number of shares on Dec 31, 2006	**9,526,089**	**54,520,371**	**64,046,460**
Treasury shares on Dec 31, 2006		-704,725	-704,725
Number of shares outstanding on Dec 31, 2006	**9,526,089**	**53,815,646**	**63,341,735**
Number of shares on Jan 1, 2007	9,526,089	54,520,371	64,046,460
Share subscription with option rights		173,913	173,913
Number of shares on Dec 31, 2007	**9,526,089**	**54,694,284**	**64,220,373**
Treasury shares on Dec 31, 2007		-1,904,725	-1,904,725
Number of shares outstanding on Dec 31, 2007	**9,526,089**	**52,789,559**	**62,315,648**

Dividend distribution

After December 31, 2007 the following dividends were proposed by the Board of Directors to be paid: EUR 1.04 per each class A share and EUR 1.05 per each class B share in circulation, a total of EUR 65,336,169.51.

23. Share-based Payments

Option programme

Cargotec option rights 2005A and 2005B are based on the demerged Kone Corporation's 2004 option programme. At the effective date of the demerger June 1, 2005, holders of option rights under the Kone 2004 option programme received new option rights so that each series A option right of Kone Corporation was converted into one series 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 series 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 OMX Nordic Exchange in Helsinki. 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.

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.

The share-based incentive scheme of the year 2005

In July 2005, Cargotec's Board of Directors decided on a new share-based incentive scheme for 35 top management members. The scheme included 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 programme ended in March, 2007.

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 them. The option rights were handed over to the participants of the incentive scheme in March 2007.

The earnings criteria for synthetic options was defined to be the Cargotec's class B share performance during July 2005-February 2007. The synthetic options were settled in cash in March 2007.The fair value of the options was EUR 28.22 on payment day.

The share-based incentive scheme of the year 2007

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

At the end of December 2007, the earnings period 2007–2008 involves 66 persons. If they were to receive the maximum number of shares in accordance with the scheme, a total of 144,925 shares, their shareholding obtained via the programme would amount to 0.1 percent of the total voting rights of Company's class A and B shares. Share price on grant date was EUR 45.14.

Changes in the number of option rights

	Number of 2005A options	Number of 2005B options
At the beginning of the financial period Jan 1, 2006	54,555	108,130
Exercised option rights	-16,660	-25,975
At the end of financial period Dec 31, 2006	**37,895**	**82,955**
Exercisable option rights on Dec 31, 2006	37,895	62,295

	Number of 2005A options	Number of 2005B options
At the beginning of the financial period Jan 1, 2007	37,895	82,955
Exercised option rights	-25,170	-32,801
At the end of financial period Dec 31, 2007	**12,725**	**50,154**
Exercisable option rights on Dec 31, 2007	12,725	50,154

The weighted average share price on the dates of exercise of share options in 2007 was EUR 38,60 (Jan 1–Dec 31, 2006: 37.37).

24. Interest-bearing Liabilities

Carrying amounts of interest-bearing liabilities

MEUR	Dec 31, 2007	Dec 31, 2006
Non-current		
Loans from financial institutions	122.5	85.8
Corporate bonds	302.8	99.7
Finance lease liabilities	8.0	9.5
Total	**433.3**	**195.0**
Current portion of long-term loans		
Loans from financial institutions	0.5	0.0
Finance lease liabilities	3.0	4.8
Total	**3.5**	**4.8**
Current		
Loans from financial institutions	40.2	22.6
Bank overdrafts used	11.4	9.8
Total	**51.6**	**32.4**
Total interest-bearing liabilities	**488.4**	**232.2**

On December 31, 2007, the average effective interest rate of long-term loans and corporate bonds was 5.0 (December 31, 2006: 3.8) percent. The effective euro interest rate, after hedging of USD denominated corporate bonds through cross-currency and interest rate swaps, was 4.5 percent. The average interest rate of short-term loans was 5.7 (December 31, 2006: 4.8) percent.

The fair values of corporate bonds, presented below, are calculated as discounted cash flows using market rates. The fair values of other interest-bearing liabilities are not materially different from their carrying amounts.

Corporate bonds

			Fair value, MEUR	
	Coupon rate, %	Nominal value	Dec 31, 2007	Dec 31, 2006
2005–2012	3.80	EUR 100 million	94.4	95.9
2007–2014	5.44	USD 95 million	68.8	-
2007–2017	5.58	USD 120 million	88.2	-
2007–2019	5.68	USD 85 million	63.4	-

Interest-bearing liabilities per currency

MEUR	Dec 31, 2007	Dec 31, 2006
USD*	211.8	6.2
EUR	208.0	177.3
CNY	28.2	10.6
SEK	25.3	23.4
JPY	1.8	2.0
Other	13.3	12.7
Total	**488.4**	**232.2**

* The USD denominated Private Placement corporate bonds are hedged through cross currency and interest rate swaps defined as cash flow hedges in accordance with IAS 39.

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, 2007	Dec 31, 2006
Minimum lease payments		
Less than 1 year	3.5	5.6
1–5 years	6.4	7.2
Over 5 years	4.1	5.3
Total	**14.0**	**18.0**
Future finance charges	-3.1	-3.7
Present value of finance lease liabilities	**10.9**	**14.3**

Present value of minimum lease payments

MEUR	Dec 31, 2007	Dec 31, 2006
Less than 1 year	3.0	4.8
1–5 years	5.1	6.2
Over 5 years	2.8	3.3
Present value of finance lease liabilities	**10.9**	**14.3**

25. 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

	Defined benefit plans		Other post-employment benefits		Total	
MEUR	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**
Present value of unfunded obligations	30.2	28.6	-	-	30.2	28.6
Present value of funded obligations	37.9	39.9	-	-	37.9	39.9
Fair value of benefit plans' assets	-27.1	-27.9	-	-	-27.1	-27.9
Unrecognized actuarial gains (+)/losses (-)	-5.9	-4.4	-	-	-5.9	-4.4
Total	**35.2**	**36.2**	**-**	**-**	**35.2**	**36.2**

Movement in the benefit obligation

	Defined benefit plans		Other post-employment benefits		Total	
MEUR	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2006**
Benefit obligation at the beginning of period	68.5	66.9	-	-	68.5	66.9
Current service costs	1.4	1.5	-	-	1.4	1.5
Interest costs	2.8	2.6	-	-	2.8	2.6
Contributions by plan participants	1.3	0.0	-	-	1.3	0.0
Net actuarial gains (-)/losses (+) recognized	-0.4	-0.1	-	-	-0.4	-0.1
Translation difference	-3.2	0.6	-	-	-3.2	0.6
Benefits paid	-2.4	-2.3	-	-	-2.4	-2.3
Acquisitions/Disposals of new companies	0.7	0.0	-	-	0.7	0.0
Curtailments	-0.7	-0.7	-	-	-0.7	-0.7
Past-service costs	0.0	0.0	-	-	0.0	0.0
Benefit obligation at the end of period	**68.0**	**68.5**	**-**	**-**	**68.0**	**68.5**

Movement in the fair value of plan assets

MEUR	Defined benefit plans Dec 31, 2007	Dec 31, 2006	Other post-employment benefits Dec 31, 2007	Dec 31, 2006	Total Dec 31, 2007	Dec 31, 2006
Plan assets at the beginning of period	27.9	27.2	-	-	27.9	27.2
Expected return on plans assets	1.4	1.2	-	-	1.4	1.2
Net actuarial gains (-)/losses (+) recognized	-0.7	-0.1	-	-	-0.7	-0.1
Translation difference	-1.6	0.1	-	-	-1.6	0.1
Employer contribution	1.6	1.2	-	-	1.6	1.2
Employee contribution	0.0	0.0	-	-	0.0	0.0
Benefits paid	-1.7	-1.7	-	-	-1.7	-1.7
Acquisitions/Disposals of new companies	0.3	0.0	-	-	0.3	0.0
Settlements	0.0	0.0	-	-	0.0	0.0
Plan assets at the end of period	**27.1**	**27.9**	**-**	**-**	**27.1**	**27.9**

Pensions recognised in income statement

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Defined contribution pension plans	24.9	22.1
Defined benefit pension plans	3.1	2.6
Other post-employment benefits	-	-
Total	**27.9**	**24.7**

Defined benefit plans

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Current service costs	1.5	1.6
Interest costs	2.9	2.6
Expected return on plan assets	-1.5	-1.2
Net actuarial gains (-)/losses (+) recognized	0.1	0.0
Past-service costs	0.0	-0.1
Gains/loss curtailments	0.0	-0.3
Total	**3.1**	**2.6**

Defined benefit plans: Assumptions used in calculating benefit obligations

	2007 Europe	2007 USA	2006 Europe	2006 USA
Discount rate, %	1.75–6.0	5.75	3.11–5.1	5.75
Expected return on plan assets, %	2.0–7.0	7.0	4.0–5.5	7.0
Future salary increase, %	2.0–5.0	4.5	2.0–4.75	4.5
Future pension increase, %	2.0–3.6		2.0–3.6	
Expected average remaining working years	11–22		10–24	

26. Provisions

MEUR	Provision for warranty	Provision for claims	Provision for business re-organization	Provision for loss contracts	Other provisions	Total
Total provision Jan 1, 2007	50.7	0.6	0.1	5.9	15.6	72.9
Translation difference	-1.2	0.0	0.1	-0.1	-0.7	-1.9
Increase	43.1 *	0.2	3.8	4.1	23.2	74.5
Provision used	-13.1	-0.2	-1.3	-0.3	-0.7	-15.6
Reversal of provision	-10.4	-0.1	-0.5	-4.0	-7.6	-22.5
Companies acquired/sold	1.1	-	-	-	0.8	1.9
Total provision Dec 31, 2007	**70.2**	**0.5**	**2.1**	**5.7**	**30.7**	**109.2**

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

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	-	-	-0.1	-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	-	-0.1	-0.1	-0.1	-5.7
Companies acquired/sold	1.8	-	-	-	-0.4	1.4
Total provision Dec 31, 2006	**50.7**	**0.6**	**0.1**	**5.9**	**15.6**	**72.9**

MEUR	Dec 31, 2007	Dec 31, 2006
Non-current liabilities	38.4	30.3
Current liabilities	70.8	42.6
Total	**109.2**	**72.9**

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.

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

Non-current liabilities

MEUR	Dec 31, 2007	Dec 31, 2006
Share-based incentives	1.0	-
Other non-interest-bearing liabilities	52.2	15.9
Total	**53.2**	**15.9**

Current liabilities

MEUR	Dec 31, 2007	Dec 31, 2006
Accounts payable	363.9	305.1
Advances received	243.8	147.4
Accrued interests	16.3	3.0
Share-based incentives	-	4.7
Accrued salaries, wages and employment costs	73.7	71.8
Advance rents, customer finance	23.6	17.1
Project costs	73.9	35.3
Other accrued expenses	86.8	80.8
Total	**882.0**	**665.2**

28. Commitments

MEUR	Dec 31, 2007	Dec 31, 2006
Guarantees	2.2	0.5
Dealer financing	8.4	8.5
End customer financing	7.5	6.7
Operating leases	47.7	38.1
Off balance sheet investment commitments	1.2	-
Other contingent liabilities	3.7	3.9
Total	**70.6**	**57.7**

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

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

The future minimum lease payments under non-cancellable operating leases

MEUR	Dec 31, 2007	Dec 31, 2006
Less than 1 year	14.1	11.9
1–5 years	27.4	22.2
Over 5 years	6.3	4.0
Total	**47.7**	**38.1**

The aggregate operating lease expenses totaled EUR 13.6 (Jan 1–Dec 31, 2006: 11.1) million.

29. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value Dec 31, 2007	Negative fair value Dec 31, 2007	Net fair value Dec 31, 2007
FX forward contracts, cash flow hedges	36.3	25.0	11.3
FX forward contracts, non-hedge accounted	23.3	2.6	20.7
Cross currency and interest rate swaps, cash flow hedges	-	4.9	-4.9
Total	**59.7**	**32.6**	**27.1**
Non-current portion:			
FX forward contracts, cash flow hedges	8.9	10.0	-1.1
Cross currency and interest rate swaps, cash flow hedges	-	4.9	-4.9
Non-current portion	**8.9**	**14.9**	**-6.0**
Current portion	**50.8**	**17.6**	**33.2**

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**

Cross currency and interest rate swaps hedge the US Private Placement corporate bonds, funded in February 2007.

Nominal values of derivative financial instruments

MEUR	Dec 31, 2007	Dec 31, 2006
FX forward contracts	2,610.0	1,752.7
Interest rate swaps	-	10.0
Cross currency and interest rate swaps	225.7	225.7
Total	**2,835.7**	**1,988.4**

30. 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 receivables under non-cancellable operating leases

MEUR	Dec 31, 2007	Dec 31, 2006
Less than 1 year	11.8	15.8
1–5 years	18.9	23.4
Over 5 years	3.2	0.2
Total	**33.9**	**39.4**

Rent income recognized in sales was EUR 15.7 (Jan 1–Dec 31, 2006: 13.7) million.

31. Related-party Transactions

Transactions with associated companies and joint ventures

	Associated companies		Joint ventures		Total	
MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Sale of goods and services	7.5	9.2	4.6	-	12.1	9.2
Purchase of goods and services	5.6	5.5	0.1	-	5.7	5.5

Balances with associated companies and joint ventures

	Associated companies		Joint ventures		Total	
MEUR	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
Current loans receivable	-	0.1	0.2	-	0.2	0.1
Accounts receivable	1.5	2.8	1.3	-	2.8	2.8
Accounts payable	1.1	1.3	0.0	-	1.1	1.3

Transactions with associated companies and joint ventures are made at market price.

Key management compensation

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Wages and salaries	3.7	3.7
Share-based key management incentive scheme	1.3	0.8
Post-employment benefits	0.2	0.4
Total	**5.3**	**4.9**

Key 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. One member is entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the total average annual salary excluding share-based incentive programmes in the last ten full years of service. This arrangement has been covered with insurances taken out by the company.

During the financial year 2007, Cargotec granted a loan of EUR 2 million to Moving Cargo Oy, a company jointly-owned by the Executive Board, for financing an incentive programme for the Executive Board. The loan carries an interest of 4.78% and will be repaid latest when due on March 31, 2012.

Salaries, bonuses and other monies paid

1.000 EUR		Jan 1–Dec 31, 2007		Jan 1–Dec 31, 2006
Mikael Mäkinen	President and CEO (since May 1, 2006)	673.2		329.8
Kari Heinistö	Deputy CEO	854.5	*	374.9
Ilkka Herlin	Chairman of the Board	74.2		65.7
Henrik Ehrnrooth	Deputy Chairman of the Board	46.0		44.5
Carl-Gustaf Bergström	Board member (since May 1, 2006), President and CEO (Jun 1, 2005–Apr 30, 2006)	592.9	*	468.5
Tapio Hakakari	Board member	42.2		35.6
Karri Kaitue	Board member	36.0		33.5
Peter Immonen	Board member	44.0		36.5
Antti Herlin	Board member (Jul 12, 2005–Feb 28, 2006)	-		4.0

Further information on share and option ownership of the Board of Directors and top management is available under the section "Shares and Shareholders".

* Cargotec's previous President and CEO and present member of BoD, Carl-Gustaf Bergström, and Deputy CEO, Kari Heinistö, were part of the Group's top management incentive scheme that ended in March 2007.

32. Principal Subsidiaries on Dec 31, 2007

	Country	Group shareholding (%)
Kalmar Industries Oy Ab	Finland	100.0
Kalmar Industries AB	Sweden	100.0
MacGREGOR (FIN) Oy	Finland	100.0
MacGREGOR (SWE) AB	Sweden	100.0
Kalmar Industries USA LLC	The United States	100.0
Hiab Inc.	The United States	100.0
Hiab GmbH	Germany	100.0
MacGREGOR Bulk AB	Sweden	100.0
Hiab Cranes AB	Sweden	100.0
Bromma Conquip AB	Sweden	100.0
MacGREGOR-Kayaba Ltd	Japan	75.0
Kalmar Asia Pacific Ltd	Hong Kong	100.0
Hiab, S.A.	Spain	100.0
Kalmar Flurförderzeuge Vertriebs GmbH	Germany	100.0
Hiab S.A.S	France	100.0
Hiab Services Sarl	France	100.0
Kalmar Ltd.	United Kingdom	100.0
Hiab B.V.	The Netherlands	100.0
Hydramarine AS	Norway	90.1
MacGREGOR Plimsoll Pte Ltd	Singapore	90.0
Kalmar Belgium NV	Belgium	100.0

	Country	Group shareholding (%)
Kalmar RT Center LLC	The United States	100.0
Waltco Truck Equipment Co. Inc.	The United States	100.0
Z-Lyften Produktion AB	Sweden	100.0
Kalmar Industries B.V.	The Netherlands	100.0
Loglift Jonsered Oy Ab	Finland	100.0
Hiab Ltd.	United Kingdom	100.0
Hiab Sverige AB	Sweden	100.0
Kalmar Hebefahrzeuge Handelges.m.b.H.	Austria	100.0
Hiab AS	Norway	100.0
Kalmar France S.A.S	France	100.0
Cargotec Services USA Inc.	The United States	100.0
MacGREGOR (DEU) GmbH	Germany	100.0
Hiab Australia Pty. Ltd.	Australia	80.0
Catracom NV	Belgium	100.0
Princeton Delivery Systems Inc	The United States	100.0
Hiab Hana Ltd.	Republic of Korea	98.8
Hiab K.K.	Japan	100.0
Kalmar South East Asia Pte. Ltd	Singapore	100.0
Kalmar Norge AS	Norway	100.0
Hiab Oy	Finland	100.0
Kalmar Rental B.V.	The Netherlands	100.0
All Set Marine Lashing AB	Sweden	100.0
Hiab S.A. de C.V.	Mexico	64.0
Servicios Hiab S.A. de C.V.	Mexico	64.0
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore	90.0
Zepro Danmark A/S	Denmark	100.0
OOO Kalmar	Russia	100.0
Hiab SA/NV	Belgium	100.0
Hiab Sp. Z o.o.	Poland	100.0
MacGREGOR (SGP) Pte Ltd	Singapore	100.0
Moffet Ltd	United Kingdom	100.0
Kalmar Port Machinery Shanghai Ltd	China	100.0
Multilift Oy	Finland	100.0
Hiab s.r.l.	Italy	100.0
Hiab AB	Sweden	100.0
MacGREGOR Shanghai Trading Co., Ltd.	China	100.0
Kalmar España, S.A.	Spain	82.2
MacGREGOR (GBR) Ltd	United Kingdom	100.0
Kalmar Nederland C.V.	The Netherlands	100.0
Moffett Engineering Ltd	Ireland	100.0
Kalmar Equipment (Australia) Pty. Ltd.	Australia	100.0
MacGREGOR (ITA) S.r.l.	Italy	100.0
MacGREGOR (NOR) AS	Norway	100.0
MacGREGOR (USA) Inc	The United States	100.0
Truck och Maskin i Örnsköldsvik AB	Sweden	100.0
Hiab Pte Ltd	Singapore	100.0
Cargotec Manufacturing India Pvt. Ltd	India	100.0
Zepro France s.a.r.l.	France	100.0
Kalmar Port Machinery (Shenzhen) Co., Ltd	China	100.0
MacGREGOR (NLD) B.V.	The Netherlands	100.0
Hiab Chile S.A.	Chile	100.0
Interhydraulik Zepro GmbH	Austria	100.0
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China	100.0
AS Balti ES	Estonia	100.0
Bromma Far East Pte. Ltd.	Singapore	100.0
Moffet B.V.	The Netherlands	100.0
MacGREGOR (GRC) EPE	Greece	100.0
Vestnorsk Hydraulikkservice AS	Norway	100.0
Kalmar Industries South Africa (Pty) Ltd	South Africa	100.0
OOO Kalmar Pogruchiki I Crani	Russia	100.0
MacGREGOR (HRV) d.o.o.	Croatia	100.0

	Country	Group shareholding (%)
MacGREGOR (KOR) Ltd	Republic of Korea	100.0
AMA Polska Sp. Z o.o.	Poland	100.0
MacGREGOR (FRA) S.A.S.	France	100.0
Hiab s.r.o	Czech Republic	100.0
Hiab spol s.r.o.	Slovakia	100.0
Hiab Sdn Bhd	Malaysia	100.0
Kalmar India Pvt. Ltd	India	100.0
Kalmar Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil	100.0
SRMP - Societe Reunionaise de Maintenance Portuaire	France	51.0
MacGREGOR ESP, S.A.	Spain	100.0
Tagros d.o.o.	Slovenia	100.0
MacGREGOR (DNK) A/S	Denmark	100.0
Kalmar Port Equipment Service LLC	The United States	100.0
Kalmar Industries (Shanghai) Co., Ltd	China	100.0
Hiab Kft.	Hungary	100.0
OOO MacGREGOR (RUS)	Russia	100.0
Petrospec Pte Ltd	Singapore	90.0
LeeBur-Multilift B.V.	The Netherlands	100.0
Bromma GmbH	Germany	100.0
MacGREGOR (POL) Sp. Z o.o	Poland	100.0
PT MacGREGOR Plimsoll Indonesia	Indonesia	90.0
Kalmar Danmark A/S	Denmark	100.0
Plimsoll Corporation Sdn Bhd	Malaysia	90.0
MacGREGOR Shanghai Equipment Maintenance & Repair Co., Ltd.	China	100.0
Hiab Cranes, S.L.	Spain	100.0
MacGREGOR Group AB	Sweden	100.0
MacGREGOR BLRT Baltic OÜ	Estonia	51.0
Kalmar ACT B.V.	The Netherlands	100.0
Hiab d.o.o.	Croatia	100.0
Cargotec India Private Limited	India	100.0
MacGREGOR (BRA) Ltda	Brazil	100.0
Bromma (Malaysia) Sdn. Bhd.	Malaysia	100.0
Hiab Manufacturing B.V.	The Netherlands	100.0
Plimsoll (Tianjin) Co. Ltd	China	90.0
MacGREGOR Goodway (Shanghai) Marine Engineering Consulting Co., Ltd.	China	67.0
Moffett Research & Development Ltd	Ireland	100.0
Bromma Middle East FZCO	United Arab Emirates	100.0
MacGREGOR (CYPRUS) Ltd.	Cyprus	100.0
MacGREGOR (UKR)	Ukraine	99.3
Kalmar Forwarding AB	Sweden	100.0
Cargotec Patenter AB	Sweden	100.0
Cargotec Holding Sverige AB	Sweden	100.0
Cargotec U.S. Manufacturing Oy	Finland	100.0
Cargotec Sverige AB	Sweden	100.0
Cargotec Holding Netherlands B.V.	The Netherlands	100.0
Cargotec Holding (Ireland) Ltd.	Ireland	100.0
Cargotec Norway AS	Norway	100.0
Cargotec U.S. Sales Oy	Finland	100.0
Cargotec Holding UK Ltd.	United Kingdom	100.0
Cargotec Holding S.a.r.l.	France	100.0
Kalmar UK Holding AB	Sweden	100.0
MacGREGOR Beteiligungs GmbH	Germany	100.0
Conver Ingenieurtechnik GmbH & Co KG	Germany	100.0
Zeteco AB	Sweden	100.0
Kalmar Holding BV	The Netherlands	100.0
MacGREGOR S.A.S.	France	100.0

In addition to above mentioned, Cargotec has holdings in 35 subsidiaries.

A complete list of shares and participations is enclosed in Cargotec's official statutory accounts.

Financial Statements of the Parent Company (FAS)

Parent Company Income Statement

MEUR	Note	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Sales		16.6	9.7
Administration expenses	2, 3	-22.5	-15.5
Other operating income	4	0.0	-
Other operating expenses	5	0.0	-0.7
Operating income/loss		**-5.9**	**-6.5**
Financing income and expenses	6		
Interest and financial income			
From subsidiaries		132.4	143.2
From other		118.1	93.8
Interest and other financial expenses			
To subsidiaries		-28.4	-20.7
To other		-137.4	-162.5
Total financing income and expenses		84.7	53.8
Income before extraordinary items		**78.8**	**47.2**
Extraordinary items	7		
Extraordinary income		12.8	47.6
Extraordinary expenses		0.0	-
Total extraordinary items		12.8	47.6
Income before appropriations and taxes		**91.6**	**94.9**
Taxes	8	0.0	-6.3
Change in deferred taxes		3.9	-0.7
Profit for the financial period		**95.4**	**87.9**

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

Parent Company Balance Sheet

MEUR	Note	Dec 31, 2007	Dec 31, 2006
Assets			
Non-current assets			
Intangible assets			
Intangible rights		0.0	0.1
Other long-term expenditures		0.0	0.0
Total intangible assets	9	**0.0**	**0.1**
Tangible assets			
Land		0.4	-
Buildings		0.6	0.1
Machinery and equipment		0.2	0.1
Other tangible assets		0.1	0.1
Total tangible assets	10	**1.2**	**0.3**
Investments			
Shares in subsidiaries		1,555.4	1,550.9
Other stocks and shares		1.5	1.4
Total investments	11	**1,556.9**	**1,552.3**
Total non-current assets		**1,558.1**	**1,552.7**
Current assets			
Receivables			
Long-term receivables			
Receivables from subsidiaries	12	33.5	42.4
Derivative assets	20	-	0.3
Deferred tax asset		4.2	0.3
Other receivables		13.6	-
Total long-term receivables		**51.3**	**43.0**
Short-term receivables			
Accounts receivable		0.0	1.8
Receivables from subsidiaries	12	762.2	436.7
Deferred assets	13	6.6	0.9
Total short-term receivables		**768.8**	**439.4**
Total receivables		**820.2**	**482.4**
Cash and bank		**119.5**	**86.3**
Total current assets		**939.6**	**568.6**
Total assets		**2,497.8**	**2,121.3**

MEUR	Note	Dec 31, 2007	Dec 31, 2006
Equity and liabilities			
Capital and reserves			
Share capital		64.2	64.0
Share premium account		97.4	96.0
Fair value reserve		12.6	-0.5
Treasury shares		-70.0	-23.8
Retained earnings		864.9	840.3
Profit for the financial period		95.4	87.9
Total capital and reserves	14	**1,064.6**	**1,063.9**
Liabilities			
Long-term liabilities			
Corporate bonds		302.8	99.7
Loans from financial institutions		121.7	85.7
Liabilities to subsidiaries	17	50.0	50.0
Derivative liabilities		4.9	1.0
Deferred tax liability		5.4	0.8
Total long-term liabilities		**484.8**	**237.2**
Current liabilities			
Loans from financial institutions		6.6	5.4
Accounts payable		3.0	1.1
Liabilities to subsidiaries	17	917.8	803.7
Other liabilities		-	0.0
Deferred liabilities	18	20.9	10.1
Total current liabilities		**948.4**	**820.2**
Total liabilities		**1,433.2**	**1,057.4**
Total equity and liabilities		**2,497.8**	**2,121.3**

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

Parent Company Cash Flow Statement

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Cash flow from operating activities		
Operating income/loss	-5.9	-6.5
Adjustments to operating income/loss	0.1	-0.1
Change in working capital	-5.4	1.7
Interest paid	-129.1	-123.1
Dividends received	107.9	125.0
Interest received	117.3	112.0
Income taxes paid	-2.4	-6.0
Cash flow from operating activities	**82.5**	**102.9**
Cash flow from investing activities		
Capital expenditure in fixed assets	-1.0	-0.1
Investments in subsidiaries	-125.9	-47.8
Proceeds form investments in subsidiaries	119.4	0.0
Proceeds from sales of fixed assets	0.0	0.0
Other investments	-8.3	-0.4
Cash flow from investing activities	**-15.8**	**-48.3**
Cash flow from financing activities		
Acquisition of treasury shares	-46.1	-18.9
Share subscriptions with options	1.5	1.1
Increase in loans receivable	-379.7	-198.1
Disbursement of loans receivable	28.3	-
Proceeds from short-term borrowings	166.0	244.3
Repayments of short-term borrowings	-49.3	-16.0
Proceeds from long-term borrowings	275.5	-
Repayments of long-term borrowings	-14.0	-
Dividends paid	-63.2	-41.3
Group contributions	47.6	2.0
Cash flow from financing activities	**-33.5**	**-26.9**
Change in cash	**33.2**	**27.7**
Cash and cash equivalents at the beginning of period	86.3	58.6
Cash and cash equivalents at the end of period	**119.5**	**86.3**
Change in working capital:		
Increase in short-term receivables	-2.7	-
Decrease in short-term receivables	-	1.3
Decrease in inventories	-	-
Increase in short-term payables	-	0.4
Decrease in short-term payables	-2.7	-
Change in working capital	**-5.4**	**1.7**

Notes to the Parent Company Financial Statements

1. Accounting Principles for the Parent Company Financial Statements

Basis of Preparation

Cargotec Corporation's financial statements have been prepared according to the Finnish Accounting Standards (FAS) for the financial period January 1–December 31, 2007.

Foreign Currency Transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency denominated receivables and payables outstanding at the end of the financial period are revalued at the exchange rate prevailing on the balance sheet date. Exchange rate gains/losses relating to operations are treated as adjustments to sales and costs. Exchange rate gains/losses associated with financial instruments are included in financing income and expenses.

Extraordinary Income and Expenses

The extraordinary income and expenses consist of group contributions paid and received.

Taxes

Tax expenses in the income statement consist of taxes based on taxable income for the period. Deferred tax assets and liabilities, due to temporary differences between the financial statements and tax accounting, are calculated using the future period's tax rate valid on the closing date. The deferred tax assets and liabilities resulting from the fair value fluctuation of the derivative instruments used for hedging the foreign currency nominated bond, funded in February 2007, are recorded on the balance sheet.

Adjustments to Previous Financial Period

The accounting principle for deferred tax assets and liabilities is adjusted to correspond to the accounting for the current period. Correspondingly, the accounting principle for deferred tax assets and liabilities applied in the previous financial period are changed to correspond to the accounting for the current period. Corresponding adjustments are made to the Income Statement and Balance Sheet. The effect of these adjustments is presented in the Equity note.

Intangible and Tangible Assets, Depreciation and Amortisation

Intangible and tangible assets are stated at cost less impairment losses and accumulated depreciation and amortisation. Depreciation and amortisation are determined based on the expected useful economic life as follows:

Intangible rights	5–10 years
Other capitalised expenditure	5–6 years
Buildings	25 years
Machinery and equipment	3 years

Provisions

Provisions are recognised when the Company has a current legal or contractual obligation and no corresponding income is expected, or when probable future losses are to be expected.

Derivative Instruments

Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and subsequently measured at fair value on each balance sheet date. Fair values of forward contracts and forward rate agreements are based on quoted market rates on the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as the present value of estimated future cash flows. Options are valuated based on generally accepted valuation models. No options or forward rate agreements were outstanding on the balance sheet date.

Derivative instruments, to 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.

Hedge accounting in accordance with IAS 39 is applied to hedges of operative cash flows and hedges of cash flows associated with foreign currency denominated borrowings. To qualify for hedge accounting, the Company documents the hedge relationship of the derivative instrument and the underlying hedged item, the Company's risk management targets and the strategy for applying hedge accounting. When starting hedge accounting and at least at every interim closing of the accounts, the Company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in the fair value of the underlying asset or cash flow. Changes in the fair value of effective cash flow hedges are recognised under equity in the fair value reserve. The ineffective portion is recognised immediately in the income statement. Cumulative gain or loss on the hedge deferred to equity is recognised in the income statement as an adjustment to the underlying cash flow when the underlying cash flow is recognised. Changes in the fair value of hedging instruments relating to operative items that are no longer expected to materialise are recognised immediately in the income statement under other operating expenses. If the hedging instrument is sold, the contract is revoked or exercised or the relationship between 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 under equity and recognised in the income statement when the underlying operative item materialises.

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

Equity

Equity consists of share capital, a share premium account, fair value reserves, treasury shares and retained earnings, less dividends paid. The portion of the change in the share capital exceeding the accounting par value of the share is recorded in the share premium account. Fair value reserves consist of the cumulative change in the fair value of the derivative instruments defined as cash flow hedges. The net income for the period is recorded in retained earnings.

2. Personnel Expenses

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Wages and salaries	9.0	6.3
Pension costs	1.1	0.6
Other statutory employer costs	0.4	0.3
Total	**10.5**	**7.2**

The salaries, bonuses and other monies paid to members of the Board during the financial period totaled EUR 0.3 (1–12/2006: 0.2) million.

The salaries, bonuses and other monies paid to the President and CEO, the Deputy CEO and Cargotec's previous President and CEO during the financial period totaled EUR 2.1 (1–12/2006: 1.1) million.

Average number of employees

	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Clerical employees	70	46

Pension benefits of personnel are arranged with external pension insurance company.

Pension benefits for top management

One member of the Executive Board is entitled to retire at the age of 60. In this case, the pension received corresponds to 60 percent of the total average annual salary excluding share-based incentive programmes in the last ten full years of service. This arrangement has been covered with insurances taken out by the company.

3. Depreciation and Amortization

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Intangible rights	0.0	0.0
Other capitalised expenditure	0.0	0.1
Buildings	0.0	0.0
Machinery and equipment	0.1	0.0
Other tangible assets	0.0	0.0
Total	**0.2**	**0.2**

4. Other Operating Income

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Gain on disposal of assets	0.0	-
Total	**0.0**	**-**

5. Other Operating Expenses

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Loss on disposal of assets	-	0.0
Other expenses	0.0	0.7
Total	**0.0**	**0.7**

6. Financing Income from Group Companies

Interest and financing income from group companies

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Interest income	23.7	17.5
Dividend income	107.9	125.0
Other financing income	0.8	0.7
Total	**132.4**	**143.2**

Interest and financing income from external parties

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Interest income	4.3	2.3
Exchange rate gains	113.9	91.5
Total	**118.1**	**93.8**

Interest and financing expenses to group companies

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Interest expenses	28.4	20.7

Interest and financing expenses to external parties

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Interest expenses	18.2	7.9
Exchange rate losses	116.5	94.5
Impairment of investments in subsidiaries	2.0	59.3
Ohter financing expenses	0.8	0.8
Total	**137.4**	**162.5**

7. Extraordinary Items

Extraordinary income

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Group contributions received	12.8	47.6

8. Income Taxes

MEUR	Jan 1–Dec 31, 2007	Jan 1–Dec 31, 2006
Taxes associated with extraordinary items	0.0	12.4
Other income tax	0.0	-6.1
Change in deferred taxes	-3.9	0.7
Total	**-3.9**	**7.0**

9. Intangible Assets

MEUR	2007	2006
Intangible rights		
Acquisition cost on Jan 1	0.1	0.1
Additions during period	0.0	0.0
Disposals during period	0.0	-
Acquisition cost on Dec 31	0.1	0.1
Accumulated amortization on Jan 1	0.0	-
Amortization during the period	0.0	0.0
Accumulated amortization on Dec 31	0.0	0.0
Book value on Dec 31	**0.0**	**0.1**
Other intangible assets		
Acquisition cost on Jan 1	0.1	0.1
Additions during period	-	-
Acquisition cost on Dec 31	0.1	0.1
Accumulated amortization on Jan 1	0.1	-
Amortization during the period	0.0	0.1
Accumulated amortization on Dec 31	0.1	0.1
Book value on Dec 31	**0.0**	**0.0**

10. Tangible Assets

MEUR	2007	2006
Buildings		
Acquisition cost on Jan 1	0.2	0.2
Additions during period	0.4	-
Acquisition cost on Dec 31	0.6	0.2
Accumulated depreciation on Jan 1	0.0	-
Depreciation during the period	0.0	0.0
Accumulated depreciation on Dec 31	0.0	0.0
Book value on Dec 31	**0.6**	**0.1**

MEUR	2007	2006
Machinery and equipment		
Acquisition cost on Jan 1	0.1	0.2
Additions during period	0.2	0.1
Disposals during period	0.0	0.0
Reclassification	0.0	-0.1
Acquisition cost on Dec 31	0.3	0.1
Accumulated depreciation on Jan 1	0.0	-
Accumulated depreciation associated with reclassified and disposed items	0.0	0.0
Depreciation during the period	0.1	0.0
Accumulated depreciation on Dec 31	0.1	0.0
Book value on Dec 31	**0.2**	**0.1**
Other tangible assets		
Acquisition cost on Jan 1	0.1	-
Additions during period	0.0	0.0
Disposals during period	0.0	0.0
Reclassification	0.0	0.1
Acquisition cost on Dec 31	0.1	0.1
Accumulated depreciation on Jan 1	0.0	-
Depreciation during the period	0.0	0.0
Accumulated depreciation on Dec 31	0.1	0.0
Book value on Dec 31	**0.1**	**0.1**

11. Shares and Participations

Shares and participations

	Shareholding %	Book value Dec 31, 2007 MEUR	Book value Dec 31, 2006 MEUR
Subsidiaries			
AS Balti ES	100.0	10.1	-
Cargotec Holding Finland Oy	100.0	0.0	0.0
Cargotec Holding Netherlands B.V.	100.0	98.9	98.9
Cargotec Holding S.a.r.l.	100.0	16.5	16.5
Cargotec Holding Sverige AB	100.0	223.4	223.4
Cargotec Holding, Inc.	100.0	248.0	248.0
Cargotec Norway AS	100.0	13.3	-
Cargotec Sverige AB	100.0	163.3	163.3
Catracom Handling Equipment NV	100.0	-	4.1
Catracom NV	0.3	0.0	21.2
Catracom Rental NV	100.0	-	4.7
Ciretek Oy	100.0	0.0	0.0
Forastar Oy Ab	100.0	0.0	0.0
Hiab d.o.o.	100.0	0.3	-
Hiab Kft.	100.0	2.7	-
Hiab Oy	75.2	5.0	5.0
Hiab s.r.o.	100.0	1.0	-
Hiab SA/NV	100.0	700.4	605.4
Hiab spol. s.r.o.	100.0	0.0	-
Kalmar Belgium NV	100.0	10.8	-
Kalmar Belgium NV SA	100.0	-	3.9
Kalmar Danmark A/S	100.0	0.1	0.1
Kalmar Industries South Africa (Pty) Ltd	100.0	0.7	0.7
Kalmar UK Holding AB	100.0	59.6	59.6
Kiinteistö Oy Kalasatama	100.0	0.1	0.0
Oy Sisu Ab	100.0	0.0	0.0
Tagros d.o.o.	100.0	1.2	-
Tiftilum AB	100.0	-	96.0
		1,555.4	**1,550.9**
Other Shares			
Asunto Oy Huvilakatu 1, shares 131-320		0.7	0.7
Dalian Nurmi Hydraulics Co. Ltd		0.6	0.4
Golfsarfvik Oy, shares 135 ja 136		0.1	0.1
Helsinki Halli Oy, shares B 642-647		0.0	0.0
Kiinteistö Oy Kuusamon Rukarinne, shares 953-1248, 1/3-part		0.0	0.0
Nordgolf Oy Ab, shares A 252-253 ja Y 964-967		0.0	0.0
Tennis Tapiola Oy, shares B 1654-1668 ja B 7128-7151		0.0	0.0
		1.5	**1.4**

12. Receivables from Group Companies

MEUR	Dec 31, 2007	Dec 31, 2006
Accounts receivable	3.7	3.0
Other receivables	743.7	427.2
Deferred assets	14.8	48.9
Total	**762.2**	**479.1**

13. Deferred Assets from External Parties

MEUR	Dec 31, 2007	Dec 31, 2006
Value added tax receivable	0.0	0.4
Derivative assets	1.5	0.1
Advances paid, investments	0.3	-
Other deferred assets	4.8	0.4
Total	**6.6**	**0.9**

14. Equity

MEUR	2007	2006
Share capital on Jan 1	64.0	63.9
Share subscriptions with options	0.2	0.1
Share capital on Dec 31	**64.2**	**64.0**
Share premium account on Jan 1	96.0	95.1
Share subscriptions with options	1.3	1.0
Share premium account on Dec 31	**97.4**	**96.0**
Fair value reserves on Jan 1	-0.5	-
Cash flow hedges	17.7	-0.5
Change in deferred taxes	-4.6	-
Fair value reserves on Jan 31	**12.6**	**-0.5**
Retained earnings on Jan 1	904.3	876.6
Treasury shares acquired	-46.1	-18.9
Dividends paid	-63.2	-41.3
Retained earnings on Dec 31	**794.9**	**816.4**
Net income		
Confirmed financial statements	95.4	88.6
The accounting principle for deferred tax assets and liabilities adjustment	-	-0.7
Adjusted net income	**95.4**	**87.9**
Total equity	**1,064.6**	**1,063.9**
Distributable equity	**890.4**	**904.3**

15. Provisions

MEUR	2007	2006
Provisions on Jan 1	-	0.3
Increase	-	-
Decrease	-	-0.3
Total on Dec 31	**-**	**-**

16. Long-term Debt

MEUR	Dec 31, 2007	Dec 31, 2006
Maturity after 5 years		
Corporate bonds	302.8	99.7
Loans from financial institutions	30.0	30.0
Loans from group companies	50.0	50.0
Other long-term debt		
Loans from financial institutions	91.7	55.7
Derivative liabilities	4.9	1.0
Deferred tax liabilities	5.4	0.8
Total	**484.8**	**237.2**

17. Liabilities to Group Companies

MEUR	Dec 31, 2007	Dec 31, 2006
Accounts payable	0.4	0.2
Other debt	966.3	850.8
Accruals	1.1	2.7
Total	**967.8**	**853.7**

18. Accruals to External Parties

MEUR	Dec 31, 2007	Dec 31, 2006
Accrued taxes	-	2.4
Accrued salaries, wages and employment costs	2.2	3.5
Derivative liabilities	1.1	0.2
Accrued interests	16.0	2.7
Other accruals	1.7	1.2
Total	**20.9**	**10.1**

19. Commitments

Security for debt

MEUR	Dec 31, 2007	Dec 31, 2006
Guarantees given on behalf of group companies	358.8	296.0
Guarantees given on behalf of associated companies	1.6	-
Guarantees given on behalf of others	0.6	-
	361.0	**296.0**

Contingencies

Rental liabilities given on behalf of others	3.4	3.6
Leasing liabilities		
Maturity within the next financial period	0.2	0.2
Maturity after next financial period	0.3	0.2
Total	**0.5**	**0.4**

20. Derivatives

Fair values of derivative instruments

	Positive fair value		Negative fair value		Net fair value	
MEUR	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006	Dec 31, 2007	Dec 31, 2006
FX Forward contracts	1.5	0.1	1.1	0.2	0.4	-0.1
Interest rate swaps, maturity within 1 year	-	-	-	0.0	-	0.0
Cross currency and interest rate swaps, maturity after 1 year	-	0.3	4.9	1.0	-4.9	-0.6
Total	**1.5**	**0.5**	**5.9**	**1.2**	**-4.5**	**-0.8**

Nominal values of derivative instruments

MEUR	Dec 31, 2007	Dec 31, 2006
FX Forward contracts	241.6	269.4
Interest rate swaps, maturity within 1 year	0.0	10.0
Cross currency and interest rate swaps, maturity after 1 year	225.7	225.7
Total	**467.3**	**505.1**

Key Figures

Key Financial Figures

Consolidated Income Statement		2007	2006	Jun 1–Dec 31, 2005	Pro forma 2005	Pro forma 2004	Pro forma 2003
Sales	MEUR	3,018	2,597	1,419	2,358	1,900	1,658
Exports from and sales outside Finland	MEUR	2,919	2,528	1,374	2,288	1,835	1,597
Operating income	MEUR	203	240	124	195	124	85
% of sales	%	6.7	9.3	8.8	8.3	6.5	5.1
Operating income from operations	MEUR	221 3)	223 2)	113 1)	180 1)	124	85
% of sales	%	7.3 3)	8.6 2)	8.0 1)	7.6 1)	6.5	5.1
Income before taxes	MEUR	184	232	126	191	113	72
% of sales	%	6.1	8.9	8.8	8.1	6.0	4.4
Net income for the period	MEUR	138	166	87	137	78	53
% of sales	%	4.6	6.4	6.2	5.8	4.1	3.2

Other key figures		2007	2006	Jun 1–Dec 31, 2005	Pro forma 2005	Pro forma 2004	Pro forma 2003
Depreciation and amortization	MEUR	60	41	24	38	33	35
Capital expenditure in intangible assets and property, plant and equipment	MEUR	53	47	18	29	25	25
Capital expenditure in customer financing	MEUR	38	22	21	28	18	7
Total % of sales	%	3.0	2.6	2.8	2.4	2.2	1.9
Research and development costs	MEUR	46	31	18	30	29	29
% of sales	%	1.5	1.2	1.2	1.3	1.5	1.7
Equity	MEUR	897	877	767	767	654	586
Total assets	MEUR	2,583	1,988	1,781	1,781	1,639	1,492
Interest-bearing net debt	MEUR	304	107	121	121	281	361
Return on equity	%	15.6	20.2	20.8 4)	19.2	12.6	-
Return on capital employed	%	16.8	23.1	21.9 4)	20.9	12.9	-
Total equity/total assets	%	38.3	47.6	46.2	46.2	42.2	40.7
Gearing	%	33.9	12.3	15.7	15.7	43.0	61.7
Orders received	MEUR	4,106	2,910	1,366	2,385	2,337	1,848
Order book	MEUR	2,865	1,621	1,257	1,257	1,219	807
Average number of employees		10,276	8,026	7,446	7,388	7,201	7,383
Number of employees at the end of period		11,187	8,516	7,571	7,571	7,294	6,997
Dividends	MEUR	65 5)	63	41	41	-	-

1) Excluding gain on the sale of Consolis and impact of the final accounting of MacGREGOR acquisition after taxes
2) Excluding gain on the sale of property
3) Excluding a one-off cost related to a container spreader inspection programme
4) Annualized
5) Board's proposal

Share-related Key Figures

		2007		2006	Jun 1–Dec 31, 2005		Pro forma 2005	Pro forma 2004	Pro forma 2003
Earnings per share									
Basic earnings per share	EUR	2.17		2.57	1.35	6)	2.11	1.20	0.81
Diluted earnings per share	EUR	2.16		2.56	1.34	7)	2.10	1.20	0.80
Equity per share	EUR	14.29		13.72	11.93		11.93	10.17	9.11
Dividend per class B share	EUR	1.05	5)	1.00	0.65		-	-	-
Dividend per class A share	EUR	1.04	5)	0.99	0.64		-	-	-
Dividend per earnings, class B share	%	48.4	5)	38.9	48.2		-	-	-
Dividend per earnings, class A share	%	48.0	5)	38.5	47.5		-	-	-
Effective dividend yield, class B share	%	3.3		2.4	2.2		-	-	-
Price per earnings, class B share	EUR	14.6		16.4	21.7		-	-	-
Development of share price, class B share									
Average share price	EUR	40.55		34.62	24.59		-	-	-
Highest share price	EUR	49.83		43.50	30.40		-	-	-
Lowest share price	EUR	29.78		28.84	21.84		-	-	-
Closing price at the end of period	EUR	31.65		42.10	29.29		-	-	-
Market capitalization at the end of period 8)	MEUR	1,971		2,667	1,866		-	-	-
Market capitalization of class B shares at the end of period 9)	MEUR	1,671		2,266	1,593		-	-	-
Trading volume, number of class B shares traded	('000)	70,945		52,909	43,423		-	-	-
Trading volume, number of class B shares traded	%	130.0		97.2	80.0		-	-	-
Weighted average number of class A shares 10)	('000)	9,526		9,526	9,526		9,526	9,526	9,526
Number of class A shares at the end of period 10)	('000)	9,526		9,526	9,526		9,526	9,526	9,526
Weighted average number of class B shares 9)	('000)	53,439		54,169	54,222		54,225	54,229	54,229
Number of class B shares at the end of period 9)	('000)	52,790		53,816	54,191		54,191	54,229	54,229
Diluted weighted average number of class B shares 9)	('000)	53,669		54,502	54,613		54,630	54,641	54,641

5) Board's proposal

6) Annualized earnings per share 2.31 EUR

7) Annualized earnings per share 2.30 EUR

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

9) Excluding treasury shares

10) No dilution on class A shares

Calculation of Key Figures

Return on equity (%)	=	100 x	Net income for period	Total equity (average for period)
Return on capital employed (%)	=	100 x	Income before taxes + interest and other financing expenses	Total assets – non-interest-bearing debt (average for period)
Total equity/total assets (%)	=	100 x	Total equity	Total assets – advances received
Gearing (%)	=	100 x	Interest-bearing debt – interest-bearing assets	Total equity
Basic earnings/share	=		Net income attributable to the equity holders of the Company	Share issue adjusted weighted average number of shares during period (excluding treasury shares)
Equity/share	=		Total equity attributable to the equity holders of the Company	Share issue adjusted number of shares at the end of period (excluding treasury shares)
Dividend/share	=		Dividend for financial period	Share issue adjusted number of shares at the end of period (excluding treasury shares)
Dividend/earnings (%)	=	100 x	Dividend for financial period/share	Basic earnings/share
Effective dividend yield (%)	=	100 x	Dividend/share	Share issue adjusted closing price for the class B share at the end of period
Price/earnings (P/E)	=		Share issue adjusted closing price for the class B share at the end of period	Basic earnings/share
Average share price	=		EUR amount traded during period for the class B share	Share issue adjusted number of class B shares traded during period
Market capitalisation at the end of period	=		Number of class B shares outstanding at the end of period * closing price for the class B share at the end of period + Number of class A shares outstanding at the end of period * closing day average price for the class B share	
Trading volume	=		Number of class B shares traded during period	
Trading volume (%)	=	100 x	Number of class B shares traded during period	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, 2007, Cargotec's share capital comprised 54,694,284 class B shares listed on the OMX Nordic Exchange in Helsinki 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 ten 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 14,994,620 at the end of the year.

Market Capitalisation and Trading

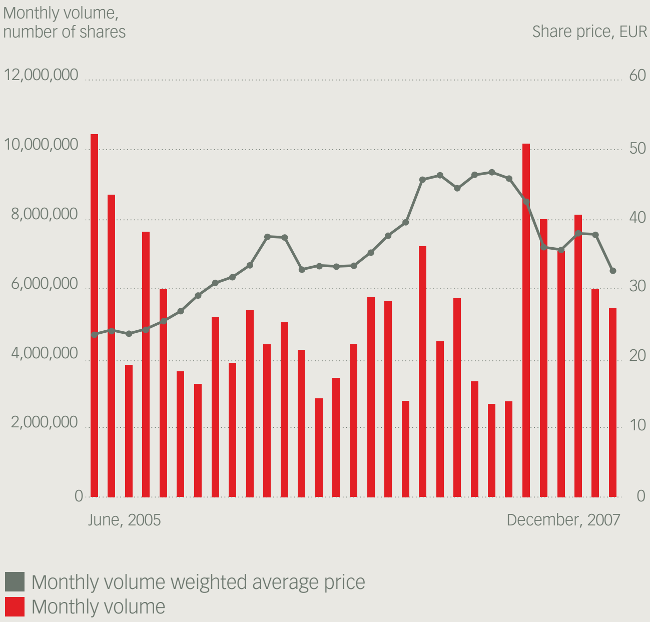
Cargotec's class B share closed at EUR 31.65 on December 31, 2007. The highest quotation for the financial period was EUR 49.83 and the lowest was EUR 29.78. The average share price for the financial period was EUR 40.55. The market quotation for Cargotec's class B share decreased by 27 percent during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

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

During the financial period, approximately 70.9 million Cargotec class B shares were traded on the OMX Nordic Exchange in Helsinki, corresponding to a turnover of approximately EUR 2,880 million. The average daily trading volume was 283,780 shares or EUR 11,518,825.

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

Share Price and Volume



Board Authorisations and Purchase of Own Shares

Cargotec's Annual General Meeting of February 26, 2007 authorised 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. Altogether, no more than 6,400,000 own shares may be repurchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The above-mentioned amounts include the 704,725 class B shares which were already in the Company's possession in February 2007.

Based on the above-mentioned authorisation, Cargotec repurchased 1,200,000 class B shares at the market price in public trading on the OMX Nordic Exchange in Helsinki during the period July 20–December 3, 2007 at an average purchase price of EUR 38.43 per share. During the period, the total accounting par value of the repurchased shares was EUR 1,200,000, their share of the share capital was 1.87 percent, and their share of the total voting rights was 0.80 percent. The repurchased shares were in the Company's possession on December 31, 2007. With regard to the authorisation, an amount corresponding to 952,000 class A shares and 3,543,275 class B shares remained unused on December 31, 2007. On December 31, 2007, the Company held a total of 1,904,725 class B shares, accounting for 2.97 percent of the share capital and 1.27 percent of the total voting rights of all shares. The total accounting par value of the shares was EUR 1,904,725. Repurchasing of shares had no significant impact on the division of ownership and voting rights in the Company.

In addition, the Annual General Meeting authorised the Board of Directors to decide to distribute any shares repurchased. The Board of Directors was authorised to decide to whom and in which order the repurchased shares would be distributed. The repurchased shares may be used 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 at the Helsinki Stock Exchange, to be used as compensation in possible acquisitions. The authorisation is limited to a maximum of 952,000 class A shares and 5,448,000 class B shares repurchased by the Company. The Board of Directors was authorised to decide to whom and in which order the repurchased shares would be distributed. The authorisation remained unused on December 31, 2007.

At the end of the financial year, Cargotec's Board of Directors had no current authorisation 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 Programme

Cargotec's option programme is based on the demerged Kone Corporation's 2004 option programme, 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 programme, see Note 23 of the Financial Statements.

Shares Subscribed for under the Option Rights

Cargotec's 2005A and 2005B option rights are listed on the OMX Nordic Exchange in Helsinki. The closing price of a 2005A option right was EUR 61.53 and a 2005B option right EUR 80.00 at the year-end. The highest quote for a 2005A option right was EUR 120.15 and the lowest was EUR 61.53 while the corresponding figures for a 2005B option right were EUR 126.00 and EUR 80.00.

At the beginning of the financial period, the number of 2005A and 2005B option rights were 37,895 and 82,955 respectively. 173,913 class B shares were subscribed for during the period, increasing the share capital by EUR 173,913. At the end of the financial period, the number of 2005A and 2005B option rights were 12,725 and 50,154 respectively. The changes in share capital are specified in Note 22 of the Financial Statements.

Shareholders

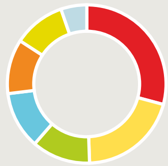
At the end of 2007, Cargotec had over 13,000 shareholders, the largest shareholder being Wipunen varainhallinta oy. Niklas Herlin is the largest owner when including shares owned directly as well as through companies where controlling power is exercised. There were 18,225,769 nominee-registered shares, representing 29.25 percent of the share capital excluding shares held by the Company, which corresponded to approximately 12 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, 2007, the aggregate shareholding of Cargotec's Board of Directors, the President and CEO, the Deputy CEO and companies controlled by them was 2,940,067 class A shares and 4,667,254 class B shares, which corresponded to 11.85 percent of the total number of all class A and class B shares and 22.72 percent of all votes. At the end of 2007, the number of 2005A and 2005B option rights owned by the Board of Directors, the President and CEO and the Deputy CEO were 2,000 and 10,500 respectively. Assuming that all option rights had been exercised for the subscription of shares, the Board of Directors, the President and CEO, and the Deputy CEO would have held 22.75 percent of the votes on December 31, 2007.

Up-to-date 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.

Breakdown by Shareholder Category on December 31, 2007 without Treasury Shares



% of shares outstanding

- Nominee registered 29.3%
- Finnish institutions, companies and foundations 20.2%
- Niklas Herlin* 11.9%
- Ilkka Herlin* 11.7%
- Ilona Herlin* 10.9%
- Finnish households 10.8%
- Non-Finnish shareholders 5.2%

* 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, 2007

Number of shares	Number of shareholders	% of shareholders	Total shares	% of share capital excl. Treasury Shares
1–100	5,052	40.58	296,427	0.48
101–500	4,788	38.45	1,259,365	2.02
501–1,000	1,196	9.61	931,010	1.49
1,001–10,000	1,247	10.02	3,568,060	5.73
10,001–100,000	133	1.07	4,026,656	6.46
100,001–1,000,000	24	0.19	6,042,505	9.70
over 1,000,000	11	0.09	46,186,162	74.12
Total	**12,451**	**100.00**	**62,310,185**	**99.99**
from which nominee registered	16		18,225,769	29.25
In the joint book-entry account			5,463	0.01
Number of shares outstanding			**62,315,648**	**100.00**
Treasury shares on December 31, 2007	1		1,904,725	
Total number of shares on December 31, 2007			**64,220,373**	

Major Shareholders on December 31, 2007

	Shareholder	Class A shares	Class B shares	Shares total	Shares, %	Votes	Votes, %
1	Ownership of Niklas Herlin, total	2,940,067	4,500,000	7,440,067	11.58	3,390,067	22.61
	Mariatorp Oy	2,940,067	4,100,000	7,040,067	10.96	3,350,067	22.34
	Herlin Niklas		400,000	400,000	0.62	40,000	0.27
2	Ownership of Ilkka Herlin, total	2,940,067	4,361,000	7,301,067	11.37	3,376,167	22.52
	Wipunen varainhallinta oy	2,940,067	4,301,000	7,241,067	11.28	3,370,167	22.48
	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	3,850,000	6,790,067	10.57	3,325,067	22.18
4	Toshiba Elevator And Building Systems Corporation		3,023,340	3,023,340	4.71	302,334	2.02
5	Kone Foundation	705,888	1,232,454	1,938,342	3.02	829,133	5.53
6	Cargotec Corporation		1,904,725	1,904,725	2.97	190,472	1.27
7	Ilmarinen Mutual Pension Insurance Company		1,307,833	1,307,833	2.04	130,783	0.87
8	Varma Mutual Pension Insurance Company		1,235,000	1,235,000	1.92	123,500	0.82
9	The State Pension Fund		700,000	700,000	1.09	70,000	0.47
10	Tapiola Mutual Pension Insurance Company		440,000	440,000	0.69	44,000	0.29
11	Nurminen Hanna		390,001	390,001	0.61	39,000	0.26
12	Sundholm Göran		350,001	350,001	0.54	35,000	0.23
13	OP-Delta Fund		350,000	350,000	0.54	35,000	0.23
14	Sampo Suomi Osake Investment Fund		323,340	323,340	0.50	32,334	0.22
15	Etera Mutual Pension Insurance Company		321,300	321,300	0.50	32,130	0.21
16	Sampo Life Insurance Company Ltd.		248,665	248,665	0.39	24,866	0.17
17	ABN AMRO Finland Investment Fund		236,397	236,397	0.37	23,639	0.16
18	Mutual Insurance Company Pension-Fennia		200,000	200,000	0.31	20,000	0.13
19	Investment Fund Aktia Capital		200,000	200,000	0.31	20,000	0.13
20	Sitra, the Finnish Innovation Fund		198,489	198,489	0.31	19,848	0.13
	Total	**9,526,089**	**25,372,545**	**34,898,634**	**54.33**	**12,063,340**	**80.46**

Nominee registered	18,225,769
Other owners	11,095,970
Total number of shares issued on December 31, 2007	**64,220,373**

Signatures for Board of Directors' Report and Financial Statements

Helsinki, January 30, 2008

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.–31.12.2007. 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, 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Jouko Malinen
Authorised Public Accountant

Johan Kronberg
Authorised Public Accountant

Information for Shareholders

Cargotec's share capital is divided into class A and class B shares, the latter as well as the 2005A and 2005B option rights being quoted on the OMX Nordic Exchange in Helsinki.

Tickers

Class B share	2005A option right	2005B option right
ISIN code: FI0009013429	ISIN code: FI0009618359	ISIN code: FI0009618367
Ticker: CGCBV	Ticker: CGCBVEW105	Ticker: CGCBVEW205
Index: OMX Helsinki CAP	Number of listed option rights: 12,725*	Number of listed option rights: 50,154*
Sector: Industrials	Conversion rate: 1:3	Conversion rate: 1:3
Reuters ric: CGC.HE	Subscription price: EUR 8.59 per share	Subscription price: EUR 8.59 per share
Bloomberg: CGCBV FH	Share subscription period ends: March 31, 2008	Share subscription period ends: March 31, 2009

* December 31, 2007

Investor Relations

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

In 2007, Cargotec's representatives had approximately 200 investor and analyst meetings in Helsinki, Stockholm, Copenhagen, Frankfurt, Paris, London, Edinburgh, Boston, New York, Denver, Los Angeles and San Francisco. Furthermore, investors visited Cargotec's offices and production sites in Finland, China, India and the United Arab Emirates.

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

Contact Information

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Direct contact information to the IR team members is available on the Company's website at www.cargotec.com/investors, under the section Investor Relations.

Analysts

According to our knowledge, the following banks and brokerage companies provide coverage on Cargotec. The list may be incomplete. The listed players monitor Cargotec upon their own initiative, and Cargotec is not responsible for the views presented in their reports or comments. Up-to-date contact information of analysts monitoring Cargotec is available on the Company's website at www.cargotec.com/investors, under the section Investor Relations.

ABG Sundal Collier	eQ Bank
ABN AMRO	Glitnir
Carnegie Investment Bank	Handelsbanken
Cazenove	JP Morgan
Cheuvreux	Kaupthing Bank
Deutsche Bank	Landesbanki
SEB Enskilda	Mandatum Stockbrokers
Standard & Poor's	Pohjola Bank
Evli Bank	UBS

Information on the Annual General Meeting, dividend payment and the publication schedule of financial reports is presented on the inner front cover.

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