ÅRSREDOVISNING

Kalmar Industries

1997

Kalmar

Mission statement

Business concept

Kalmar will satisfy expectations for rational and economical materials handling, based on customer needs, by developing and marketing self-propelled machinery

Kalmar is the world's leading manufacturer of machinery and equipment for heavy materials handling, primarily containers and trailers.

The Group's broad product range includes forklift trucks with a 1 – 90 tonne lifting capacity for diverse handling, sideloading forklift trucks, log handlers, container/trailer handling equipment, empty/loaded container lift trucks, reachstackers, terminal tractors, straddle carriers and RTG cranes.

The Group operates a worldwide customer support network which is responsible for service, spare parts, documentation, training and consulting.

Most of the Group's manufacturing operations are based in Sweden, Finland and the USA. Head office is in Ljungby in southern Sweden.

Contents

Mission statement, Business concept 1
1997 in Review 2
Operations 3
Five Year Overview 5
Definitions 5
Chief Executive Officer's Statement 6
Directors' Report 9
- Statements for the financial year 1997 9
- Structural Changes 10
- Financial Review 11
- Market Overview 14
- Customer segments 16
- Organisation and Management 18
- Personnel 19
- Production 20
- Product Development 21
- Quality and the Environment 21
- Medium & Heavy 22
- Terminal Systems 23
- Terminal Tractors 24
- Light & Sideloaders 25
- Customer Support 26
- Accounts 27
- Profit and Loss Account 27
- Balance Sheet 28
- Accounting Principles 31
- Notes to the Accounts 32
- Proposed Appropriation of Profits 43
- Auditors' Report 44

The Kalmar Share 45
Board of Directors 48
Group Management and Auditors 49
Addresses 50
Annual General Meeting and Financial Information 52

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In 1998 Kalmar Industries' annual and interim reports will also be available on the company's website: www.kalmarind.se.

1997 in Review

- Merger with Finnish company Sisu Terminal Systems (STS) creates potential synergy gains of SEK 100 – 150 million which are likely to be fully realised in 1999.
- Restructuring provision of SEK 120 million for a programme of measures to realise these synergies.
- Introduction of a new organisational structure with five product lines. All production units are transferred over to the product lines.
- Acquisition of the majority shareholding in Kalmar Pacific Ltd in Hong Kong.
- 24 per cent increase in orders received.
- Launch of several new models which are expected to strengthen Kalmar's position in the market.
- Crisis in parts of Asia cuts profit by SEK 20 million.

	1997	1997[2)]	1996	1996
Net sales (SEK m)	**4,599**		4,566	2,499
Items affecting comparability (SEK m)	**– 169**		-	-
Profit after net financial items (SEK m)	**30**	199	289	170
Return on equity after tax (%)	**0**		21	23
Earnings per share after full tax (SEK)	**0.10**	6,20	8.00	10.60
Dividends (SEK)	**2.00[1)]**		-	4.00
Debt/Equity Ratio (times)	**1.01**		1.06	0.57
Number of employees at year-end	**3,272**		3,296	1,634

[1)] *As proposed by the board.*

[2)] *Before items affecting comparability*

Operations

Kalmar – world leader in its field

As the world's leading manufacturer of machinery and equipment for heavy materials handling, the group focuses on machinery for handling containers, trailers and other heavy unit loads.

Following the merger with Finnish company Sisu Terminal Systems (STS), Kalmar can now offer an unrivalled range of products for heavy materials handling.

The strategic core of this range comprises four types of products:

- front and sideloading mast lift trucks with a 1 – 90 tonne capacity for diverse handling, plus special lift trucks for empty containers.
- reachstackers for handling empty and loaded containers, trailers, demountables and other unit loads.
- straddle carriers and RTG cranes for handling containers at large terminals.
- terminal tractors used in industry and at distribution and container terminals for moving and positioning trailers and containers.

The Group also manufactures a number of special products for handling applications in the engineering sector, for military purposes (high-speed trucks) and for handling timber in the pulp and paper industry and at sawmills.

These products are marketed under the brand names of Kalmar, Sisu, Ottawa and Magnum. There are currently over 60,000 machines in use in more than 130 countries.

The Group operates through a worldwide network of sales companies, agents and dealers. It has manufacturing units in Sweden, Finland and the USA and a well developed aftermarket organisation in all strategic markets.

Business organisation

1997 saw the group being restructured as a result of the merger with STS. While there was some overlap between the two companies' product ranges and organisation, the merger resulted in a broader product range and market, thus strengthening Kalmar's presence in the global marketplace.

The group's four previous product lines were joined by a fifth. Furthermore, the product lines are now also responsible for manufacturing the products in their range. Each product line is headed by a Vice President who is responsible for all aspects of that product line's operations – everything from customer needs analysis and product development to production and marketing. The product lines sell their products and provide aftermarket service through a network of sales companies, agents and dealers which has expanded as a result of the merger. This structure aims to exploit the new opportunities arising from the merger and ensure an even sharper focus on customers, greater competitiveness and a better position in the market.

Medium & Heavy

The Group's largest single product line, Medium & Heavy, has factories in Lidhult and Ljungby in Sweden and Tampere in Finland. Including aftermarket sales, Medium & Heavy accounted for 37 per cent of the group's net sales in 1997.

This product line is responsible for mast lift trucks with a 9 – 90 tonne lifting capacity, mast lift trucks for handling and stacking empty containers 3 – 8 high and reachstackers for handling empty containers, loaded containers and trailers. Kalmar's ContChamp reachstacker leads this particular field throughout the world.

The products are marketed under two brand names: Kalmar and Sisu.

Operations

Terminal Systems

With factories in Tampere and Lidhult, this product line is responsible for a number of different products. Including aftermarket sales, Terminal Systems accounted for 21 per cent of the group's net sales in 1997.

The products comprise straddle carriers, RTG cranes, terminal tractors for the European market, high- speed trucks and log handlers.

The products are generally marketed under the Sisu brand name.

Terminal Tractors

This product line's operations are concentrated in the USA, with manufacturing based in Ottawa (Kansas) and White Oak (Texas). Including aftermarket sales, Terminal Tractors USA accounted for 19 per cent of the group's net sales in 1997.

The products are marketed under two brand names – Ottawa (a terminal tractor intended primarily for the North American market) and Magnum (which can be customised for different types of handling and different markets).

Light & Sideloaders

This product line is responsible for around 20 frontloading and sideloading models of mast lift truck with a capacity of 1.2 – 10 tonnes, electric lift trucks, diesel lift trucks, LPG lift trucks and hydrostatic lift trucks, all of which are manufactured in factories in Ljungby and Härnösand in Sweden. Including aftermarket sales, Light & Sideloaders accounted for 20 per cent of the group's net sales in 1997.

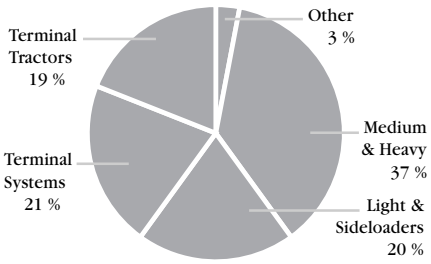
The products are marketed under the Kalmar brand name.

Customer Support

This product line is responsible for components and customer service. Components service covers spare parts, replacement units and large components, while customer service involves training, inspections, workshop service/repairs, on- site service and service agreements. This product line's turnover is not accounted for separately, but is instead included in the other product lines' invoiced sales figures.

The product line has three strategic Customer Support Centres in Sweden, Finland and the USA staffed by a total of 180 employees. Kalmar provides service through its own sales companies and a global distribution network.

Net sales by product line 1997



Five Year Overview

SEK million	1997	1997[2]	1996 pro forma	Group before merger 1996	1995	1994 pro forma	1993 pro forma
Orders received	**5,196**		4,200	2,228	2,345	1,817	1,691
Backlog of orders	**1,545**		936	518	754	561	427
Net sales	**4,599**		4,566	2,499	2,222	1,683	1,569
Export ratio, %	**88**		88	83	84	89	94
Operating profit before depreciation	**213**	383	457	270	291	198	80
Operating profit after depreciation	**68**	237	329	191	243	174	55
Profit after net financial items	**30**	199	289	170	242	165	33
Net profit for the year	**2**	145	188	135	170	115	33
Operating margin, %	**1.5**	5.2	7.2	7.6	10.9	10.3	3.6
Profit margin, %	**0.7**	4.3	6.3	6.8	10.9	9.8	2.1
Assets employed as of 31 December	**2,009**		1,814	1,060	877	531	585
Assets employed, average	**1,912**		1,814	1,003	644	534	569
Return on assets employed, %	**4**	12	18	19	38	33	10
Capital employed as of 31 December	**1,943**		1,845	1,017	874	575	602
Capital employed, average	**1,894**		1,845	955	659	588	581
Return on capital employed, %	**4**	13	19	21	40	31	9
Shareholders' equity as of 31 December	**943**		880	637	554	423	310
Shareholders' equity, average	**912**		880	586	476	367	294
Return on shareholders' equity after tax, %	**0**		21	23	36	29	11
Rate of capital turnover, times	**2.4**		2.5	2.5	3.4	3.2	2.8
Equity/assets ratio, %	**33**		33	45	40	46	33
Interest coverage ratio, times	**1.6**	5.2	6.2	7.3	12.6	9.4	2.6
Net debt	**851**		789	323	279	99	275
Debt/equity ratio, times	**1.01**		1.06	0.57	0.58	0.36	0.94
Investments in fixed assets	**194**		296	193	289	32	31
Number of employees as of 31 December	**3,272**		3,296	1,634	1,491	1,149	1,134
Earnings per share, SEK	**0.10**	6.20	8.00	10.60	13.30	8.20	2.60
Shareholders' equity per share, SEK	**40.10**		37.40	49.80	43.30	33.00	24.20
Dividends per share, SEK	**2.00[1]**	–	–	4.00	4.00	3.00	–
Price per share, SEK, as of 31 December	**128**			113	110	84	–
Dividend yield, %	**1.6**			3.5	3.6	3.6	–
Number of shares (thousand)	**23,507**		23,507	12,795	12,795	12,795	12,795

[1] *As proposed by the Board.*

[2] *Before items affecting comparability*

Definitions

Operating margin
Operating profit after depreciation in relation to net sales.

Profit margin
Profit after net financial items in relation to net sales.

Assets employed
Total assets less cash, bank deposits, interest-bearing investments and receivables, and non-interest-bearing current liabilities.

Return on assets employed
Operating profit after depreciation in relation to average assets employed.

Capital employed
Shareholders' equity plus interest-bearing liabilities.

Return on capital employed
Profit after net financial items plus interest expenses in relation to average capital employed.

Return on shareholders' equity
Net profit after tax in relation to average shareholders' equity.

Rate of capital turnover
Net sales in relation to average assets employed.

Equity/assets ratio
Shareholders' equity plus minority interests in relation to total assets.

Interest coverage ratio
Profit after net financial items plus financial expenses in relation to financial expenses.

Net debt
Interest-bearing liabilities minus liquid funds and interest-bearing investments and receivables.

Debt/equity ratio
Interest-bearing liabilities in relation to shareholders' equity plus minority interests.

Earnings per share
Net profit after full tax in relation to the total number of shares.

Dividend yield
Dividends in relation to price per share as of 31 Dec.

Chief Executive Officer's Statement

The merger with Sisu Terminal Systems (STS) marks the beginning of a new era for the company, its employees and the industry. The deal, which was approved by two Extraordinary General Meetings during the autumn of 1997, means that the world's two leading manufacturers of container and trailer handling equipment have merged to form a single major player in the world market.

While Kalmar Industries is still listed on the Swedish Stock Exchange, it has found in Partek a strong Finland-based industrial majority shareholder. We have now created the right conditions to become the world's leading container and trailer handling company. For customers this means that Kalmar will be the very best partner in the field, in terms of both product range and accessibility.

Twice the size

The group is now almost twice the size it was a year ago. Even after just a few months I perceive the new group as much stronger than at the same time last year. While formal approval of the deal came late in the year, the pooling method of merger accounting used when merging the two companies means that the new group is to be accounted for as though the merger had taken place on 1 January 1997. As such, this annual report covers a full financial year for the new group. Furthermore, we have restated some parts of the 1996 accounts to reflect the new structure, thus facilitating year-on-year comparisons.

The year in review

The climate in which the group operated during 1997 took a turn for both the better and the worse. The expected uncertainty and irregularity in the market which I referred to last spring was unfortunately very much in evidence, yet there have been many good points.

The year got off to a relatively poor start in the first quarter. The drop in demand for reachstackers and container straddle carriers in the autumn of 1996 reflected an impact on volumes at the beginning of 1997. However, April saw demand picking up and orders really taking off, resulting in better performance. October brought the economic crisis in Southeast Asia which led to the collapse of the Asian tiger economies at the end of the year. This resulted in some machinery not being delivered as planned and some orders being cancelled.

Ottawa and Magnum terminal tractors, which are manufactured in the USA and sold mainly in North America, tend to follow demand cycles for heavy trucks. Demand picked up once again during the year and sales have edged up a few per cent, primarily in the USA.

The Group's performance was not satisfactory. This was largely due to squeezed margins and developments in those parts of Asia in crisis. During the last two months of the year the turmoil in Asia cut profit by around SEK 20 million.

Tougher competition

Customer Support did not fare as well during the year as in 1996, largely due to a drop in project orders and tough competition primarily in the European and Swedish markets. This product line's contribution to total turnover was lower compared to 1996, which is due to the merger with STS where aftermarket sales accounted for a smaller share of turnover.

Nevertheless, the aftermarket is still a key growth area for the group and the year saw substantial investments in strengthening our position there. A new aftermarket information system was brought on line in Tampere and a new Customer Support Centre was set up in Kansas during the autumn of 1997.

Competition has increased in all our markets, which has put prices under pressure. This has resulted in a need for more efficient manufacturing and distribution, which will be easier to achieve as a result of the merger with STS.

Product leader in the world market

1997 saw Kalmar launching new improved machines in several of its product ranges, along with a completely new driver environment, the Spirit Delta, for the machinery manufactured in Sweden – all of which has combined to confirm the group's position as a product leader in the world market.

Production in Sweden grappled with delivery problems which had a negative impact on turnover. These problems were gradually overcome during the year, and deliveries are now running to schedule.

The limited inflow of orders during the autumn of 1996 led to some redundancies in the Swedish production units during the spring of 1997. However, most of the employees concerned were reinstated in May. Production in Finland was restructured during the spring, leading to the loss of around 100 jobs – some through redundancies, others through outsourcing.

Strategic development

The merger with STS is part of a natural move towards larger players in the global market and has resulted in the group now enjoying the leading position as worldwide supplier of container and trailer handling equipment. We are also in a better position to defend ourselves against ever tougher competition. Our focus on this market has become sharper and we have managed to spread our risk, primarily through the major expansion of our operations in North America.

Although STS and Kalmar formerly competed in the same market, many customers will reap the rewards of dealing with a single large partner. For instance, the new group won a major order from Turkey for 35 Kalmar ContChamps and 43 Sisu terminal tractors in December. The market synergies extend beyond coordination and a highly effective distribution network to give the group access to new groups of customers with its new expanded range of products.

STS' terminal tractors have opened up major new opportunities right across the US market where Kalmar has traditionally been strongest as a supplier of port equipment. Correspondingly, terminal tractors may find new customers in markets where Kalmar has a strong position as supplier of reachstackers.

In the aftermarket, the coordination of spare parts and service has resulted in greater effectiveness and added value for customers. This is an area with many interesting challenges and opportunities – all of which are currently being explored by Kalmar's marketing organisation.

As for products, we have succeeded in bringing together four top international products with prominent positions on the market: medium-heavy and heavy mast lift trucks, reachstackers, straddle carriers and terminal tractors. It is these products which form the basis of Kalmar's new five-product line structure: Medium & Heavy, Terminal Systems, Terminal Tractors, Light & Sideloaders and Customer Support.

The new structure builds on the foundations previously laid by Kalmar, with one major difference – each product line is now also responsible for manufacturing its products. This structure is a platform for greater efficiency and control over the entire product flow, right from development through to delivery. The new structure has been in place since December 1997 and has been developed gradually throughout the group. The new group management team was also announced in December and aims to achieve a dynamic mix of Swedish and Finnish managerial excellence.

Chief Executive Officer's Statement

Threats and opportunities

While Kalmar has now entered a more stable industrial phase, increasing competition, the economic problems in parts of Asia and fluctuating exchange rates represent both threats and opportunities.

Although increasing competition has taken the form of greater pressure on prices, the group is in a better position to deal with this since the merger with STS. Our strategic products lead the market and local competition and price pressure apply mostly to the smaller machines in our range.

The crisis in parts of Asia, which has resulted in a drop in demand for Kalmar's products, has been offset by a strong market presence in other parts of the world.

Those parts of Asia in turmoil accounted for 11 per cent of the group's net sales in 1997. While none of us would like to speculate about the future of the region at this point, we can state that the group was affected at an early point. This was presumably because the investments in question relate to infrastructure projects which are directly affected by economic downturns. Conversely, there is normally a time-lag before economic upturns translate into demand for Kalmar's products.

Most of our business in Asia is denominated in USD and the weak local currencies in the crisis-stricken areas have created price pressure with the result that there is little will to invest in the type of products sold by Kalmar. However, most of our competitors are based in Europe and are in a similar position

Outlook for 1998

While there has been slight economic growth in Western Europe, the USA has enjoyed a strong economy for a long period. Growth in Asia dropped off in 1996 but picked up at the beginning of 1997, however the economic turmoil at the end of the year has already had an impact on Kalmar's operations. Although, it is difficult to gain an overview of the consequences of the rapid change in the economic climate, the group is in a good position to launch an offensive, not least in the aftermarket.

1998 will see the continuation of our extensive restructuring programme which will involve concentration and relocation of some areas of production. We have now reached a point where we can identify new structures and, as such, have made a provision to cover the non-recurring costs to be incurred in 1998. It is currently difficult to assess just when we will benefit from the SEK 100 – 150 million synergies arising from the merger, but these will have some impact during 1998 and will filter through in full in 1999. There is considerable potential to

create a new efficient group, and 1999 will see our customers and shareholders reaping the rewards of the increased competitiveness resulting from the merger.

Finally, I would like to extend my thanks to all our employees and others who have had to work extra hard on account of all the changes and uncertainty during the past year. While there is still some way to go, we now have to look to the future and see the opportunities which are opening up. The changes will bring opportunities to develop, not only for the new group but also for each and every one of us.

Ljungby, 20 March 1998

Jonas Svantesson
President and CEO

Statements for the financial year 1997.

Bracketed figures are pro forma 1996.

Orders received totalled SEK 5,196 million, an increase of 24 per cent on 1996. Net sales amounted to SEK 4,599 million (4,566), 88 per cent of which was generated in markets outside Sweden. In comparable operations net sales were unchanged, while orders received increased by 23 per cent.

Operating profit totalled SEK 68 million after a restructuring provision of SEK 120 million and transaction costs of SEK 49 million relating to the merger with Sisu Terminal Systems. Operating profit before items affecting comparability was SEK 237 million (329), which was 28 per cent down on 1996. The restructuring provision will cover measures to be implemented in 1998.

Profit after net financial items amounted to SEK 30 million (289), giving a profit margin of 0.7 per cent (6.3). Before items affecting comparability, profit after net financial items totalled SEK 199 million with a profit margin of 4.3 per cent. Net financial items amounted to SEK 38 million (40).

Dividends

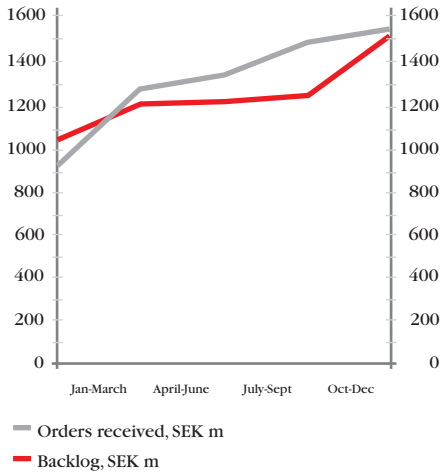
The Board proposes that a dividend of SEK 2.00 per share (4.00) be paid.

Outlook for 1998

Given recent economic developments, the prospects for Kalmar to further strengthen its market position are good. The company had a healthy level of orders in hand at the beginning of the year and low demand from crisis-hit parts of Asia was compensated for by other markets.

The merger with STS has created considerable synergy potential worth between SEK 100 – 150 million, some of which could be realised during 1998 with the full impact being felt in 1999. However, these synergies can only be realised through a number of one-off measures, the cost of which will be covered by the restructuring provision which was charged against 1997 profit.

Orders received and order backlog per quarter, SEK m



Structural Changes

Merger between Kalmar Industries AB (Kalmar) and Sisu Terminal Systems (STS)

On 8 October 1997 Kalmar Industries AB and Partek Oyj Abp signed an agreement to merge Kalmar and Partek's subsidiary Sisu Terminal Systems.

Prior to the merger, Kalmar reduced its share capital by redeeming every tenth share at a price of SEK 200 per share in cash. As this offer was accepted by 99.8 per cent of share-holders, the number of shares in the company fell by just under 10 per cent to 11.5 million.

The merger with STS took place through Kalmar making a directed share issue to Partek in return for all of the shares in STS. As a result, Partek now holds 51 per cent of the 23.5 million shares in Kalmar and STS is a wholly owned subsidiary of Kalmar.

The pooling method of merger accounting was used for the merger with STS and, as such, the consolidated accounts have been prepared as though the merger took place on 1 January 1997. The accounts for 1997 therefore reflect the performance of the new group over one whole year. Partek's consolidated profit and loss account will include STS only, whose operating profit was FIM 95 million. The pro forma 1996 figures tie in with those which were previously reported in the information pack sent to Kalmar's shareholders prior to the Extraordinary General Meeting of 24 October 1997, except that the interest effects of the redemption price of SEK 255 million have not been charged against 1996 profits. The payment to shareholders was made at the end of 1997 and has therefore had a minimal effect on 1997 figures. The information pack sent to shareholders assumed that STS' accounts would be translated on the basis of SEK 1.50 to FIM 1.0. Ultimately the year-end accounts used the actual average exchange rates for 1997 and 1996. A more detailed documentation has been prepared for the year-end accounts than in the information pack.

Kalmar acquired a further 25 per cent of the shares in Kalmar Pacific Limited in Hong Kong during the year, with the result that it is now the majority shareholder in the company. UK company International Port Equipment Limited was also acquired during the year.

Financial Review

	1997	1997[1)]	1996	1996
			pro forma	
Profit margin, %	**0.7**	4.3	6.3	6.8
Earnings per share, SEK	**0.10**	6.20	8.00	10.60
Return on capital employed, %	**4**	13	19	21
Return on shareholders' equity after tax, %	**0**		21	23

[1)] *Before items affecting comparability*

See page 5 for definitions.

Bracketed figures are pro forma 1996.

Summary

The group reported a profit after net financial items of SEK 30 million after a restructuring provision of SEK 120 million and transaction costs of SEK 49 million relating to the merger with Sisu Terminal Systems. Profit after net financial items before items affecting comparability was SEK 199 million (289).

The group's profit margin dropped to 0.7 per cent or 4.3 per cent (6.3) before items affecting comparability. Net profit totalled SEK 2 million (188). The tax charge for the year was SEK 23 million (49) and earnings per share fell to SEK 0.10 (8.00).

The return on capital employed was 4 per cent or 13 per cent before items affecting comparability. The return on shareholders' equity after tax was 0 (21) per cent.

Net sales and orders received

Net sales totalled SEK 4,599 million (4,566) for the year. During 1997 the group acquired 25 per cent of the shares in Kalmar Pacific Limited in Hong Kong to add to its existing 26 per cent stake, thus becoming the majority shareholder. UK company International Port Equipment Limited was also acquired. Net sales generated by these acquisitions totalled SEK 49 million net of intra-group sales. The economic crisis in parts of Asia resulted in some orders being pushed back and others cancelled, which had an impact on net sales during November and December.

The group won a good number of new orders – many of them very large – totalling SEK 5,196 million, a 24 per cent increase on 1996.

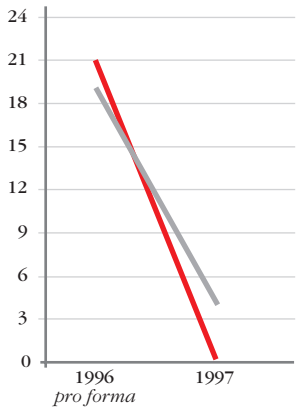
Prices dropped during the year on account of ever tougher competition.

Profit

The group reported an operating profit of SEK 68 million and an operating margin of 1.5 per cent after items affecting comparability or 5.2 per cent (7.2) before items affecting comparability. Operating profit before items affecting comparability was SEK 237 million (329), which was 28 per cent down on 1996. This drop is attributable to lower prices in the market and costs incurred as a result of production problems. The net impact on profit of the Asian crisis is estimated at SEK 20 million.

Changes in exchange rates during the year push up operating profit by SEK 9 million.

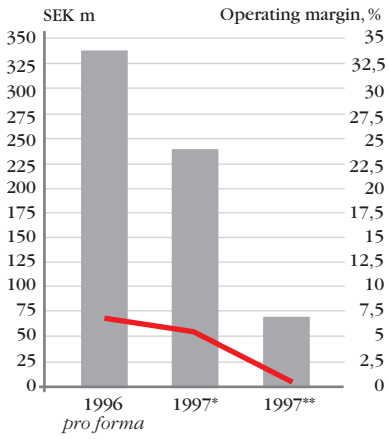
Profitability



Return on capital employed, %

Return on shareholders' equity after tax, %

Profit and profit margin



Operating profit after depreciation, SEK m

Operating margin, %

* Before items affecting comparability

** After items affecting comparability

Depreciation increased by SEK 17 million to SEK 146 million (129) for the year.

The merger with STS resulted in costs of SEK 49 million, most of which related to Finnish transfer tax and consultancy fees. The SEK 120 million restructuring provision will cover non-recurring costs which the group will incur in 1998 when implementing measures to ensure that it realises the synergy potential to be derived from the merger with STS. Most of these costs relate to staff redundancies and fixed asset write-downs. Some of the total synergy potential of SEK 100-150 million will be realised during 1998, with the full impact filtering through in 1999.

The share of profits in associated companies totalled SEK 1.2 million (2.4).

Net financial items totalled SEK 38 million (40). Financial exchange gains amounting to SEK 0.5 million (5.3) are included in net financial items. December saw Kalmar Industries AB raising a loan of SEK 300 million for redeemed shares and transaction costs relating to the merger with STS.

Profit after net financial items was SEK 30 million (289). The profit margin was 0.7 per cent (6.3). Profit after net financial items excluding items affecting profitability was SEK 199 million and the profit margin 4.3 per cent.

The tax charge for the year was SEK 23 million (48). Most of this relates to companies in Sweden, Finland and the USA.

Balance sheet

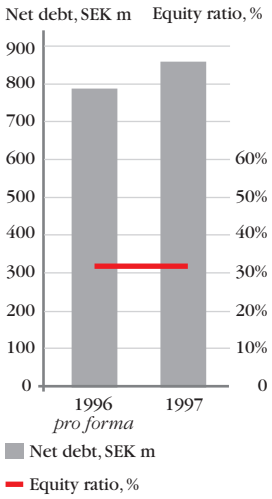
Total assets rose by 7 per cent to SEK 2,962 million (2,759) or 7 per cent during the year. The main reason for the increase in total assets was delayed deliveries during the autumn which resulted in late payment from customers. Inventories increased due to delayed letter of credits mainly from customers in South East Asia. Acquisitions during the year increased total assets by SEK 50 million. Properties were written down by SEK 47 million as part of the restructuring provision.

Capital employed increased by SEK 98 million during the year and totalled SEK 1,943 million (1,845) at the year-end. Rate of capital turnover was 2.4 times (2.5).

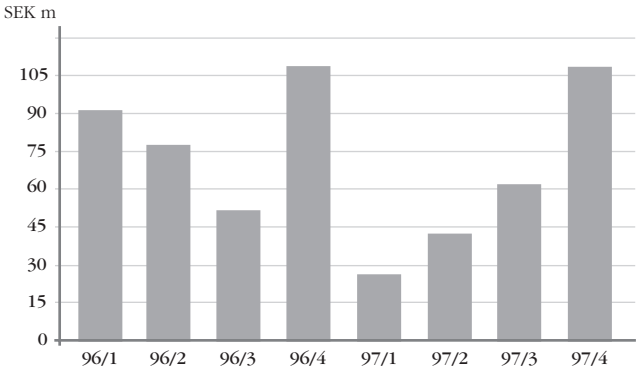
Accounts payable totalled SEK 365 million (398) at the year-end.

The net book value of machinery and equipment at the year-end was SEK 412 million (380). The rental fleet of lift trucks amounted to SEK 169 million (159).

Capital structure



Quarterly Operating Profit, SEK m*



* Before items affecting comparability

	1997	1996 *pro forma*	1996
Equity/assets ratio, %	**33.4**	32.9	44.9
Debt/equity ratio, %	**1.01**	1.06	0.57
Net debt, SEK m	**851**	789	323
Cash and bank, SEK m	**77**	98	59
Interest coverage ratio, times	**1.6**	6.2	7.3

Financing and liquidity

The equity/assets ratio at the year-end was 3.4 per cent (32.9). Net debt increased by SEK 62 million to SEK 851 million (789).

Loans, which are denominated mainly in SEK, increased by SEK 300 million in connection with the redemption of shares and the payment of the transaction costs incurred during the merger with STS. Loans to the manufacturing companies in Finland and the USA are denominated in FIM and USD. These loans are long term. Pension liabilities totalled SEK 113 million (226). Most of the pension liabilities in STS have been redeemed in favour of more advantageous financing. Most of the group's loans are locked into fixed interest periods of no more than six months.

Investments

Investments in tangible assets excluding acquisitions amounted to SEK 176 million (286), of which SEK 62 million (72) on the lift truck rental fleet. The year's largest single investment was the construction of the Customer Support Centre in Ottawa which cost around SEK 8 million.

Exchange rates and currency hedging

88 per cent (88) of the group's net sales was generated in markets outside Sweden. The group's production units are based in Sweden, Finland, the USA and – to a lesser extent – in Estonia. Around half of the materials used in the Swedish and Finnish plants are purchased outside the Nordic countries. Sales companies are invoiced in their own currencies. The production units' net exchange rate exposure (payments less receipts in each currency) is hedged six months ahead. The net flow is greatest in USD.

Equity in the US manufacturing company has been hedged by Sisu Terminal Systems Oy. Otherwise, shareholders' equity has not been hedged.

The year 2000 problem

All group companies are currently working on adapting their business systems, products, production facilities and communications and security systems for the year 2000. Under the current programme, products have already been adapted to meet the requirements being made before the new millennium, while other systems and procedures are likely to be ready during the first quarter of 1999.

Parent Company

Kalmar Industries AB does not manufacture or sell products, but instead serves as a holding company for the Group. From 1998 onwards costs relating to the group management will be accounted for through the parent company.

Market Overview

Demand for the group's products tends to follow regional economic cycles around the world, but is also affected by the world economy as a whole.

At the same time container ports, Kalmar's most important customer segment, continue to represent a highly dynamic world market sector.

Around 70 per cent of Kalmar's product range and turnover relates directly to machinery for handling containers, trailers and other heavy unit loads or similar handling at terminals and in transport systems. This is particularly the case for Medium & Heavy, Terminal Systems and Terminal Tractors USA.

Europe

The geographical market for small mast lift trucks with a capacity of up to 16 tonnes, sideloaders, four-way reach trucks and log handlers is based in the Nordic countries and the rest of Europe. The aftermarket is also strongest here, with much of Customer Support's sales being generated in this area.

North America

The USA has enjoyed a strong and well-balanced economy for many years. Demand for Kalmar's products, on the other hand, has fluctuated from a peak year in 1995 to a weaker 1996 and a more normal 1997. Kalmar strengthened its position in the North American market during 1997 and expects to increase orders received from this market in 1998.

Asia

The Asian economy picked up somewhat at the beginning of the year, having dropped back in 1996. The summer of 1997 heralded the first warning signals from Japan, with the economies of Southeast Asia and South Korea becoming ever more turbulent during the autumn.

While demand for Kalmar's products was relatively strong during the first half of 1997, the autumn brought with it a certain degree of caution in the market culminating in November's danger signals when a number of orders were cancelled and investment plans were put on hold.

The depreciation of the Asian currencies has resulted in a considerable drop in demand from the region along with price pressure arising from greater competition.

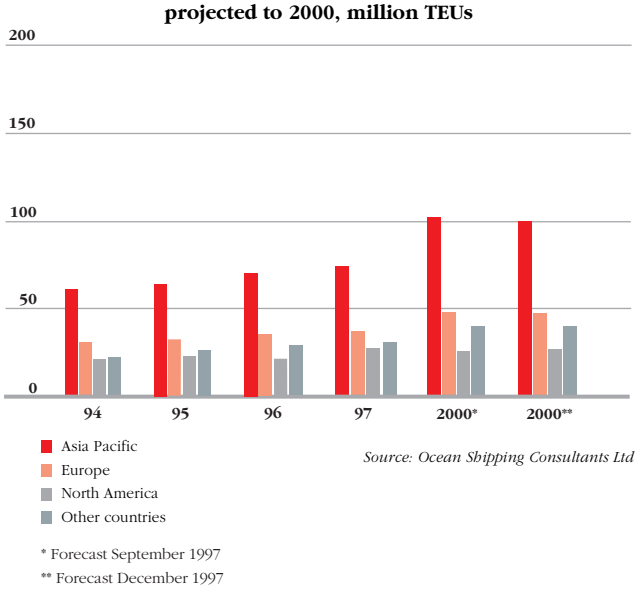
Growth markets

The merger with STS has created the right conditions for a much greater presence in growth markets such as South America and Eastern Europe. While turnover in Eastern Europe increased during 1997, paving the way for greater aftermarket sales, the South American market held steady at 1996 levels. Sales in these growth markets often follow irregular patterns but the need for increased handling capacity is considerable.

The container handling market

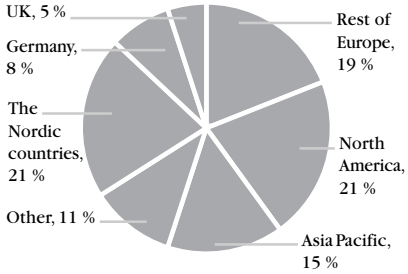
Container handling is by far and away Kalmar's most important market. Over the last ten years this segment has seen stable and increasing demand, particularly from Asia Pacific. While 1996 marked a break in this positive trend, the first half of 1997 brought something of a recovery. However, this recovery subsided at the end of the year bringing lower demand, fewer new orders and some cancellations and part-cancellations of orders in hand.

Growth in container handling ports projected to 2000, million TEUs

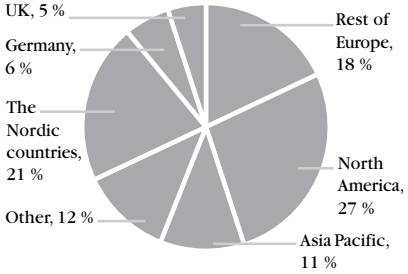


Source: Ocean Shipping Consultants Ltd

Net sales by market area in 1996



Net sales by market area in 1997



The most important demand factors for this segment are developments in world trade, the container freight market and the need for port capacity. Statistics for 1997 indicate that long-term growth trends in container traffic are by and large holding steady, as is the need for port capacity. The problems in parts of Asia have had quite an impact over the last quarter, but at the same time volumes in Europe and the USA have increased.

The economic crisis of confidence in parts of Asia primarily affects investment in, for example, property. Falling exchange rates make the region's manufacturers more competitive and thus open up more export opportunities. Falling demand can result in price pressure from competing manufacturers but most of these are on much the same footing as Kalmar in terms of exchange rates.

A long-term crisis of confidence in Asia is likely to result in investors turning to Eastern and Central Europe whose economies are picking up speed. Such a move is expected to increase demand for handling capacity in northern Europe and the Baltic States.

Forecasts suggest a minor drop in Pacific traffic, which will slightly reduce the need for handling capacity on the US West Coast. However, the US market remains strong and forecasts show an increase in demand for handling capacity.

Customer segments

Ports/terminals/container handling

The group's most important market segment is global container handling at coastal ports, container parks and inland rail and river terminals. It is this segment that buys Kalmar's container handling machinery: straddle carriers, RTG cranes, container lift trucks, reachstackers and terminal tractors.

Demand in this segment is determined primarily by world trade, the container freight market and the need for port capacity. Although the market is global, it is also local in so far as there are a number of local manufacturers supplying equipment similar to Kalmar's. Furthermore, every geographical market has its own specific requirements.

As there are no clear-cut official statistics for this type of equipment, each player must rely on its own market expertise to measure the scope and growth of the market. Given that Kalmar has enjoyed a leading position in this market since the very beginnings of container handling and that it has worked closely with heavyweight customers and other players, the group's knowledge of requirements and demand is extensive.

The last five years have seen an increase in the number of manufacturers worldwide producing equipment similar to Kalmar's. This being the case, the merger with Sisu Terminal Systems has provided new opportunities for the group to strengthen its position worldwide.

Timber, pulp and paper

Forklifts and log handlers are used for a wide variety of operations and are the most common option where operators need flexible solutions for lifting and transporting products over short distances.

Timber, pulp and paper is one of Kalmar's largest single market segment and the group's products are used in sawmills and the forest industry to handle raw, sawn and processed timber products, and in the pulp and paper industry to handle pulp wood, pulp bales and rolls of paper. As production volumes in these industries are large, the number of lift trucks used is high. The degree of automation in handling (storage and loading) is still relatively low in the segment, partly because the forklift has proven both economical and effective.

Kalmar believes that forklifts and log handlers will be able to maintain their position as a handling solution in this market also in the future. However, it should be noted that this market sees major fluctuations in both demand and profitability, which does, of course, affect demand for forklifts. Demand drops off quickly during downturns while upswings are often characterised by a time-lag before customers buy new equipment. The companies in this market are highly dependent on exports and operate in an extremely competitive international market. Most customers are based in Finland, Germany, North America, Russia and the Baltic States.

Other industry

This market segment comprises the wide variety of other industries requiring equipment to lift loads exceeding two tonnes. Kalmar's customers are based mainly in the Nordic countries and the other European countries north of the Alps. Russia and other Eastern European countries are also important markets.

Heavy industry (such as iron and steel works, the cement and stone industry and the heavy construction industry) is an important market for Kalmar throughout Europe. The group's heaviest lift trucks have a capacity of 18 – 90 tonnes and are sold throughout the world, while smaller lift trucks sell primarily to industries in the Nordic countries.

Industrial output worldwide – and in Europe and Sweden in particular – determines demand for Kalmar's products in this market. However, there is considerable potential in Russia and other Eastern European countries which will gradually translate into demand as these economies generate sufficient industrial growth and build up their infrastructure. This process is being hampered by a degree of instability and the slow rate of general economic growth, except in those countries which border Western Europe. It is thought that continued industrial restructuring in Eastern Europe will result in a 3 – 5 per cent annual increase in production over the next few years.

Overview of products, customers and markets

	General industry	Heavy industry	Pulp and paper	Sawmills	Steel and Iron	Concrete	Distribution	Container terminals	Container ports	Empty container terminals	Inland terminals	Military purpose
Mast lift trucks, electric 1.2 – 8 tonne	●	●	●				●	●				
Mast lift trucks, diesel 3 – 8 tonne	●	●	●	●		●	●	●				
Sideloaders, diesel 3 – 10 tonne		●		●	●		●					●
4-way reach trucks, electric 3 – 10 tonne	●	●			●		●					
Mast lift trucks, diesel/LPG 9 – 18 tonne		●	●	●	●	●	●		●		●	●
Mast lift trucks, diesel 20 – 52 tonne		●	●	●	●	●	●	●	●	●	●	●
Mast lift trucks, empty container 4 – 8 high		●						●	●	●	●	
Reachstackers, loaded container		●	●		●			●	●		●	
Reachstackers, empty container		●						●	●	●	●	
Reachstackers, others		●			●	●			●		●	
Straddle Carriers					●			●	●	●	●	
RTG cranes								●	●	●		
Terminal tractors, Sisu		●	●		●		●	●	●	●	●	
Terminal tractors, Ottawa		●	●				●				●	
Terminal Tractors, Magnum		●					●	●	●	●	●	
Log handlers			●	●								
High Speed mast trucks												●

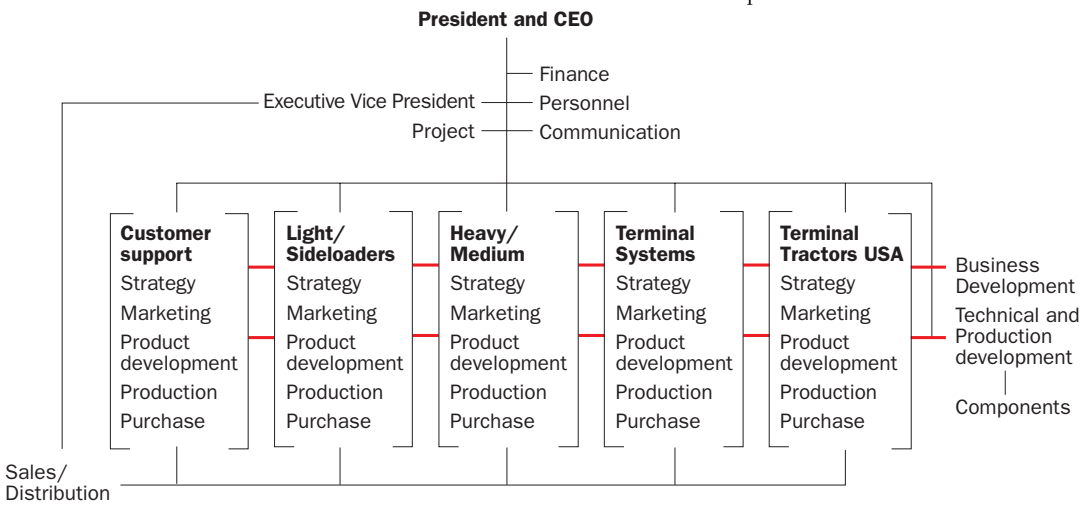
Organisation and Management

November marked not only the restructuring of the group but also the introduction of a new group management team comprising both Swedish and Finnish members. The restructuring programme has resulted in greater responsibility for the vice presidents of the various product lines who are now fully responsible for production within their own product line while continuing to work together as shown in the diagram.

The five product lines and sales companies work in a matrix. All the production units have been transferred over to the product lines with the exception of units which manufacture specialist components. Central functions for finance, information, personnel, projects and purchasing provide support for the group as a whole while the strategic coordination of the product lines is managed by specific resources being set aside for business, technical and production development.

At the year-end the group had eight factories and sold its products through 18 sales companies. Some of these sales companies, which increased in number as a result of the merger with Sisu Terminal Systems, are set to merge in the future. The company is represented by agents in over 50 countries.

The sales companies and area managers are responsible for the group's geographical markets together with the vice presidents of the five product lines.



Personnel

The group employed an average of 3,240 (3,354) persons in 1997. During the year staff numbers fell by 24 persons so that the group had 3,272 (3,296) employees at the year-end. Most employees are based in Sweden, Finland and the USA.

The acquisition of the majority shareholding in Kalmar Pacific Ltd in Hong Kong and of UK company International Port Equipment Ltd increased the staff numbers by 80 persons while cuts in Finland reduced figures by 83 employees.

Kalmar's personnel policy is undergoing a number of changes, the starting point for which is: "We believe in people". The policy itself is based on trust, encouragement to take the initiative and so on. All employees are to attend group development sessions to ensure that they can adopt a proactive approach to this process.

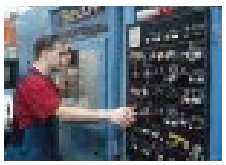
More and more of our business is being developed and run in project form. As such, a project work model has been produced for the entire group and 60 or so employees have undergone full training as project managers.

A management/leadership development programme got underway during the year with the aim of gradually increasing management skills throughout the group.

The Finnish side of the business implemented a management training programme within the framework of "Partek Competence". In the USA the foundations have been laid for extensive changes during 1998.

The new production structure resulted in negotiations on changes in the workforce at the production units affected by plans to transfer some parts of production between Sweden and Finland.

Production



The group has production units in Sweden, Finland, the USA and Estonia. Around 80 per cent of the group's employees work in production: approximately 1,200 in Finland, 1,100 in Sweden, 300 in the USA and 50 in Estonia.

The Finnish operation was restructured at the beginning of 1997 which led to staff cuts affecting around 100 employees. Capacity utilisation was somewhat lower than in 1996 due to fewer new orders at the end of 1996 and the beginning of 1997. However, the market subsequently picked up and capacity utilisation increased for the rest of the year.

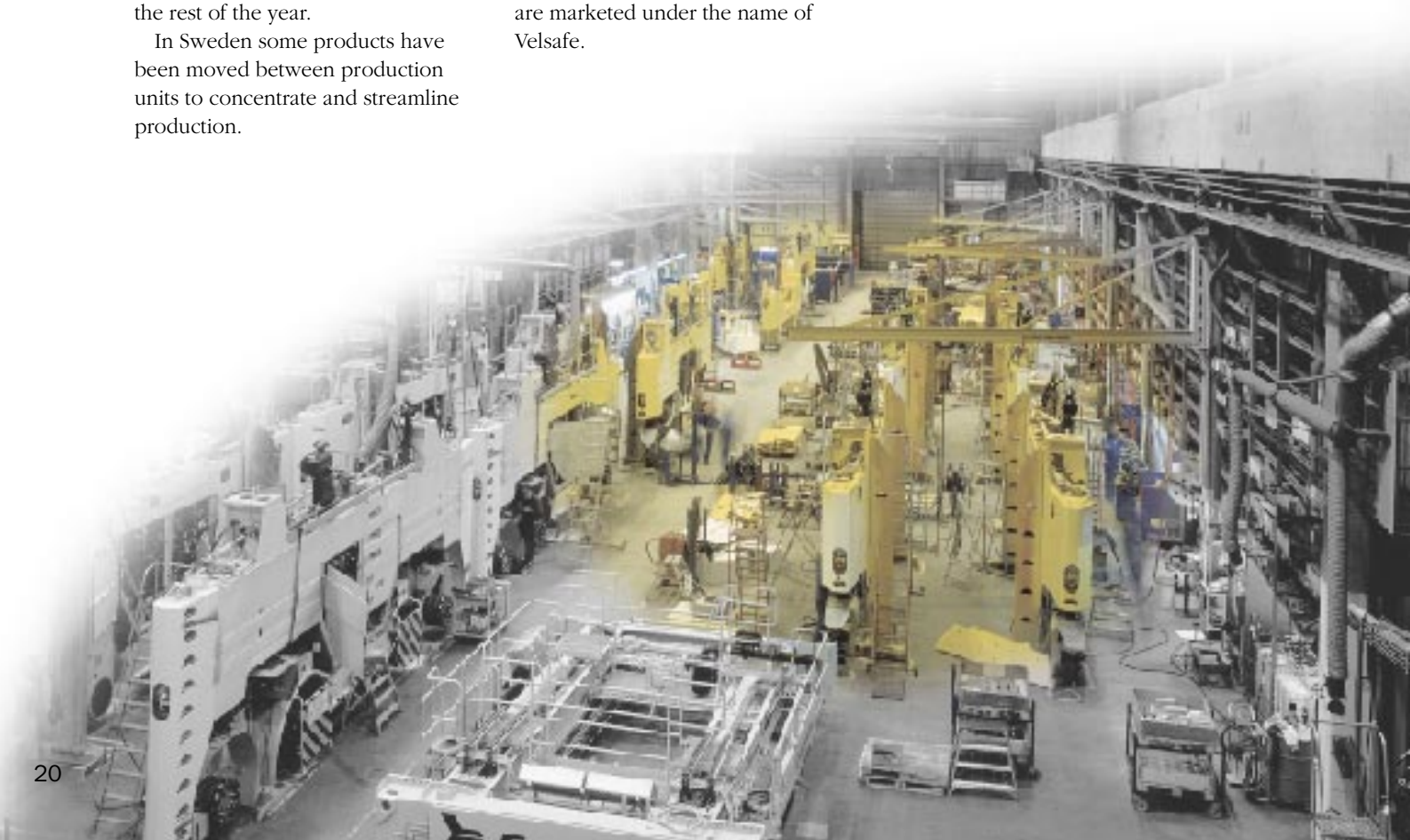
In Sweden some products have been moved between production units to concentrate and streamline production. Production of electric lift trucks was moved to Kalmar Hernöverken while parts of the heavy mast lift truck range were moved from Lidhult to Ljungby. The new Spirit Delta cab was brought fully on line at Ljungby during the first half of the year. The considerable teething problems resulted in delivery problems for most of the old Kalmar range.

Capacity utilisation at the US production units in Ottawa and White Oak was higher than in 1996. Deliveries ran to schedule without any major disruptions. The Ottawa factory completed a major project which aimed to improve internal logistics, lead times and productivity on assembly lines. Most of the project was dedicated to a completely new factory layout and a new powder coating plant.

Velsa Oy in Kurikka, Finland, specialises in developing and manufacturing cabs for various types of machinery. Around 40 per cent of its output goes to other group companies. Velsa is one of the three largest cab manufacturers in Scandinavia and has 280 employees. Its products are marketed under the name of Velsafe.

AS Finmec in Tallinn, Estonia, manufactures welded components and has 60 employees. All of its output is supplied to Kalmar's factories in Tampere.

The new production structure arising from the merger with STS means that Swedish production of terminal tractors and toplift attachments will be moved to Tampere, while cab production will be concentrated at Velsa Oy. Production of forklift trucks and cylinders in Tampere will be transferred to Ljungby. This streamlining process will lead to substantial productivity increases. Negotiations about the changes are currently underway with the various unions.



Product Development

Kalmar is the world's leading manufacturer of machinery for heavy materials handling, particularly containers and trailers.

Kalmar has achieved this position by focusing on two key factors: leading the way technically and providing a local service, both of which give it a competitive edge. As such, Kalmar has plans to build on this position.

Research and development expenditure is charged to operating expenses as costs are incurred.

In 1997 several important development projects resulted in new products which were received very positively in the market, confirming Kalmar's position as a market leader:

– The third generation Kalmar ContChamp (market leader)

– Rotating sidelift attachment for handling empty containers (first of its kind)

– Spirit Delta® – a brand new driver's environment with unique ergonomic features (pioneering in the industry)

– Hydrostatic lift truck, with a 5 – 8 tonne lifting capacity (pioneering in the industry)

– Upgrade package for old machinery (important aftermarket product)

– Special models from Terminal Tractors (to meet new customer needs)

– New powerful log handler, with a 9 tonne lifting capacity (growing need for half bundle handling)

– New drive system for RTG cranes (first in the industry, alternating current traction is expected to be the new industry standard)

– A new compact mast lift truck, with an 18 – 25 tonne lifting capacity, for steel handling and other applications (growing need for compact solutions)

Quality and the Environment

The group's quality, working environment and environmental programmes are carried out in parallel as there is considerable overlap between these areas.

Kalmar's quality work is at different stages across the group, with most plants being ISO 9001 certified. During the year the production units in Ottawa, Lidhult and Härnösand were ISO 9001 certified while the sales company Peinemann Kalmar in the Netherlands was ISO 9002 certified. The factory in Ljungby is likely to be ISO 9001 certified in 1998, as is Velsa Oy in Kurikka.

Kalmar's environmental work extends to products' environmental features as well as the internal and external working environment at production units. During the year Kalmar's environmental policy was supplemented with guidelines on the working environment and the delegation of environmental responsibility to the appropriate head of unit. A system for internal checks on the working environment was developed during the year and is set to be introduced in 1998.

The group's environmental work has met the targets set. For example, the Swedish plants started using a new paint system which reduces the need for repainting as well as lowering paint consumption and solvent emissions. A new powder coating plant was brought on-line in the Ottawa factory for the same reasons.

Work has continued on developing more environmentally friendly products. In the first instance Kalmar is tackling exhaust, noise and other emissions from the products when in use. Launched during the year, Kalmar's new hydrostatic lift truck is much more environmentally friendly in these respects. The launch of the Spirit Delta environment is also a major step forward in terms of drivers' working environment.

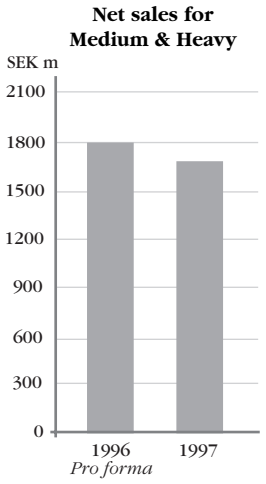
Medium & Heavy

Net sales

Net sales for this product line totalled SEK 1,699 million (1,799).

Products

Medium & Heavy is the group's largest single product line and has production units in Lidhult, Ljungby and Tampere. Including aftermarket sales, the product line accounted for 37 per cent of the group's net sales for the year.



The product line is responsible for mast lift trucks with a 9 – 90 tonne lifting capacity, mast lift trucks for handling and stacking empty containers 3 – 8 high and reachstackers for handling both empty and loaded containers and trailers. Kalmar's ContChamp reachstacker is the leading product of its type worldwide. The products are marketed under two brand names: Kalmar and Sisu.

Customer needs

The product line's customers comprise the following: steel works, iron works, the concrete industry, saw mills, the pulp and paper industry, the engineering sector and goods terminals. Container and trailer handling products are also bought by customers at inland terminals, container parks, and container ports and terminals.

Market position

In general, the heavier the load being handled and the greater the degree of specialised handling required, the stronger the position of Kalmar in the world market.

Kalmar leads the European market for all products in this product line.

Mast lift trucks with a capacity of 28 – 52 tonnes have a strong position worldwide, as has the reachstacker range for handling containers, trailers, demountables etc.

Product development

New reachstackers for handling loaded containers (the third generation Kalmar ContChamp and a new generation of Sisu reachstacker) were launched during the spring of 1997. A brand new reachstacker with a sidelift attachment for handling empty containers was launched at the same time under the Sisu brand name. All three new products were met with enthusiasm in the market, strengthening Kalmar's leading position worldwide for handling both empty and loaded containers.

All Kalmar mast lift trucks have been equipped with the new Spirit Delta® driver's environment which was launched at the beginning of the year.

The market

Demand for the product line's products was, on the whole, strong during the year, with the European market holding steady at 1996 levels while the US market surged. Having dropped back in 1996 after many years of healthy growth, the product line's inflow of new orders recovered in 1997 to almost match the peak recorded in 1995 in terms of numbers.

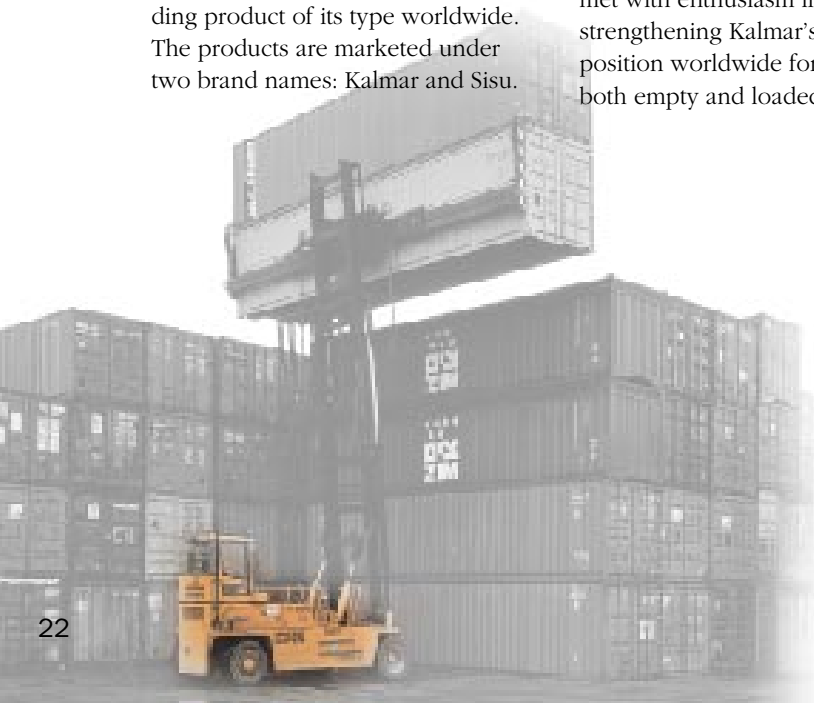
The crisis in Asia had a major impact on demand towards the end of the year.

Production

Production at the factories in both Finland and Sweden enjoyed high capacity utilisation throughout the year. Deliveries from the Swedish factories were rather irregular during the first half of the year on account of disruptions due to the launch of new products. These problems were gradually ironed out and deliveries were running to schedule during the autumn.

The new production structure arising from the merger with STS means that Swedish production of terminal tractors and toplift attachments will be moved to the Tampere factory while the Tampere production of forklift trucks and cylinders will be transferred to Ljungby.

The factories in Tampere and Lidhult are ISO 9001 certified, while the Ljungby factory is likely to be certified in the autumn of 1998.



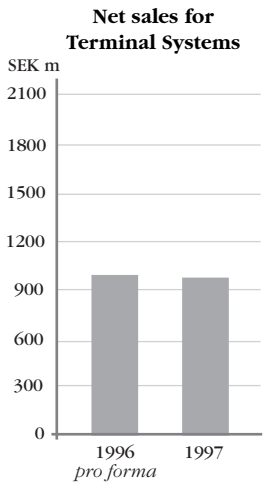
Terminal Systems

Net sales

Net sales for this product line totalled SEK 953 million (974).

Products

Terminal Systems produces a variety of products comprising: straddle carriers, RTG cranes, terminal tractors for the European market, high-speed trucks and log handlers. These products are manufactured in factories in Tampere and Lidhult. Including



aftermarket sales, Terminal Systems accounted for 21 per cent of the group's net sales for the year. The products are marketed mainly under the Sisu brand name.

Customer needs

Straddle carriers, RTG cranes and terminal tractors are used mainly in ports and terminals which handle containers. Individually and together, they make for a flexible handling system which is highly efficient at transporting, stacking and handling containers and trailers. Straddle carriers and terminal tractors are also used in heavy industry for handling unit loads.

High-speed trucks are specially designed for high speeds on roads, eliminating the need for additional transport equipment.

Log handlers are used for handling pulpwood, primarily in the pulp and paper industry, and sawn timber in medium-sized and large sawmills.

Market position

Straddle carriers and RTG cranes are the main handling system used in all large container ports. Straddle carrier systems are used predominantly in Europe and on the East Coast of the USA. RTG systems are used in South-east Asia, on the US West Coast and in South America. Kalmar's position in the market is strong and its products are at the cutting edge of technology.

For ten years Sisu has been the leading brand of straddle carrier worldwide and has a 50 per cent share of this market.

Kalmar's Sisu log handlers lead the way in Europe in terms of both technology and sales. The competitors are generally local manufacturers in Scandinavia.

Product development

The fifth generation Sisu straddle carrier was very well received in the market and the technical solutions used have made Kalmar the market leader.

In 1997 Sisu RTG cranes were supplied with a new cutting- edge control system for alternating current traction, confirming Kalmar's position as a pioneer in this area.

1997 also saw the launch of a new more powerful version of Sisu's terminal tractor.

The market

The market for straddle carriers is global with stable annual demand except for occasional peak years. The turmoil in parts of Asia did not have a material impact on new orders during the year.

Demand for RTG cranes increased in Europe and North and South America while the economic crisis in parts of Asia had a negative impact on new orders towards the end of the year.

Production

Production capacity utilisation in factories in Finland and Sweden was high during the year and deliveries ran to schedule.

The reorganisation of the production lines in Tampere has increased efficiency.

The new production structure means that Swedish production of terminal tractors and toplift attachments is to be transferred to Tampere while Tampere's production of fork-lift trucks and cylinders is to be transferred to Medium & Heavy in Ljungby.

Production at both factories is ISO 9001 certified.

Directors' Report

Terminal Tractors

Net sales

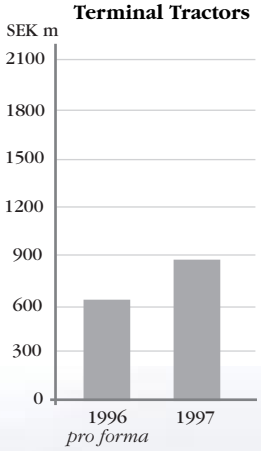
Net sales for this product line totalled SEK 869 million (625).

Products

Terminal Tractors concentrates its operations in North America, with manufacturing based in Ottawa (Kansas) and White Oak (Texas). Including aftermarket sales, this product line accounted for 19 per cent of the group's net sales during the year.

The products are marketed under two brand names: Ottawa (primarily for the North American market) and Magnum (largely for export markets).

Net sales for Terminal Tractors



Customer needs

This product line's main customers are ports, intermodal terminals, road terminals and industry.

Market position

The two brands – Ottawa and Magnum – have a combined share of over 50 per cent of the world market. North America is the world's largest market for handling at distribution terminals, road terminals, railway terminals and in industry. With its Ottawa range Kalmar beat off stiff competition from domestic competitors to win three large orders for tractor fleets.

Product development

The product line's Industrial Marketing Project was carried out during the year with the aim of increasing the use of terminal tractors as an effective logistics solution.

New special models were launched in the Magnum range which included a rotatable driver's seat and a two-man cab.

The market

The North American market developed well during the year with a substantial increase in demand and thus a recovery from the poor year of 1996. Demand for the product line's products tends to follow demand for heavy trucks of over 16 tonnes and the strong US market means that there is considerable growth potential for this product line.

Developments in parts of Asia are expected to have an impact on exports.

Production

Production at the US factories enjoys a high degree of capacity utilisation and deliveries have run to schedule without any major disruptions.

The Ottawa factory completed a major project which aimed to improve internal logistics, lead times and assembly productivity. Most of the project was dedicated to a completely new factory layout and a new powder coating plant.

The Ottawa factory was ISO 9001 certified in December 1997.

Light & Sideloaders

Net sales

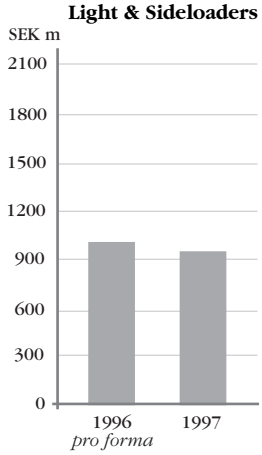
Net sales for this product line totalled SEK 930 million (1,047).

Products

Light & Sideloaders comprises some 20 frontloading and sideloading mast lift truck models, electric lift trucks with a 1.2 – 8 tonne lifting capacity, diesel lift trucks with a 3 – 8 tonne lifting capacity and LPG lift trucks with a 4 – 10 tonne lifting capacity.

Including aftermarket sales, this product line accounted for 20 per cent of the group's net sales during the year. The products are marketed under the Kalmar brand name.

Net sales for Light & Sideloaders



Customer needs

Frontloading mast lift trucks are used for all sorts of handling in almost all types of industry and are frequently used for extremely intensive handling in multi-shift environments.

Sideloading mast lift trucks are used for handling long goods in industry and warehouses. The electric lift trucks are used for stock management and production and operate effectively in confined spaces.

Market position

Kalmar's electric lift trucks sell mainly in the Scandinavian market. The 3 – 8 tonne diesel lift trucks sell in Scandinavia, northern Europe, France, the UK and the USA. Sideloaders sell primarily in Western Europe, with Germany, France and the UK as the largest markets.

Kalmar is a market leader in Scandinavia for trucks with a lifting capacity of 4 – 8 tonnes. The new products launched during 1997 have strengthened this position considerably.

Product development

With its completely new approach to the driver's environment, the Spirit Delta® was launched during the first quarter of 1997 and made a major break-through, thus strengthening Kalmar's total product concept.

Kalmar's new "intelligent" hydrostatic lift trucks with a 4 – 8 tonne capacity were launched towards the end of the year. This solution is based on the development of existing hydrostatic technology which draws on electronic controls to give the truck better precision, safety, efficiency and environmental features. It has been very well received in the market and has strengthened Kalmar's position in this highly competitive segment.

The market

The market for this product line's lift trucks tends to follow industrial output trends in Western Europe and demand has been stable. Demand was weak in the important paper and pulp industry in Scandinavia during 1997, reflecting the state of the world market in this sector.

The economic turmoil in parts of Asia has not had any impact on this product line's performance.

Production

While production is based in Ljungby and Härnösand in Sweden, around 75 per cent of output is exported. Both factories enjoyed high utilisation capacity during the year. The new Spirit Delta® driver's environment brought some production teething problems.

Customer Support

Net sales

The net sales generated by this product line is not accounted for separately but is instead included in the other product lines' net sales figures.

Products

Customer Support is responsible for component service; spare parts, replacement units and large components and customer service; training, upgrading and inspection, workshop service and repairs, on-site service, tools and service agreements.

The product line has three strategic Customer Support Centres in Sweden, Finland and the USA which are staffed by a total of 180 employees. The Customer Support Centre in Ottawa in the USA moved into its new building during the autumn, allowing Kalmar to meet customer needs more efficiently. Worldwide, Kalmar also provides service via its sales companies and a global network of agents.

The market

More than 60,000 Kalmar machines are used around the world by around 30,000 customers, with each year seeing the delivery of 3,500 new machines. This is Customer Support's main market.

The merger with STS has strengthened the product line's position worldwide.

Product development

Customer Support develops what are known as upgrade products, the aim of which is to transfer new technology to machines already in use. This facilitates handling and ensures greater cost efficiency.

The market

The merger with STS has provided the opportunity to coordinate two already well developed and effective aftermarket organisations with considerable specialist expertise. There is also the potential to create cost-effective solutions which add value for customers.

This product line's sales are, of course, dependent on sales of new products, with recent years' high volumes leading to higher aftermarket sales in the global market. There are signs that demand for reconditioning and upgrade solutions is increasing, particularly for larger equipment.

During the year the product line changed its name from Product Support to Customer Support to highlight Kalmar's customer-centred approach and its ability to offer customers total solutions to meet their need for materials handling equipment.

Accounts

Profit and Loss Accounts

SEK million	Note	Group 1997	Group *pro forma* 1996	Group 1996	Parent company 1997	Parent company 1996
Net sales	1, 4	4,598.8	4,566.1	2,498.6	6.2	3.1
Cost of goods sold		-3,684.6	-3,603.7	-1,899.0	0.0	0.0
Gross profit		**914.2**	**962.4**	**599.6**	**6.2**	**3.1**
Selling expenses		-437.1	-408.7	-284.3		
Administrative expenses		-216.2	-200.8	-115.4	-6.7	-6.8
Research and development expenses		-34.8	-34.1	-11.8		
Items affecting comparability		-168.7	0.0	0.0	-38.4	0.0
Profit from interests in associated companies		1.2	2.4	2.4		
Other operating income		9.7	7.4	0.2		
Other operating expenses		-0.7	0.0	0.0		
Operating profit	2,3,5,6,7,8	**67.6**	**328.6**	**190.7**	**-38.9**	**-3.7**
Result from financial investments						
Result from participations in group companies					225.2	-27.7
Result from participations in associated companies					2.1	0.0
Interest income		9.6	12.1	4.1	8.3	12.3
Interest expenses		-47.9	-55.6	-27.3	-2.9	-6.4
Exchange rate differences		0.5	5.3	3.3	0.0	-3.3
Other financial items		0.0	-1.2	-0.6	0.0	-1.1
Profit after net financial items	9,10,11	**29.8**	**289.2**	**170.2**	**193.8**	**-29.9**
Appropriations						
Group contributions received	17				12.6	104.0
Group contributions paid	1, 17	0.0	-49.8	0.0	-3.7	0.0
Tax allocation reserve					-2.4	0.0
Profit before tax		**29.8**	**239.4**	**170.2**	**200.3**	**74.1**
Tax on profit for the year	12	-22.7	-48.6	-32.0	-3.0	0.0
Minority interests in profit for the year		-4.7	-3.2	-3.2		
Net profit for the year		**2.4**	**187.6**	**135.0**	**197.3**	**74.1**

Balance Sheet

SEK million Assets	Note	Group 31 Dec 97	Group *pro forma* 31 dec 96	Group 31 dec 96	Parent company 31 Dec 97	Parent company 31 dec 96
Fixed assets						
Intangible assets						
Patents and similar rights	13	5.5	6.0	0.0		
Goodwill	13	133.8	122.1	51.8		
Total intangible assets		**139.3**	**128.1**	**51.8**		
Tangible assets						
Buildings, land and land improvements	14	306.8	345.2	102.8		
Machinery and technical assets	14	306.2	314.9	212.5		
Equipment, tools, fixtures and installations	14	106.1	65.2	49.8		
Construction in progress and advance payments	14	5.1	37.1	29.6		
Total tangible assets		**724.2**	**762.4**	**394.7**		
Financial assets						
Participations in associated companies	15	3.7	8.3	8.3	2.8	1.9
Participations in group companies	16				626.4	332.4
Other long-term securities holding		0.9	0.0	0.0		
Other long-term interest-bearing receivables	15	55.0	66.1	0.0		
Other long-term receivables		0.1	0.9	0.9		
Receivables from group companies	17				233.9	105.6
Total financial assets		**59.7**	**75.3**	**9.2**	**863.1**	**439.9**
Total assets		**923.2**	**965.8**	**455.7**	**863.1**	**439.9**
Current assets						
Inventories						
Raw materials		331.6	327.3	176.1		
Work in progress		205.6	151.6	74.4		
Finished goods		426.2	339.2	302.5		
Advance payments to suppliers		1.5	1.5	0.0		
Total inventories		**964.9**	**819.6**	**553.0**		
Current receivable						
Accounts receivable	17	842,9	743,7	325,7		
Bills receivable		8,6	6,6	6,6		
Receivables from associated companies		12,3	15,6	15,6		
Prepaid tax		9,5	29,8	29,8		
Other receivables		53,3	37,7	20,1		
Other interest-bearing receivables		16,9	11,9	0,0		
Prepaid expenses and accrued income	18	53,3	30,0	12,5	2,2	0,6
Receivables from group companies					47,0	57,7
Total current receivables		**996,8**	**875,3**	**410,3**	**49,2**	**58,3**
Short-term investments		**12,2**	**0,2**	**0,0**		
Cash and bank		**65,2**	**97,7**	**58,6**	**0,1**	**0,0**
Total current assets		**2 039,1**	**1 792,8**	**1 021,9**	**49,3**	**58,3**
Total assets		**2 962,3**	**2 758,6**	**1 477,6**	**912,4**	**498,2**

SEK million Shareholders' equity and liabilities	Note	Group 31 Dec 97	Group *pro forma* 31 Dec 96	Group 31 Dec 96	Parent company 31 Dec 97	Parent company 31 Dec 96
Shareholders' equity	19					
Share capital		293.8	293.8	159.9	293.8	159.9
Restricted reserves		460.8	293.5	196.9		
Share premium reserve					105.4	0.0
Statutory reserve					0.0	146.0
Total restricted equity		**754.6**	**587.3**	**356.8**	**399.2**	**305.9**
Unrestricted reserves		185.8	105.2	144.7		
Profit/loss brought forward					-55.8	14.7
Net profit for the year		2.4	187.6	135.0	197.3	74.1
Total unrestricted equity		**188.2**	**292.8**	**279.7**	**141.5**	**88.8**
Total shareholders' equity		**942.8**	**880.1**	**636.5**	**540.7**	**394.7**
Minority shareholding		**45.9**	**27.6**	**27.6**		
Untaxed reserves						
Accrual fund	20				33.6	31.2
Total untaxed reserves					**33.6**	**31.2**
Provisions						
Provisions for pension and similar commitments		113.3	226.4	77.7		
Provisions for deferred tax liabilities	21	43.7	66.9	52.4		
Other provisions	22	123.9	49.3	20.4		
Total provisions		**280.9**	**342.6**	**150.5**		
Long-term liabilities						
Overdraft facility	23	203.6	270.9	270.9		
Other interest-bearing liabilities	17, 24	578.0	384.7	5.4		
Other liabilities		2.1	0.9	0.9		
Other long-term interest-bearing liabilities	24				300.0	0.0
Liabilities to group companies	17				29.3	71.3
Total long-term liabilities		**783.7**	**656.5**	**277.2**	**329.3**	**71.3**
Current liabilities						
Accounts payable	17	364.9	398.2	168.0		
Bills payable		1.9	0.8	0.8		
Tax liability		6.9	3.4	3.4	2.5	0.0
Accrued expenses and prepaid income	25	325.3	266.9	124.7	2.0	0.8
Advances from customers		54.9	36.0	12.1		
Other interest-bearing liabilities		104.9	82.8	27.2		
Other liabilities		50.2	63.8	49.6	0.6	0.2
Liabilities to group companies					3.7	0.0
Total current liabilities		**909.0**	**851.9**	**385.8**	**8.8**	**1.0**
Total shareholders' equity and liabilities		**2,962.3**	**2,758.7**	**1,477.6**	**912.4**	**498.2**
Pledged assets	26	**34.9**	**225.8**	**None**	**None**	**None**
Contingent liabilities	26	**347.5**	**393.5**	**343.2**	**40.7**	**15.9**

Source and Application of Funds Statement

	Group		Parent company	
SEK million	1997	1996	1997	1996
Funds provided				
Profit after net financial items	29.8	170.2	193.8	-29.9
+ Depreciation and write-downs charged against profit	192.6	78.7		
+/- Investment income	-1.1	-0.7		
+/- Tax excluding deferred tax	-45.6	-21.0	-3.0	0.0
+/- Minority interests in profit for the year	-4.7	-3.2		
+/- Adjustments for other items not affecting cash flow	-7.8	-0.7		
Funds provided by operations for the year	**163.2**	**223.3**	**190.8**	**-29.9**
Change in working capital (excluding liquid assets)				
Change in inventories	-145.3	-31.9		
Change in current receivables	-121.5	43.5	9.1	90.4
Change in current liabilities	57.1	-83.4	7.8	-28.8
Change in short-term investments	-12.0	0.0		
	-221.7	**-71.8**	**16.9**	**61.6**
Disposals of tangible assets	28.7	45.2		
Reduction in financial assets	15.6	0.0		
Share issue and other capital from shareholders	375.5	0.0	255.2	0.0
Increase in minority shareholding	18.3	27.6		
Group contributions received			12.6	104.0
Increase in provisions net of deferred tax	0.0	5.0		
Increase in long-term liabilities	127.2	33.9	258.0	41.3
Total funds provided from operations	**506.8**	**263.2**	**733.5**	**177.0**
Funds utilized				
Investments in intangible assets	-18.5	-4.4		
Investments in tangible assets	-176.0	-188.5		
Investments in financial assets (notes 15, 16 & 17)	0.0	-1.4	-423.2	-125.9
Decrease in provisions net of deferred tax	-38.5	0.0		
Group contributions paid			-3.7	0.0
Dividends and similar payments to shareholders	-306.3	-51.1	-306.5	-51.1
Total funds utilized	**-539.3**	**-245.4**	**-733.4**	**-177.0**
Net change in liquid assets	**-32.5**	**17.8**	**0.1**	**0.0**

Accounting Principles

General

In 1997 Kalmar modified its basis of accounting in line with Sweden's new EU-harmonised Financial Reporting Act. The main impact has been on the layout of the profit and loss account and balance sheet. Kalmar's 1996 figures have been restated using the new basis of accounting to improve comparability. The new rules have had a minimal impact on the company's valuation policies. Kalmar applies the recommendations of the Swedish Financial Accounting Standards Council, which largely mirror those of the International Accounting Standards Committee.

Consolidated accounts

The consolidated accounts comprise the parent company, Kalmar Industries AB and all other companies in which Kalmar Industries own more than 50 per cent of the voting rights, directly or indirectly, and associated companies for which the Group owns a minimum of 20 per cent and maximum of 50 per cent of the voting rights.

The pooling method has been applied to the merger with Sisu Terminal Systems Oy (STS), which means that the consolidated accounts have been prepared as if the merger had taken place on 1 January 1997. The 1997 figures therefore reflect the new group's performance over a full financial year. To aid year-on-year comparisons, pro forma accounts for 1996 have been prepared as if the merger had taken place on 1 January 1996. These pro forma figures have been prepared on the same basis as those included in the information pack sent to Kalmar's shareholders prior to the Extraordinary General Meeting of 24 October 1997, except that the interest effect of the redemption price of SEK 255 million has not been charged against 1996 profits. The payment to shareholders was not made until the end of 1997 and has therefore had a minor impact on 1997 profits. In the information pack sent to shareholders the accounts for STS were translated at an exchange rate of SEK 1.50 to FIM 1, but the accounts presented here have applied the actual exchange rates for 1996 and 1997. A more detailed basis has been used for the pro forma accounts presented here than for those in the information pack sent to shareholders.

Other subsidiaries have been consolidated using the acquisition method, while associated companies have been consolidated using the equity method.

Kalmar Industries translates the accounts of foreign subsidiaries using the current method, which means that all assets and liabilities are translated at year-end exchange rates while all profit and loss account items are translated at the average exchange rates over the year. Translation differences arise on account of differences between the average exchange rates used for the profit and loss account and the year-end exchange rates used for the balance sheet, and on account of differences between the year-end exchange rates used to translate net investments from year to year. All translation differences are included directly in equity.

STS has hedged its net investment in its US subsidiary by taking out loans denominated in USD. In the consolidated accounts these loans have been translated at the year-end rate, with the translation differences arising included in equity to the extent that it corresponds to translation differences included in equity during the year for that subsidiary.

Deferred tax

When preparing the group balance sheet, untaxed reserves are divided into a deferred tax liability portion reported under long-term liabilities and an equity portion reported under restricted reserves. Deferred tax assets and liabilities also arise on differences between the values of assets and liabilities for tax and accounting purposes. Deferred tax assets may be included in the accounts only where it is likely that they can be utilised within the foreseeable future. Deferred tax liabilities are calculated at the current tax rate in each country. Changes in deferred tax liabilities on account of alterations to these tax rates are included in the year's tax charge.

Foreign currency receivables and liabilities

Receivables and liabilities denominated in foreign currencies are translated at the exchange rates on the closing day, except where they have been hedged, in which case the relevant forward rates are used.

Exchange gains and losses attributable to the translation of loans are reported under interest income/expense.

The group hedges a significiant proportion of projected sales in foreign currencies through forward rate agreements. Such forward transactions are offset against the profit from the hedged sales as it is received.

Inventories

Inventories are valued at the lower of cost and net realisable value on a first-in/first-out basis (FIFO). Adequate depriciation has been made to account for obsolescence.

Research and development

Research and development expenditure is charged to operating expenses as costs are incurred.

Fixed assets and depreciation

Fixed assets are accounted for at their orginal purchase value less deductions for accumulated depreciation according to plan. Yearly depreciation percentages are based on calculated economic lifetimes. For machinery and inventories, depreciation percentages of 5 – 33 per cent are applied; for buildings, the rate is 1.5 – 6 per cent. Goodwill is written off at 5 – 20 per cent per annum.This rate of depreciation is based on the longterm strategic significance of each acquisition to the Group. Patents and similar rights are amortised at a rate of 10 – 20 per cent per annum.

Note 1. Intra-group transactions – Partek group

The parent company is a subsidiary of the Finnish company Partek Oyj Abp which holds 51 per cent of its shares. The year saw the following transactions between the group and other Partek companies:

	Group	
		pro forma
	1997	1996
Sales to Partek companies	78.5	65.4
Purchases from Partek companies	16.4	5.0

The group contribution 1996 was paid to Sisu Oy.

Note 2. Average number of employees

Number of employees

		pro forma	
SEK million	1997	1996	1996
Parent company			
Sweden	1	1	1
(of which men)	100%	100%	100%
Subsidiaries			
Sweden	1170	1215	1208
(of which men)	88%	88%	88%
Other Nordic	1188	1287	14
(of which men)	91%	90%	79%
Rest of Europe	290	323	266
(of which men)	76%	84%	82%
North America	497	478	155
(of which men)	85%	85%	83%
Asia Pacific	90	46	17
(of which men)	63%	63%	71%
Elsewhere	4	4	3
(of which men)	75%	75%	67%
Total subsidiaries	3239	3353	1663
(of which men)	88%	88%	86%
Total group	**3240**	**3354**	**1664**
(of which men)	88%	88%	86%

Note 3. Salaries, other compensations and social benefits

		pro forma	
SEK million	1997	1996	1996
Parent company			
Salaries etc	2.0	2.0	2.0
Social benefits	0.5	0.5	0.5
(of which pensions)	0.3	0.3	0.3
Subsidiaries			
Salaries etc	797.7	787.3	435.3
Social benefits	254.4	212.9	146.9
(of which pensions)	90.1	69.8	28.8
Group			
Salaries etc	799.7	789.3	437.3
Social benefits	254.9	213.4	147.4
(of which pensions)	90.4	70.1	29.1
Total [1]	1,054.6	1,002.7	584.7

[1] For both 1997 and 1996, SEK 0.3 million of the pension costs at the group and parent company relate to the Board and President and CEO. The company's outstanding pension liabilities in respect of these officers amount to SEK 0 million for both years.

The President and CEO and other senior executives are entitled to a standard service pension, based on payments at the maximum level that the company can charge against taxable income.

Salaries, other compensations by country, type of officer and other employees

SEK million	1997	*pro forma* 1996	1996
parent company			
Sweden			
Board plus President and CEO	2.0	2.0	2.0
(of which bonuses)	0.3	0.2	0.2
Other employees	0.0	0.0	0.0
Subsidiaries			
Sweden			
Board plus President and CEO	0.6	0.6	0.0
(of which bonuses)	0.0	0.0	0.0
Other employees	284.7	286.7	284.2
Other Nordic			
Board plus President and CEO	2.5	2.4	0.5
(of which bonuses)	0.0	0.0	0.0
Other employees	277.2	269.7	4.0
Rest of Europe			
Board plus President and CEO	5.6	4.5	3.8
(of which bonuses)	0.2	0.1	0.1
Other employees	78.8	86.1	82.3
North America			
Board plus President and CEO	5.2	7.4	3.5
(of which bonuses)	0.3	0.0	0.0
Other employees	122.7	114.4	47.2
Asia Pacific			
Board plus President and CEO	2.3	1.5	1.1
(of which bonuses)	0.1	0.3	0.3
Other employees	13.3	9.1	3.8
Elsewhere			
Board plus President and CEO	2.4	2.8	2.8
(of which bonuses)	0.0	0.0	0.0
Other employees	2.4	2.1	2.1
Total subsidiaries			
Board plus President and CEO	18.6	19.2	11.7
(of which bonuses)	0.6	0.4	0.4
Other employees	779.1	768.1	423.6
Total group			
Board plus President and CEO	20.6	21.2	13.7
(of which bonuses)	0.9	0.6	0.6
Other employees	779.1	768.1	423.6

The President and CEO received a salary and other remuneration (including the benefit of a company car) totalling SEK 1,617,000, of which SEK 300,000 was performance-related.

The severance package due to the President and CEO in the event of notice being given by the company comprises 24 months' salary. The periods of notice agreed with other senior executives run up to a maximum of 12 months.

Note 4. Net sales per operation and market

The group's net sales was divided as follows:

SEK million	1997	*pro forma* 1996	1996
Sweden	539	529	425
Other Nordic	422	433	150
Rest of Europe	1,307	1,470	911
North America	1,226	940	339
Asia Pacific	496	675	472
Other markets	609	519	202
	4,599	4,566	2,499

SEK million	1997	*pro forma* 1996	1996
Light & Sideloaders	930	1,047	1,047
Medium & Heavy	1,699	1,799	1,452
Terminal Systems	953	974	0
Terminal Tractors USA	869	625	0
Other	148	121	0
	4,599	4,566	2,499

Note 5. Items affecting comparability

SEK million	1997	*pro forma* 1996	1996
Parent company			
Consultancy fees for merger	13.3	0.0	0.0
Finnish transfer tax	25.1	0.0	0.0
	38.4	0.0	0.0

SEK million	1997	*pro forma* 1996	1996
Group			
Restructuring provisions, write-downs of buildings and land	47.0	0.0	0.0
Restructuring provisions, other	73.0	0.0	0.0
Consultancy fees for merger	13.3	0.0	0.0
Finnish transfer tax	25.1	0.0	0.0
Finnish pension provisions	10.3	0.0	0.0
	168.7	0.0	0.0

Note 6. Depreciations according to plan

SEK million	1997	pro forma 1996	1996
Breakdown by class of asset:			
Patents and similar rights	1.6	0.7	0.0
Goodwill	13.7	11.2	2.8
Machinery and technical assets	73.2	68.1	49.8
Equipment, tools, fixtures and installations	40.6	32.9	21.7
Buildings and land improvements	16.5	15.8	4.4
	145.6	128.7	78.7
Breakdown by function			
Cost of goods sold	98.4	87.9	57.4
Selling expenses	22.2	18.6	13.3
Administrative expenses	24.4	21.6	8.0
R&D expenses	0.6	0.6	0.0
	145.6	128.7	78.7

The parent company has no tangible or intangible assets.

Note 7. Other operating income

SEK million	1997	pro forma 1996	1996
Group			
Property rentals, buildings in Finland	5.3	7.4	0.0
Disposal of Climax operations in UK	4.4	0.0	0.0
	9.7	7.4	0.0

Note 8. Lease charges for operating leases

	1997	pro forma 1996	1996
Group			
Assets held through operating leases	None	None	None
Lease charges paid during the year	50.0	40.0	37.0
Agreed lease charges for future years:	1998	58.0	
	1999	46.0	
	2000	38.0	
	2001	14.0	
	2002	3.0	
	2003-2007	12.0	
Parent company			
Assets held through operating leases	None	None	None
Lease charges paid during the year	–	–	–
Agreed lease charges for future years:	–	–	–

Note 9. Result from participation in group companies

SEK million	1997	1996
Parent company		
Dividends	225.2	0.0
Gains/losses on disposals	0.0	-27.7
	225.2	-27.7

Note 10. Result from other financial assets and securities

SEK million	1997	1996
Parent company		
Interest income, subsidiaries	7.6	9.8
Interest income, other	0.7	2.5
	8.3	12.3

Note 11. Other interest income/expenses

SEK million	1997	pro forma 1996	1996
Group			
Interest income, other	8,4	9,8	4,1
Interest income, group companies	1,2	2,3	0,0
	9,6	12,1	4,1
Parent company			
Interest income, other	0,7		2,5
	0,7		2,5
Group			
Interest expenses, other	33,2	45,5	27,3
Interest expenses, group companies	14,7	10,1	0,0
	47,9	55,6	27,3
Parent company			
Interest expenses, subsidiaries	1,2		0,6
Interest expenses, other	1,7		5,8
	2,9		6,4

Note 12. Taxes

SEK million	1997	pro forma 1996	1996
Group			
Tax payable	45,6	35,0	21,0
Deferred tax	-22,9	13,6	11,0
	22,7	48,6	32,0
Parent company			
Tax payable	3,0		0,0
	3,0		0,0

The deferred tax charge for 1997 has been reduced by SEK 26 million on account of the restructuring provision.

Note 13. Intangible assets

SEK million	971231	pro forma 961231	961231
Patents and similar rights			
Opening balance acquisition value	7.2	1.9	0.0
Investments	3.5	5.2	0.0
Disposals	-0.4	0.0	0.0
Reclassifications	-2.0	0.1	0.0
Closing balance, accumulated acquisition value	8.3	7.2	0.0
Opening balance depreciations	-1.2	-0.4	0.0
Reclassifications	0.0	-0.1	0.0
Depreciation for the year	-1.6	-0.7	0.0
Closing balance, accumulated depreciations	-2.8	-1.2	0.0
Net book value, 31 Dec	**5.5**	**6.0**	**0.0**
Goodwill			
Opening balance acquisition value	152.4	143.0	50.2
Investments	15.0	4.4	4.4
Reclassifications	10.4	5.0	0.0
Closing balance, accumulated acquisition value	177.8	152.4	54.6
Opening balance depreciations	-30.3	-19.1	0.0
Depreciations for the year	-13.7	-11.2	-2.8
Closing balance, accumulated depreciations	-44.0	-30.3	-2.8
Net book value, 31 Dec	**133.8**	**122.1**	**51.8**

Note 14. Tangible assets

SEK million	31 Dec 97	*pro forma* 31 Dec 96	31 Dec 96
Buildings, land and land improvements			
Opening balance acquisition value	414.7	389.4	123.2
Investments	21.0	28.9	7.8
Disposals	0.0	-12.1	-0.4
Reclassifications	4.1	8.5	7.1
Closing balance, accumulated acquisition value	439.8	414.7	137.7
Opening balance depreciations	-69.5	-53.1	-30.6
Disposals	0.0	0.1	0.1
Write-downs	-47.0	0.0	0.0
Reclassifications	0.0	-0.7	0.0
Depreciations for the year	-16.5	-15.8	-4.4
Closing balance acumulated depreciations	-133.0	-69.5	-34.9
Net book value, 31 Dec	**306.8**	**345.2**	**102.8**
Tax assessment			
Buildings	66.2	63.3	63.3
Land	14.1	15.7	15.7
Tax assessment value refers to Swedish real estate.			
Machinery and technical assets			
Opening balance acquisition value	651.7	569.8	354.7
Investments	85.4	129.2	78.6
Disposals	-28.7	-45.6	-43.5
Reclassifications	0.2	-1.7	-2.3
Closing balance accumulated acquisitions value	708.6	651.7	387.5
Opening balance depreciations	-336.8	-281.2	-135.0
Disposals	13.1	11.0	9.8
Reclassifications	-5.5	1.5	0.0
Depreciation for the year	-73.2	-68.1	-49.8
Closing balance accumulated depreciations	-402.4	-336.8	-175.0
Net book value, 31 Dec	**306.2**	**314.9**	**212.5**
Rental fleet (included in machinery and technical assets)			
Opening balance acquisition value	234.0	196.5	196.5
Investments	62.4	72.4	72.4
Disposals	-19.0	-34.9	-34.9
Closing balance accumulated acquisition value	277.4	234.0	234.0
Opening balance depreciations	-75.2	-38.3	-38.3
Disposals	4.9	4.3	4.3
Reclassifications	3.5	0.4	0.4
Depreciation for the year	-41.8	-41.6	-41.6
Closing balance accumulated depreciations	-108.6	-75.2	-75.2
Net book value, 31 Dec	**168.8**	**158.8**	**158.8**

Equipment, tools, fixtures and installations	31 Dec 97	pro forma 31 Dec 96	31 Dec 96
Opening blance acquisition value	164.5	108.2	34.4
Investments	65.3	75.3	72.5
Disposals	-3.6	-17.5	-15.1
Reclassifications	11.1	-1.5	1.3
Closing balance accumulated acquisition value	237.3	164.5	97.3
Opening balance depreciations	-99.3	-70.5	-25.8
Disposals	3.6	4.3	4.2
Reclassifications	5.1	-0.2	0.0
Depreciation for the year	-40.6	-32.9	-21.7
Closing balance accumulated depreciations	-131.2	-99.3	-43.3
Net book value, 31 Dec	**106.1**	**65.2**	**49.8**
Construction in progress			
Opening balance acquisition value	37.1	25.2	9.4
Investments	4.3	52.7	29.6
Reclassifications	-36.3	-40.8	-9.4
Closing balance accumulated acquisition value	**5.1**	**37.1**	**29.6**

Note 15. Financial assets

Participations in associated companies, SEK million	31 Dec 97	pro forma 31 Dec 96	31 Dec 96
Opening balance acquisition value	8.3	7.0	7.0
Share of profit for the year	1.2	2.4	2.4
Dividends	-1.3	-1.1	-1.1
Reclassifications*	-4.5	0.0	0.0
Net book value, 31 Dec	**3.7**	**8.3**	**8.3**

** Kalmar Pacific Ltd became a subsidiary with effect from 1 April 1997*

	Shares held	% holding	Par value (x 1,000)	Net book value (SEK m)
Owned by parent company, 31 Dec 97				
Peinemann Kalmar Container Handling BV	34	33.3	NLG 340	0.2
Peinemann Kalmar Container Handling CV Hooogvliet, Netherlands		30.3	NLG 220	1.4
Kalmar Espana SA, Madrid, Spain	4,900	49	ESP 4,900	0.3
				1.9
Retained earnings at associated companies				0.9
Net book value for parent company, 31 Dec				**2.8**
Share of equity				0.9
Net book value for group, 31 Dec				**3.7**

Other long-term interest-bearing receivables	31 Dec 97	31 Dec 96	31 Dec 96
Opening balance acquisitions value	66.1	29.8	0.0
Additions	0.0	39.2	0.0
Repayments	-20.1	-5.0	0.0
Reclassifications	9.0	2.1	0.0
Net book value, 31 Dec	**55.0**	**66.1**	**0.0**

Note 16. Shares and participations in subsidiaries

	31 Dec 97
Opening balance acquisitions value	332.4
Investments	266.1
Capital contributions	27.6
Reclassifications	0.3
Net book value, 31 Dec	**626.4**

(Org. No: 55 60 88-1657)	Number of shares	Participations %	Net book value (SEK m)
The parent company's holdings as of 31 Dec 1997			
Kalmar LMV AB, Org. nr: 55 61 05-5467, Ljungby, Sweden	500,000	100%	181.9
Kalmar Forwarding AB, Org. nr: 55 60 61-8604, Ljungby, Sweden	500	100%	0.1
Kalmar LMV East Asia Pte Ltd, Singapore, Singapore	850,000	100%	3.0
Kalmar Hebefahrzeuge Handelgesellschaft mbH, Klagenfurt, Austria		100%	1.0
Kalmar Japan Ltd, Tokyo, Japan		100%	2.7
Kalmar Hernöverken AB, Org. nr: 55 60 44-2625, Härnösand, Sweden	90,000	100%	2.8
Kalmar LMV Sverige AB, Org. nr: 55 62 06-2116, Sollentuna, Sweden	20,000	100%	63.6
AB Kalmar Industries Finans, Org. nr: 55 62 45-1822, Härnösand, Sweden	500	100%	36.8
Kalmar LMV Förvaltnings AB, Org. nr: 55 60 51-6410, Härnösand, Sweden	1,250	100%	0.8
Kalmar AC Inc, Dublin Ohio, USA	4,430	51%	29.3
Kalmar Norge AS, Oslo, Norway	3,000	100%	4.4
Kalmar Pacific Ltd, Hong Kong, Hong Kong	390,000	51%	11.1
Kalmar Vermögensverwaltungsgesellschaft m b H, Hamburg, Germany		100%	33.6
Kalmar France S.A. Paris, France	100,000	100%	
Kalmar Inc, Dublin Ohio, USA	100	100%	
Kalmar Flurförderzeuge Vertriebs GmbH, Hamburg, Germany		100%	
Kalmar Handling Systems Ltd, Coventry, UK		100%	
Kalmar Ltd, Coventry, UK	5,300,000	100%	
Sisu Terminal Systems Oy, Tammerfors, Finland	27,500	100%	255.3
Sisu North America Inc., Longview Texas, USA		100%	
Sisu Terminal Systems (South Pacific) Pty Ltd, Melbourne, Australia		51%	
Sisu Terminal Systems (UK) Ltd, Warrington, UK		100%	
International Port Equipment Ltd, Warrington, UK		100%	
Sisu Terminal Systems GmbH, Landhut, Germany		100%	
Velsa Oy, Kurikka, Finland		100%	
AS Finmec, Maardu, Estonia		100%	
Sisu Terminal Systems (Sverige) AB, Göteborg, Sweden		100%	
Sisu Terminal Systems (Asia) Pte. Ltd, Singapore, Singapore		100%	
			626.4

Sisu Terminal Systems Oy was taken over in 1997. Other acquisitions were International Port Equipment Ltd and the majority stake in Kalmar Pacific Ltd.

New issues totalling SEK 27.6 million were held by AB Kalmar Industries Finans, Kalmar Forwarding AB, Kalmar Norge AS and Kalmar Vermögensverwaltungsgesellschaft mbH.

Note 17. Intra-group balances included in accounts receivable, long-term interest-bearing receivables and accounts payable

SEK million	1997	*pro forma* 1996	1996
Group			
Accounts receivable, group companies	55.5	6.1	0.0
Total	55.5	6.1	0.0
Long-term interest-bearing liabilities, group companies	90.4	48.5	0.0
Accounts payable, group companies	24.6	124.5	0.0
Total	**115.0**	**173.0**	**0.0**
Net amount owed to other Partek companies	**-59.5**	**-166.9**	**0.0**
Parent company			
Long-term receivables			
Opening balance acquisition value	105.6		105.4
Additional	128.3		0.2
Net Book value, 31 Dec	**233.9**		**105.6**
Long-term liabilities			
Opening balance acquisition value	71.3		30.3
Settled liabilities	-42.0		
Additional			41.0
Net Book value, 31 Dec	**29.3**		**71.3**
Group contributions			
Received by parent company			
Kalmar LMV AB	0.0		104.0
AB Kalmar Industries Finans	9.9		0.0
Kalmar LMV Sverige AB	2.7		0.0
	12.6		104.0
Paid by parent company			
Kalmar Hernöverken AB	3.7		0.0
	3.7		0.0

Note 18. Prepaid expenses and accrued income

MSEK	31 Dec 97	*pro forma* 31 Dec 96	31 Dec 96
Group			
Prepaid expenses	19.7	5.9	5.9
Other accrued income	3.8	0.0	0.0
Accrued interest income	0.5	0.4	0.0
Other items	29.3	23.7	6.6
	53.3	30.0	12.5
Parent company			
Other items	2.2		0.6
	2.2		0.6

Note 19. Shareholders' equity

	Share capital	Restricted reserves	Unrestricted reserves
Group			
Opening balance	159.9	196.8	279.7
Share redemption	-15.9	-146.0	-93.4
Share issue	149.8	105.4	
Dividends			-51.2
Capital from STS		294.7	58.0
Transfers between restricted and unrestricted reserves		4.5	-4.5
Net profit for the year			2.4
Translation differences for the year		5.4	-2.8
Closing balance	293.8	460.8	188.2

	Share capital	Share premium reserve	Statutory reserve	Retained earnings
Parent company				
Opening balance	159.9		146.0	88.8
Share redemption	-15.9		-146.0	-93.4
Share issue	149.8	105.4		
Transfers to be approved by Annual General Meeting				
Transfer to statutory reserve				
Dividends				-51.2
Net profit for the year				197.3
Closing balance	293.8	105.4	0.0	141.5

In 1997 the company's share capital was reduced through the redemption of every tenth share at a price of SEK 200 in cash. Thus a total of SEK 255.3 million was paid to shareholders and the number of shares in issue fell by 1,276,345 to 11,518,665. Kalmar Industries AB subsequently issued 11,988,815 new shares to Partek Oy AB in payment for 100 per cent of the shares in Sisu Terminal Systems Oy.

Note 20. Untaxed reserves

Parent company

SEK million	1997	1996
Accrual fund		
– For 1995 tax	3.3	3.3
– For 1996 tax	27.9	27.9
– For 1998 tax	2.4	0.0
	33.6	31.2

Note 21. Provisions for deferred tax liabilities

SEK million	1997	*pro forma* 1996	1996
Untaxed reserves	74.8	72.0	58.5
Other liabilities	0.7	1.2	0.2
Other receivables (internal inventory gains)	-5.8	-6.3	-6.3
Restructuring provisions	-26.0	0.0	0.0
	43.7	66.9	52.4

Note 22. Other provisions

SEK million	1997	*pro forma* 1996	1996
Cost of restructuring measures	73.0	0.0	0.0
Guarantee commitments	50.6	47.4	20.4
Other	0.3	1.9	0.0
	123.9	49.3	20.4

Note 23. Overdraft facility

SEK million	1997	*pro forma* 1996	1996
Credit limit	303.5	375.9	375.9
Unused portion	-99.9	-105.0	-105.0
Utilized	203.6	270.9	270.9

Note 24. Other interest-bearing liabilities

SEK million	1997	*pro forma* 1996	1996
Group			
Due after 1-5 years	474.3	321.5	5.4
Due after 1-5 years, group companies	90.4	48.5	0.0
Due after more than 5 years	13.3	14.7	0.0
	578.0	384.7	5.4
Parent company			
Due after 1-5 years	300.0		0.0
	300.0		0.0

Interest-bearing liabilities to group companies refer to financing from Corporate Treasury Partek Oyj Abp.

Pledged assets to credit institute

SEK million	1997	*pro forma* 1996	1996
Group			
Real estate mortgages	18.9	19.9	0.0
	18.9	19.9	0.0

Note 25. Accrued expenses and prepaid income

SEK million	1997	*pro forma* 1996	1996
Group			
Salaries	72.2	70.5	35.1
Social benefits	40.9	39.7	23.7
Accrued interest	3.3	12.1	0.0
Accrued salaries	13.7	10.1	10.1
Accrued expenses, supplies	76.5	58.4	16.8
Others	113.3	70.4	33.3
Prepaid income	5.4	5.7	5.7
	325.3	266.9	124.7
Parent company			
Accrued interest	1.2		0.0
Others	0.8		0.8
	2.0		0.8

Note 26. Pledged assets and contingent liabilities

	Group		Parent company	
SEK million	1997	*pro forma* 1996	1997	1996
Pledged assets				
For own liabilities and provisions				
Real estate mortgages	18.9	19.9		
Others	11.2	11.2		
Total	30.1	31.1	0.0	0.0
Other pledged assets				
Real estate mortgages, Partek/STS	0.0	190.3		
Others	4.8	4.4		
Total	4.8	194.7	0.0	0.0
Total pledged assets	**34.9**	**225.8**	**0.0**	**0.0**
Contingent liabilities				
Guarantees, pensions	1.7	2.3	1.7	1.6
Guarantees, group companies	0.0	0.0	39.0	14.3
Others	345.8	391.2		
Total contingent liabilities	**347.5**	**393.5**	**40.7**	**15.9**

Proposed Appropriation of Profits

The group has unrestricted shareholders' equity of SEK 188.2 million. Allocations to restricted reserves are not required. The following profits from the Parent Company are at the disposal of the Annual General Meeting:

Retained profit/losses brought forward	SEK	- 55,781,075
Net profit for the year	SEK	197,277,796
Total	SEK	141,496,721

The Board and the President and CEO propose:

To pay a dividend of SEK 2.00 per share to shareholders	SEK	47,014,960
To be carried forward	SEK	94,481,761

Ljungby, 10 February 1998

Gösta Bystedt
Chairman

Christoffer Taxell
Vice Chairman

Christer Granskog

Ulf Magnusson

Thomas Oldér

Bengt Kvarnbäck

Dag Wersén

Ann-Katrin Andersson

Henrik Nymansson

Jonas Svantesson
President and CEO

Our auditors' report was submitted on 27 February 1998.

Thomas Thiel
Authorised Public Accountant

Alf Svensson
Authorised Public Accountant

Auditors' Report

To the Annual General Meeting of Kalmar Industries AB (publ)
Registered Number 556088-1657

We have audited the parent company and the consolidated financial statements, the accounts and the administration of the board of directors and the managing director of Kalmar Industries AB (publ) for 1997. These accounts and the administration of the Company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the managing director whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the parent company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and, consequently we recommend

that the income statements and the balance sheets of the parent Company and the Group be adopted, and

that the profit of the Parent Company be dealt with in accordance with the proposal in the Administration Report.

In our opinion, the board members and the managing director have not committed any act or been guilty of any omission, which could give rise to any liability to the Company. We therefore recommend

that the members of the board of directors and the managing director be discharged from liability for the financial year.

Ljungby, 27 February 1998

Thomas Thiel
Authorised Public Accountant

Alf Svensson
Authorised Public Accountant

The Kalmar Share

Listing

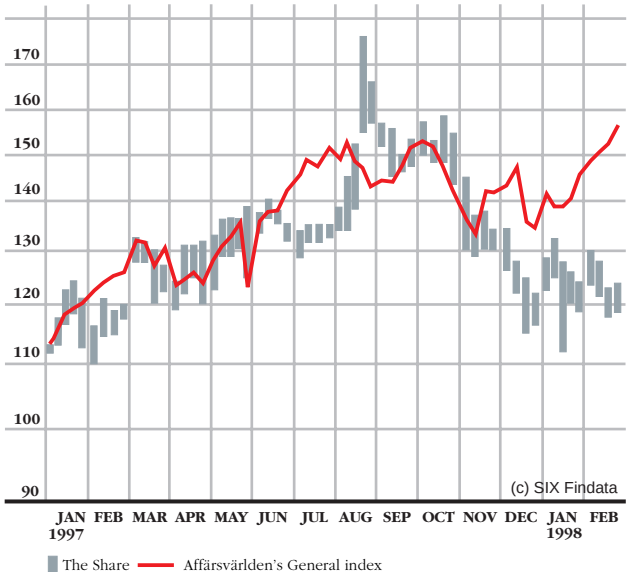
Kalmar Industries was first admitted to the Stockholm Stock Exchange on 11 July 1994. Since June 1995 its shares have been quoted on the A-list.

Redemption of shares and new share issue

Prior to the merger with Sisu Terminal Systems (STS), Kalmar's Extraordinary General Meeting of 25 November 1997 resolved to reduce its share capital as a consequence of the company's earlier offer to redeem every tenth share at a price of SEK 200 in cash. This offer was accepted by 99.8 per cent of shareholders which meant that 1,276,345 shares were redeemed for a total of SEK 255,269,000. The reduction in share capital thus amounted to SEK 15,954,312.50.

Payment for STS took the form of a directed share issue of 11,988,815 shares to Partek Oyj Abp which thus became the majority shareholder with a 51 per cent stake in the group.

Share price



Performance

Kalmar's share price climbed 13 per cent during the year from SEK 113 at the beginning of January to SEK 128 at the year-end. The all-share index rose by 23.8 per cent during the same period. The share peaked at SEK 176 on 20 August having bottomed out at SEK 110 on 3 February. The market capitalisation of the company at the year-end was SEK 3,009 million.

Trading

An average of 54,973 shares were traded per day in 1997 compared with 54,350 in 1996.

Aside from the private placing with Partek, a total of 13,688,198 shares changed hands during the year, which is equivalent to 58 per cent of the total number of shares in the company at the year-end.

Share capital

The company's share capital is currently SEK 293,843,500 divided into 23,507,480 shares each with a par value of SEK 12.50. All shares carry one vote at general meetings.

Changes in share capital

Share capital		SEK	No of shares
7 Feb 91	new issue	159,875,125	6,395,005
8 Aug 91	new issue	159,882,625	6,395,305
23 Aug 91	conversion	159,937,625	6,397,505
11 May 94	split	159,937,625	12,795,010
27 Nov 97	redemption	149,983,312	11,518,665
27 Nov 97	private placing	293,843,500	23,507,480

Shareholder structure

The directed issue of shares to Partek Oyj Abp means that Partek is now Kalmar's majority shareholder, with a 51 per cent stake in the group. Other than this transaction, the group's share structure has remained stable, with only a few small changes. Henderson Adm Ltd has the second largest stake of 11.7 per cent, with the largest Swedish shareholder being Sparbankernas unit trusts with a 7.6 per cent stake.

Holders of 1 – 1,000 shares now have a combined stake of 3.2 per cent of share capital, which is down from 7.3 per cent. Aside from Partek, foreign investors account for 23.4 per cent of share capital.

The table of major shareholders includes investors which are listed in VPC AB's registers either under their own name or through trustees. Foreign shareholders are registered only under their trustees' names and are therefore not identifiable in the same way as Swedish investors in shareholder statistics. As such, there may be some foreign institutional investors among the major shareholders.

Shareholder structure as at 31 December 1997

Holding	Shares held	% of shares
1 – 1,000	749,868	3.2
1,001 – 10,00060	3,374	2.6
10,001 – 50,000	1,008,237	4.3
50,001 – 100,000	1,040,097	4.4
100,001 – 500,000	5,509,866	23.4
500,001 – 1,000,000	1,261,363	5.4
1,000,001 –	13,334,675	56.7
Total	23,507,480	100.0

Major shareholders

The register kept by the Swedish Securities Register (VPC) shows that the following companies, institutions and unit trusts were the company's largest registered shareholders as at 30 December 1997 and subsequently 31 January 1998 (taking account of known changes):

Shareholder	No of shares	% of share capital & votes
Foreign shareholders:		
Partek	11,988,815	51.0
Henderson	2,742,951	11.7
Fidelity Fonder	137,750	0.6
Unibank	110,070	0.5
Foreign managers	2,036,447	8.7
Swedish shareholders:		
Sparbankens och Förenings-banken's unit trusts	2,103,430	8.9
Skandia	482,670	2.1
SPP	397,400	1.7
AMF sjukförsäkring AB	350,000	1.5
Arbetsmarknadens Försäkrings AB	340,110	1.4
Carlson Investment Mgt.	214,830	0.9
AMF TFA Försäkrings AB	188,500	0.8
Latour	180,000	0.8
Wasa Försäkring	114,300	0.5

The company had around 3,300 shareholders.

Key figures

	1997	1997[2]	1996 *pro forma*	1996
Profit after full tax (SEK m)	**2**	145	188	135
Eps after full tax (SEK)	**0.10**	6.20	8.00	10.60
Share price, 31 Dec (SEK)	**128**			113
Dividends (SEK)	**2.00[1]**		–	4.00
Net sales	**4,599**		4,566	2,499
Equity (SEK m)	**943**		880	637
Net debt (SEK m)	**851**		789	323
Price/equity ratio (%)	**319**			227
Dividend yield (%)	**1.6**			3.5

[1] *As proposed by the Board*

[2] *Before items affecting comparability*

The merger and the key figures

The pooling method of merger accounting was used for the merger with STS and, as such, the consolidated accounts have been prepared as though the merger took place on 1 January 1997. The accounts for 1997 therefore reflect the performance of the new group over one whole year. Partek's consolidated profit and loss account will include STS only, whose operating profit was FIM 95 million. The pro forma 1996 figures tie in with those which were previously reported in the information sent to Kalmar's shareholders prior to the Extraordinary General Meeting of 24 October 1997, except that the interest effects of the redemption price of SEK 255 million have not been charged against 1996 profits. The payment to shareholders was made at the end of 1997 and has therefore had a minimal effect on 1997 figures. The information sent to shareholders assumed that STS' accounts would be translated on the basis of SEK 1.50 to FIM 1.0. Ultimately the year-end accounts used the actual average exchange rates for 1997 and 1996.

Shareholdings by country

Country	% holding
Finland	51.0
Sweden	25.6
USA	9.9
UK	7.4
Luxembourg	1.4
Canada	0.9
Netherlands	0.7
Denmark	0.5
Switzerland	0.3
France	0.2
Others	2.1

Board of Directors

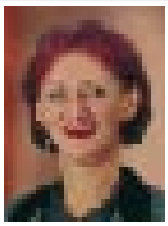
Gösta Bystedt

Christoffer Taxell

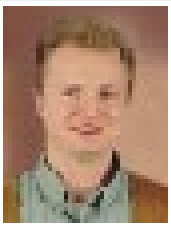
Christer Granskog

Bengt Kvarnbäck

Thomas Oldér


Ann-Katrin Andersson

Henrik Nymansson


Agne Follin

Jan Andersson

Ulf Magnusson

Dag Wersén

Jonas Svantesson

Gösta Bystedt, Chairman
Resident in Lidingö. Born in 1929.
Vice Chairman of AB Electrolux and Axel Johnson AB. Member of the boards of SKF, Atlas Copco AB and the Federation of Swedish Industries, among others.
Shares in Kalmar Industries: 16,600.

Christoffer Taxell,
Deputy Chairman
Resident in Turku. Born in 1948.
President and CEO of Partek.
Shares in Kalmar Industries: 0.

Christer Granskog
Resident in Helsinki. Born in 1947.
Executive Vice President of Partek.
Shares in Kalmar Industries: 0.

Ulf Magnusson
Resident in Stockholm. Born in 1934.
Chief attorney at AB Electrolux.
Member of the board of the Stockholm Chamber of Commerce Arbitration Institute.
Shares in Kalmar Industries: 1,000.

Thomas Oldér
Resident in Vellinge. Born in 1947.
President and CEO of Svedala Industri AB.
Shares in Kalmar Industries: 1,600.

Bengt Kvarnbäck
Resident in Stockholm. Born in 1945.
Executive Vice President of Atlas Copco AB.
Shares in Kalmar Industries: 0.

Jonas Svantesson,
President and CEO
Resident in Helsingborg. Born in 1951.
President and CEO of Kalmar Industries AB.
Shares in Kalmar Industries: 2,000.

Dag Wersén
Resident in Stockholm. Born in 1939.
Attorney.
Shares in Kalmar Industries: 0.

Union representatives

Permanent

Ann-Katrin Andersson
Resident in Ljungby. Born in 1948.
Union representative (Swedish Federation of Salaried Employees in Industry and Services).
Shares in Kalmar Industries: 200.

Henrik Nymansson
Resident in Hyltebruk. Born in 1952.
Union representative (Swedish Trade Union Federation).
Shares in Kalmar Industries: 0.

Alternates

Jan Andersson
Resident in Simlångsdalen. Born in 1946.
Union representative (Swedish Federation of Salaried Employees in Industry and Services).
Shares in Kalmar Industries: 100.

Agne Follin
Resident in Ryssby. Born in 1962.
Union representative (Swedish Trade Union Federation).
Shares in Kalmar Industries: 0.

Group Management and Auditors

Jonas Svantesson

Raimo Ylivakeri

Anne-Charlotte Eggwertz

Sven-Eric Petersson

Larsjöran Rosén

Olli Isotalo

Matti Sommarberg

Juhani Lukumaa

Ari Antila

Johnny Ståhl

Jorma Tirkkonen

K G Salomonsson

Jonas Svantesson
Born in 1951.
President and CEO.
Shares in Kalmar Industries: 2,000.

Raimo Ylivakeri
Born in 1945.
Executive Vice President.
Shares in Kalmar Industries: 0.

Anne-Charlotte Eggwertz
Born in 1951.
Finance Director.
Shares in Kalmar Industries: 0.

Olli Isotalo
Born in 1959.
Vice president, Technology and Production Development.
Shares in Kalmar Industries: 0.

Sven-Eric Petersson
Born in 1947.
Vice president, Corporate Communications.
Shares in Kalmar Industries: 0.

Larsjöran Rosén
Born in 1947.
Vice president, Human Resources.
Shares in Kalmar Industries: 300.

Matti Sommarberg
Born in 1961.
Vice president, Business Development.
Shares in Kalmar Industries: 0.

Ari Antila
Born in 1954.
Vice President, Customer Support.
Shares in Kalmar Industries: 0.

Juhani Lukumaa
Born in 1947.
Vice President, Terminal Systems.
Shares in Kalmar Industries: 0.

K G Salomonsson
Born in 1950.
Vice President, Medium & Heavy.
Shares in Kalmar Industries: 0.

Johnny Ståhl
Born in 1949.
Vice President, Light & Sideloaders.
Shares in Kalmar Industries: 0.

Jorma Tirkkonen
Born in 1951.
Vice President, Terminal Tractors.
Shares in Kalmar Industries: 0.

Auditors

Alf Svensson
Authorised Public Accountant at KPMG Bohlins.
Auditor for Kalmar since 1994.

Thomas Thiel
Authorised Public Accountant at KPMG Bohlins.
Auditor for Kalmar since 1992.

Deputy Auditors

Dan Kjellqvist
Authorised Public Accountant at KPMG Bohlins.
Deputy auditor for Kalmar since 1994.

Göran Andersson
Authorised Public Accountant at KPMG Bohlins.
Deputy auditor for Kalmar since 1994.

Addresses

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Sisu Terminal Systems (Sverige) AB will merge with Kalmar LMV Sverige AB in 1998.

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Sisu Terminal Systems (UK) Limited will merge with Kalmar Limited in 1998.

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Annual General Meeting and Financial Information

Annual General Meeting

Notice is hereby given that the company's Annual General Meeting will be held at 1.15 pm on Friday 17 April 1998 at Kalmar's recreation hall, Långgatan 14, Ljungby, Sweden.

Attendance

To attend and vote at the Annual General Meeting, shareholders must:

be listed in the share register kept by the Swedish Securities Register (VPC) by Tuesday 7 April 1998,

and notify the company of their intention to attend by midday on Tuesday 14 April 1998.

VPC registration

The company's register of shareholders is kept by VPC. Shares in Kalmar are registered either in the name of the shareholder or of the shareholder's trustee. Only shares registered in the name of the shareholder are listed in the share register in the name of the shareholder. Those shareholders with shares registered in the names of trustees are entitled to attend the AGM provided that their shares are re-registered in their own name by Tuesday 7 April 1998. Trustees will normally provide assistance with re-registration for a fee.

Notification of intention to attend

Shareholders may notify the company of their intention to attend the meeting as follows:

– By phone: +46 372 261 15
– By fax: +46 372 263 94
– By post: Secretariat, Kalmar Industries AB, 341 81 Ljungby, Sweden

and should state their:

– Name
– Personal identification number/company registration number
– Address and telephone number.

Dividends

It is proposed that only those shareholders listed in the register of shareholders on Wednesday 22 April 1998 receive dividends. If the Annual General Meeting adopts the Board's proposal, dividends will be paid through VPC on Wednesday 29 April 1998.

Change of address

With the exception of physical persons whose registered domicile is Sweden, all shareholders must notify VPC of any change of address. All shareholders who have changed their name or account number must notify the appropriate administrative body thereof without delay. All shareholders with shares registered in the name of a trustee should notify their trustee of any change of name, address or account number without delay. A special form for such notification is available from Swedish banks.

Financial information

This annual report is automatically distributed to shareholders and to others upon request. A preliminary report on the first quarter of 1998 will be presented at the Annual General Meeting. Interim reports will be published as follows in 1998:

– 28 April Interim report for the first quarter
– 21 August Interim report for the second quarter
– 30 October Interim report for third quarter

The annual report and interim reports are published in both Swedish and English and are available from:

Information Dept, Kalmar Industries AB, 341 81 Ljungby, Sweden Tel: +46 372 261 15, Fax: +46 372 263 94 E-mail: info@kalmarind.se

In 1998 Kalmar Industries' annual and interim reports will also be available on the company's website: www.kalmarind.se.

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