



Kalmar Industries

1998

ANNUAL REPORT



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Financial information

The Annual Report is automatically distributed to shareholders registered in the shareholders' register and to other persons who have registered their interest in receiving this information. Interim reports for 1999 will be published as follows:

- 26 April 1999 Interim report for January–March 1999.
- 19 August 1999 Interim report for January–June 1999.
- 10 November 1999 Interim report for January–September 1999.

Annual and interim reports are published in Swedish and English and are available from:

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E-mail: info@kalmarind.se

In 1999, Kalmar Industries' financial information will also be available on the company's web site: www.kalmarind.com

15 Environment and quality

Systematic implementation of environmental and quality objectives in both organisation and operation.

16 Production Concentration and specialisation are the lodestars of our production strategy.

17 Personnel Decentralisation and skills-development increase Kalmar's competitiveness.

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Main events 1998

- The merger between Kalmar and Sisu Terminal Systems has gone as planned in all vital areas. The synergy effects will be fully reflected in the results at the end of 1999.
- Orders received and invoicing have been excellent in North America and Western Europe. The effects of the Asia crisis have been largely offset in other markets.
- Customer-focused, decentralised R&D processes. A GSP-based navigation system for RTG cranes is a new idea introduced by Kalmar resulting in precision control.
- Christer Granskog new President and CEO. On 4 December, the Board appointed Christer Granskog the group's new President in succession to Jonas Svantesson.
- Partek offers share redemption. On 17 December, Partek announced their intention to offer redemption of all the remaining Kalmar shares. The original offer deadline was 18 February 1999 but this has been extended to 16 March 1999.

Turnover per product line including Customer Support (SEK million)

	1998	1997
Medium & Heavy	1,747	1,665
Terminal Systems	1,264	967
Terminal Tractors	1,079	876
Light & Sideloaders	976	1,017
Other	212	74
For the group as a whole	5,278	4,599

Three year overview

	1998	1997	1996
Net sales, SEK million	5,278	4,599	4,566
Items affecting comparability, SEK million	- 20	- 169	-
Profit after net financial items, SEK million	213	30	289
Return on equity after tax, %	16.3	0.2	21
Earnings per share after full tax, SEK	7.00	0.10	8.00
Dividends, SEK	2.20*	2.00	-
Debt/Equity Ratio, (times)	0.79	1.00	1.06
Number of employees at year-end	3,278	3,336	3,296

* As proposed by the Board.



10



14

1998	4 598,8
5 278,5	-3 723,0
-4 318,3	875,8
960,2	
-413,9	-398,7
-245,3	-216,2
-34,9	-34,8
-20,0	-168,7
2,0	1,2
11,8	9,7

18

Business idea

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

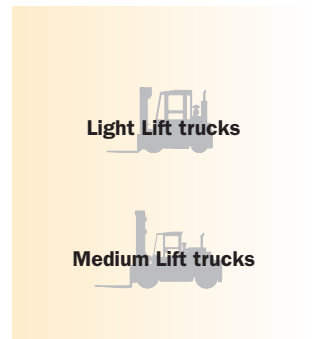
Vision

■ Kalmar shall be a profitable, world-leading company, supplying machines for heavy materials handling. The company is established in all major markets.

Customer segments

Ports

Heavy equipment for lifting and moving containers and trailers in ports and sea terminals accounts for more than half of Kalmar Industries' sales of new equipment. Customers include shipping companies, port authorities, operating companies, stevedoring companies etc.



Inland terminals

The concept of moving containers and trailers short distances at distribution and inland terminals using specially-designed vehicles is well-established in North America and forms the basis of a growing market in Europe. Customers include railways, intermodal operators, large industrial companies, department store and supermarket chains etc.



Industry

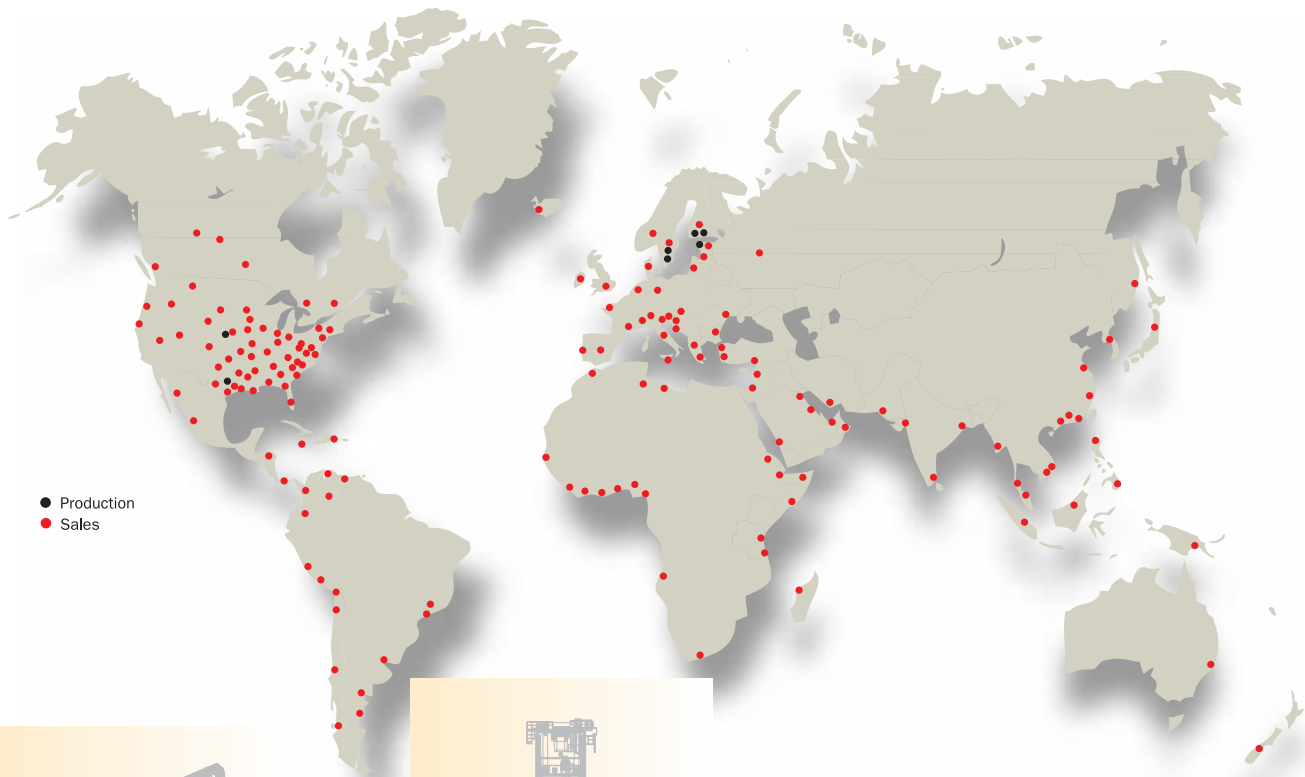
The forklift truck is a universal tool for logistics and materials handling throughout industry. This makes it a key factor in the manufacturing process. The industry also needs terminal tractors for container and trailer movements. Customers are mainly involved in the timber, pulp and paper industries as well as in the steel, concrete and engineering industries.



Customer Support

The Customer Support product line is responsible for Kalmar's local customer support, spare parts sales and servicing in more than 130 countries via a global network consisting of the group's marketing companies, agents and dealers.

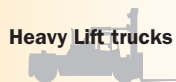




● Production
● Sales



Reachstacker



Heavy Lift trucks



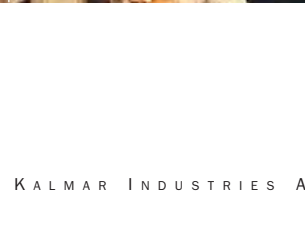
RTG-cranes



Straddle carriers



Terminal Tractors



Chief Executive Officer's *Statement*

Market development was both positive and negative for Kalmar during 1998. The strong trend in North America and Europe continues, while the economic crisis in Asia has affected Kalmar's deliveries to the region to the full. In the long term, Asia remains an interesting market with potential.

Container traffic continues to increase, as it has for the past 20 years, and our customers are becoming increasingly global. This development is partly due to the privatisation of port operations in many countries, which has led to leading port operators taking over operations. Competition between ports has become even sharper when the rates of shipping companies and stevedoring companies have been put under pressure.

As the market leader in container handling and heavy materials handling, Kalmar Industries has an excellent opportunity to focus on customer needs, today and in the future, and to develop its product range to make it the most profitable solution from the customers' point of view. Kalmar is not restricted to a particular systems solution in its product range but can offer its customers solutions which are best suited to their logistic and commercial situation.

Even though two-thirds of the group's turnover comes from terminals, the group holds a strong position in heavy load handling, particularly in the wood processing and steel industries. Kalmar's position as a focused supplier to the most important industry segments should be strengthened by an increased investment in industrial expertise.

Kalmar's profitability improved in 1998 but is still clearly below the aim of an operating margin of 10 percent. The merger between Kalmar and Sisu Terminal Systems has, on all vital points, continued as planned, which means that considerable resources have been earmarked for internal activities.

During the past year, considerable work has been put into evaluating Kalmar's business processes and into drawing up strategic and operational development goals for the new group.

“As the market leader in container handling and heavy materials handling, Kalmar Industries has an excellent opportunity to focus on customer needs, today and in the future.”



**Christer
Granskog**

One result of this is that the organisation has become more refined and now has a structure with a pronounced profit responsibility among the product lines, as well as regional distribution. Specially-appointed teams are handling the development of the group's core processes and matters common to both production lines and sales companies.

Product development

New products from Kalmar will give the customer an advantage in actual handling situations. At the same time, Kalmar will be introducing innovative solutions for new and changing customer needs. Over the next few years, automation will become a central area of development. During the year, we supplied products with advanced control systems, including RTG cranes fitted with a GPS-controlled system (Global Positioning System) to Cartagena, Colombia. The development of control systems for our products will require considerable investment in the future.

The modular adaptation of products is becoming an increasingly important factor, since it allows us to supply customer-specific solutions cost-effectively. The aim is to produce customer-specific solutions using existing modules. This makes both purchasing and production cost-effective, and also cuts delivery times.

Sales

As a leading supplier, we are near our customers all over the world. During 1998, Kalmar's and Sisu Terminal System's sales networks were combined into one organisation. Distributors complement Kalmar's own sales network in countries where the group does not have its own company, or where the agent's knowledge of the area and local customers adds value to the sales process.

The group's sales organisation is customer-focused and uses a responsibility structure with key accounts. The aim is to make it easy for our customers to communicate with us even if more than one product line is involved as supplier.

The production and delivery process

The restructuring of production due to the merger between Kalmar and Sisu Terminal Systems has largely been completed. Cylinder production has moved to Ljungby, production of terminal tractors and lifting attachments has moved to Tampere and the largest reorganisation, the move of cab production to Velsa Oy in Kurikka, is on schedule and should be completed by summer 1999. The production in Sweden for product line Heavy will be concentrated at Lidhult. At the same time, a number of smaller components will be contracted out to sub-contractors. The factory in Härnösand will be closed and production of Light and Medium products will be concentrated at Ljungby.

The co-ordination of purchasing has already resulted in considerable savings but the full results will be apparent by the end of 1999.

Customer service

Customer Support is becoming an increasingly important part of the operation. The aim is to increase its share of turnover to 30 percent, which means that we must invest in expertise and strengthening our global service presence.

Using Kalmar's unique knowledge of the products, we can develop new forms of service and refurbishment solutions which create value for the customer and sometimes offer an alternative to new investment.

Expertise and information

In order to meet our customers' requirements in the long term and to bring added value to their business operations, Kalmar will invest continuously in improving the expertise of its staff. This is essential from a global perspective to meet the standards of quality the customers expect from a market-leading supplier's products and services.

Information and communication, internally and with our customers, require efficient systems. We have invested considerable sums of money in new control and communication systems and we will continue to do so over the coming years.

Future prospects

Kalmar's strategy is based on a customer-oriented organisation. The focus on product lines will increase, both in the product programme and in customer segments.

The market situation is expected to remain unchanged in 1999 compared with 1998 and any improvement is not predicted until the latter part of the year. The earnings trend will be negatively affected by the fall in orders received towards the end of 1998. The synergy effects of the merger between Kalmar and Sisu Terminal Systems are expected to become fully noticeable at the end of the year.

Ljungby 5 March 1999



Christer Granskog
President and CEO

“As a leading supplier, we work closely with our customers all over the world. The aim is to make it easy for our customers to communicate with us even if more than one product line is involved as supplier.”

Every fourth container trailer movement is carried out by a Kalmar

Kalmar is a world-leading manufacturer of machines and equipment for container and materials handling. No other producer can demonstrate as comprehensive a product programme or global network for local service and customer support.

Today, over 60,000 machines are in use by more than 30,000 customers in over 130 countries. Every fourth movement of containers or trailers in terminals around the world is carried out by a machine from Kalmar Industries.

The target is a greater share in major ports

Kalmar has a leading position in small and medium-sized container ports and terminals. The goal is to increase the market share in large ports by developing services around the products and increasing sales of RTG cranes.

By supplementing the products with services such as logistics solutions, service agreements, training etc., Kalmar demonstrates through its actions that its operation is based on customer requirements and that it seeks to establish long-term relationships.

In major ports, RTG cranes and straddle carriers offer the most effective handling solutions. Since the group's RTG cranes are still relatively new with a small market share, the opportunities for expansion are excellent.

The need is greatest in ports and industries

The greatest need for the group's straddle carriers, RTG cranes, container lift trucks, reachstackers and terminal tractors is found in the area of container and trailer handling in ports, inland terminals and railway terminals. Demand in this segment is determined by developments in world trade, container traffic and the need for port capacity. Over 60 percent of Kalmar's sales of new equipment involves products for container and trailer handling.

Handling timber, sawn timber products, pulp bales and rolls of paper, as well as heavy goods in the steel and concrete industries, are other applications where Kalmar's machines satisfy a need. Despite a high degree of automation within the industry, forklift trucks play a central role in materials handling. This segment is sensitive to swings in the economic cycle and is characterised by rapid fluctuations.

Strengths and strong positions

The unique, comprehensive model programme and the valuable brands Kalmar, Sisu, Ottawa and Magnum form the basis of the group's competitiveness. In addition, the merger between Kalmar Industries and Sisu Terminal Systems has generated synergies in the form of increased technical expertise and product development, more efficient production and logistics, as well as a broader and deeper contact interface with customers.

Operational reliability in machines is vital to customers. By delivering products with a high level of accessibility, Kalmar contributes to its customers' profitability and success.

Kalmar Industries is a world-leader in four product areas: terminal tractors, straddle carriers, reachstackers and heavy and medium mast lift trucks.

The strongest position is held by the Ottawa and Magnum terminal tractors which are market leaders in the largest and most developed market – North America.

Sisu is a world-leader in straddle carriers and Kalmar holds the same position in reachstackers – both with market shares of approximately 50 percent.

Light and medium mast trucks hold strong positions in each of their main markets in Scandinavia and Europe.

The competitive situation

Over the past few years, the number of competitors throughout the world has increased and this has resulted in over-capacity and price pressure. The merger between Kalmar Industries and Sisu Terminal Systems, and the rationalisation and development programme following this, was one way of meeting this increasingly sharp competitive situation.

The competition comes either from multinational companies or local lift truck manufacturers, in both cases with highly specialised product ranges. Examples of the first category are found in the RTG cranes and straddle carriers product segment, while local manufacturers compete in the light and medium forklift trucks segment. Competition in heavy lift trucks, reachstackers and terminal tractors comes from specialist companies.

Most competitors, with a few exceptions, market their products in an isolated segment or a few segments and therefore lack the ability to offer comprehensive solutions in both their products and service range.

Threats and opportunities

The fall in demand in the Asian market has increased price competition.

The trend towards cross-border collaboration between major players in the market, such as shipping companies and stevedore companies, is increasing. This gives Kalmar the opportunity to develop and implement logistics solutions which contribute to the customer's total profitability. The customers are Kalmar's most important asset and caring for them and their machines, is the central growth area for the group.

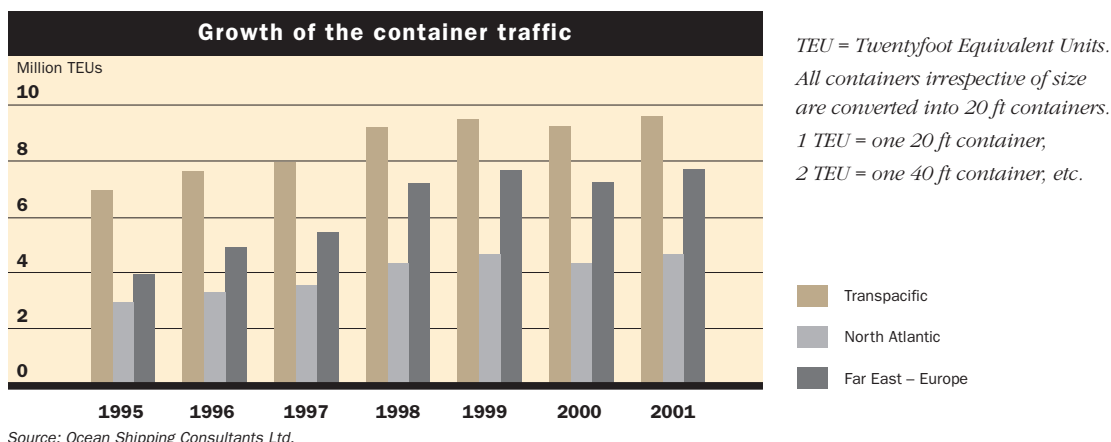
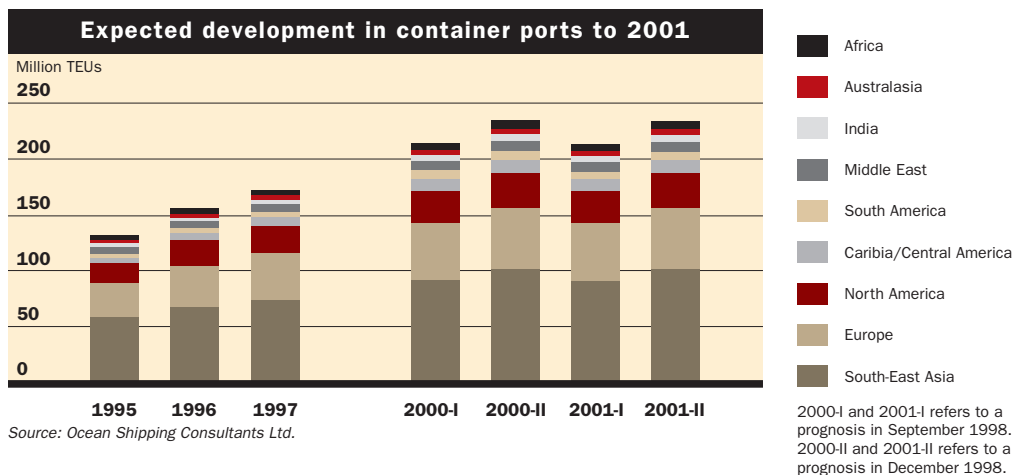
Focusing on the range of services surrounding the machines creates continuous growth and this will increase Customer Support's share of group turnover.

A global presence and a high level of service places high demands on resources and requires continuous cost control throughout the group's network. At the same time, competition is increasing due to the trend of customers choosing to use external suppliers for machine maintenance.

Further opportunities

Container ships are continuing to grow in size at the same time as the demand for ever-shorter lay-days, i.e. more efficient handling of goods in ports, increases. This development promotes the requirement for efficient handling systems based on RTG cranes, straddle carriers, reachstackers and terminal tractors. The graph illustrating the increase in traffic is rising continuously, even though the weak Asian market has slowed down the rate of increase. The market for RTG cranes is fragmented with many producers. The RTG crane is a relatively new product for Kalmar. Sales have doubled each year since 1996. The group's familiarity with the market and the machines' leading-edge systems, with AC motors, frequency transformers and advanced automation, provide an excellent opportunity for continued expansion.

In 1998, terminal tractors enjoyed record sales. The opportunities for further growth are promising. The merger has ensured increased sales due to a better and more comprehensive sales network.



Light & Medium

Light lift trucks

Medium Lift trucks

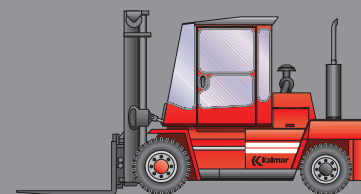
Product Line Light & Medium's products and services satisfy most of the needs for materials handling equipment in the timber, paper, steel, concrete and engineering industries, as well as the requirements of stevedoring companies.

The product range consists of mast lift trucks with a lifting capacity of 4–18 tonnes. The products are marketed under the Kalmar brand and can be supplied as hydrostatic diesel trucks of 4–9 tonnes.

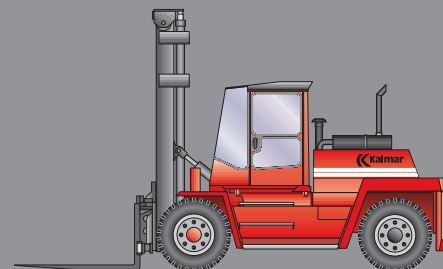
In 1998, medium lift trucks were part of product line Medium & Heavy. Due to changes in customer focus the product lines' product range and names have been changed. From 1 January 1999, medium trucks are included in product line Light & Medium.

In 1999, lift trucks with lifting capacities below 4 tonnes, sideloaders and four-way reach trucks will be deleted from the product range.

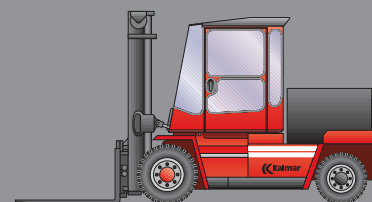
Product	Lifting capacity tonnes alt. height or width	Production location	Brand
Light			
Electrical lift trucks	4-9 tonnes	Ljungby	Kalmar
Diesel/LPG lift trucks	4-9 tonnes	Ljungby	Kalmar
Hydrostatic lift trucks	4-9 tonnes	Ljungby	Kalmar
Medium			
Diesel lift trucks	9-18 tonnes	Ljungby	Kalmar



Kalmar diesel lift truck, light (- 8 tonnes)



Kalmar diesel lift truck, medium (9–18 tonnes)



Kalmar electrical lift truck, light (4–9 tonnes)

Terminal Tractors

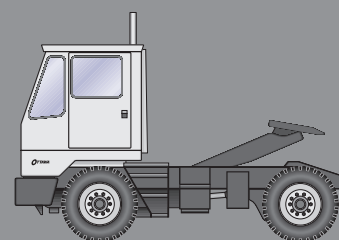
Terminal Tractors

Product Line Terminal Tractors' products and services cover the requirements for short distance transport and shunting of trailers and containers in ports, intermodal terminals, distribution and truck depots etc. The operation is concentrated in the USA, the world's largest market for flexible and efficient terminal tractors, which today are more widely used than conventional trailer movers and lorries within this segment.

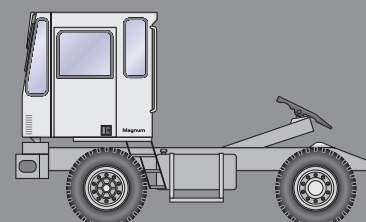
The Ottawa and Magnum brands have very strong positions in the North American market and both have a considerable share of exports. Production is based in Ottawa in Kansas and White Oak in Texas.

During the year, the operation of Bartlett Lifting Devices Inc., Chicago, was acquired. Bartlett will be an important complement to the product line's terminal tractors with its production of fifth wheels for towing tractors, as well as other lifting equipment.

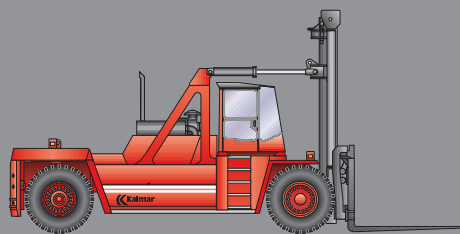
Product	Towing capacity	Production location	Brand
Terminal Tractors			
Terminal tractors	max 50 tonnes	White Oak, Texas, USA	Magnum
Terminal tractors	max 50 tonnes	Ottawa, Kansas, USA	Ottawa



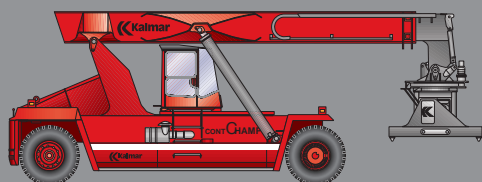
Ottawa Terminal Tractor (max 50 tonnes)



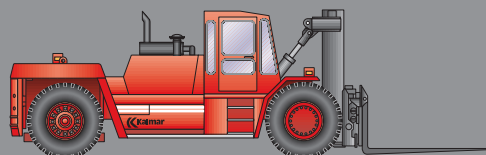
Magnum Terminal Tractor (max 50 tonnes)



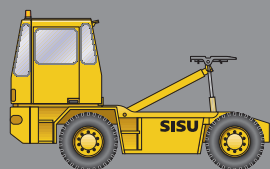
Kalmar diesel lift truck, heavy (20-90 tonnes)



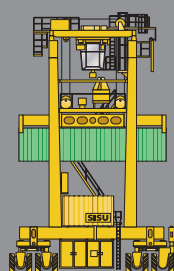
*Kalmar reachstacker
(up to 45 tonnes, stacking height 6 cont.)*



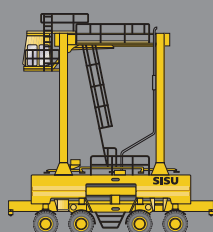
Kalmar RoRo lift truck (28-32 tonnes)



Sisu RoRo Tractor (64-145 tonnes)



Sisu RTG-crane (stacking height 5 cont./width 7 cont.)



Sisu straddle carrier (stacking height 3-4 cont.)

Product Line Heavy's products and services meets the demand for handling and stacking equipment for both empty and laden containers, trailers, demountables and other load carriers primarily in ports and terminals but also for heavy loads without load carriers.

The products consist of a wide range of mast lift trucks with a lifting capacity of 20-90 tonnes, mast lift trucks for handling empty containers, and reachstackers where the group's brands enjoy a strong position in the world market. The products are marketed under the Kalmar and Sisu names. In general, the heavier the machines required, the stronger is Kalmar's position.

Product	Lifting capacity tonnes alt. height or width	Production location	Brand
Mast lift trucks/ Forklift trucks			
Diesel lift trucks	20-90 tonnes	Lidhult	Kalmar
RoRo lift trucks	28-32 tonnes	Lidhult	Kalmar
Container trucks/ Forklift trucks			
Mast lift trucks	32-45 tonnes	Lidhult	Kalmar
Empty container lift trucks	3-8 containers high	Lidhult/Tampere	Kalmar/Sisu
Reachstackers			
Full container machines	4-6 containers high	Lidhult/Tampere	Kalmar/Sisu
Empty container machines	3-8 containers high	Lidhult	Kalmar
Intermodal handling	4-5 containers high	Lidhult/Tampere	Kalmar/Sisu



Heavy lift trucks



Reachstacker



**Empty container
trucks**

Product Line Terminal Systems supplies two different container handling systems for use in ports all over the world. The first employs straddle carriers. This is an independent system where the machines both transport and stack the containers. The second is an RTG system where terminal tractors transport containers on trailers for stacking by RTG cranes. Kalmar is the world's leading manufacturer of straddle carriers.

The product line's High Speed lift trucks are niche machines designed to meet military requirements. This machine is often used as an ordinary forklift truck and can travel in convoys without the use of an additional transport unit. Log handlers are used for handling timber in pulp-, paper- and sawmills.

Terminal Systems' products are marketed under the Sisu brand.

Product	Towing capacity tonnes alt. height or width	Production location	Brand
Terminal Systems			
RoRo tractors	64-145 tonnes	Tampere	Sisu
Terminal tractors	max 65 tonnes	Tampere	Sisu
Straddle carriers	3-4 cont. high	Tampere	Sisu
RTG cranes	4-5 cont. high/ 5-7 cont. wide	Tampere	Sisu
High Speed trucks	9-17 tonnes	Tampere	Sisu
Log handlers	9-30 tonnes	Tampere	Sisu



RTG-crane



Straddle carriers



Terminal Tractors



Log handlers

Customer Segment

Ports

Light lift trucks

Medium lift trucks

Heavy lift trucks

RTG-crane

Reachstacker

Straddle carriers

Terminal Tractors

The demand for machines and equipment for container handling is increasing in line with the growth in world trade and the proportion of container ships in the world merchant fleet.

World trade is increasing by 2–3 percent annually and container traffic is growing by 7–9 percent, compared with the 10 percent which has been the constant growth factor since the 1970s, when containers were introduced. The current fall is mainly due to the economic crisis in Asia, which has been the primary market for container expansion in recent years.

Despite the downturn, Asia will continue to generate the greatest increase in volume, while South America is expected to become the strongest growth market.

The container concept reduces handling times

The use of containers reduces handling and reloading times and this simplified handling at terminals creates the necessary conditions for industry's just-in-time deliveries. Container traffic also makes it possible for companies to move their production to low-cost countries, without profits being reduced by increased transport costs. Since containers were first introduced, the cost of goods damaged in transit has also fallen considerably.

Structural changes to the market

Within customer segment ports, which is responsible for more than half of the group's sales of new equipment, structural changes are taking place.

This is partly due to changes in the shipping sector where shipping companies are consolidating their operations through joint ventures, alliances and consortia, in order to cut costs and increase the pressure on the stevedoring companies. For this reason, ships are becoming larger, and by becoming involved in terminal operations, the shipping companies can offer a wider range of transport and service solutions.

Another reason for these structural changes involves the major stevedoring companies, which are expanding globally through consolidation. This development was made possible with the privatisation of ports throughout the world and the resulting demand for greater efficiency. The need to cut costs has also led to a greater interest in automation and the creation of external service companies which sell maintenance and servicing for terminal machinery.

Container traffic continues to grow

Three alternatives for efficient load handling



Efficient reachstackers increase the customers' profitability.

Kalmar holds a dominant position in those parts of the ports segment which use reachstackers or straddle carriers in their container handling systems. The aim is to take a greater share of the container handling in normal-sized ports using the RTG system.

Terminals with a capacity of up to 200,000 TEU/year base their handling systems on Kalmar's

■ Thamesport is the latest container port to open in the UK, strategically located in Suffolk at the mouth of the River Thames. The terminal is one of the most highly-automated and was originally set up with only two driverless, rail mounted cranes handling the port's total requirement for container stacking.

"In July 1997, however, the traffic increased dramatically", Robin McLeod, Managing Director of Thamesport, recalls. "We had a surge of new customers, and container volumes shot up. We had no idea where we would put all boxes."

"We didn't have mobile, flexible machines as a complement to the driverless rail mounted cranes to peak shave at critical times Kalmar's heavy forklift trucks and reachstackers were the saviour of the day."

Robin McLeod, Managing Director, Thamesport, UK



The flexible RTG-crane, with its ability to handle containers, both



In terminals empty containers are stacked up to 8 containers high.

■ Cartagena in Colombia has become a major port in the Caribbean in a very short space of time. In 1991, the decision was made to privatise state-owned ports in poor condition. In Cartagena, Sociedad Portuaria de Cartagena (SPRC) was granted a twenty year operating concession and immediately launched an extensive investment programme to attract shipping companies. In order to live up to their promises, they had to find a first-class crane and machinery supplier for a long-term partnership.

"Our choice of Sisu was based on the company's long experience and the excellent references we received from all over the world", says Gustavo Toledo, Technical Director, Sociedad Portuaria de Cartagena.

"We are extremely happy with our choice."

Gustavo Toledo, Technical Director
Sociedad Portuaria de Cartagena, Colombia.



wide and high, has great growth potential.



The straddle carrier both lifts, drives and stacks containers.

world-leading reachstackers, in some places in combination with Ottawa/Magnum/Sisu's world-leading terminal tractors.

The fastest alternative for large terminals handling between 150,000 and 2,000,000 TEU/year, is a handling system based on straddle carriers. The straddle carrier can collect the container on the quay beside the ship and stack it vertically or load it onto a truck. Reachstackers and heavy forklift trucks are often important complements to these handling systems.

When the capacity requirement exceeds 500,000 TEU/year, a system using RTG cranes and terminal tractors may be considered. The ship's crane places the container on a trailer. This is towed by a terminal tractor to an RTG crane which stacks the containers. In major Far East ports, this system has traditionally been dominant.

Heavy market positions

Kalmar's straddle carriers sold under the Sisu brand are world-leaders with over 50 percent of the market. Their high technical standard and efficient working methods mean that customers continue to use Sisu straddle carriers and this helps maintain the strong market position. The market consists of customers with highly specialised individual requirements who work closely with the product development department in Tampere. The innovative Sisu straddle carrier, which can stack containers 4 high, is the obvious solution for customers who want to save on space without losing the advantages of a straddle carrier system. During 1998 Kalmar supplied all machines of this kind ordered in the world market.



Machines for handling RoRo are important in Europe

In 1998, a new generation of reachstackers was introduced. It features a newly-developed electronics system which ensures easier fault-finding and greater operational reliability.

The group's reachstackers – Kalmar and Sisu – have approximately 50 percent of the world market.

RTG cranes in new growth areas

To ensure a growth greater than the handling requirements of existing customers, Kalmar is concentrating on expanding in major ports by offering highly-efficient and advanced Sisu RTG cranes with very short delivery times. The machine can be equipped with automation features including GPS monitoring of position and movement.

Sisu has only been active in the market for a few years. The current modest market share provides a dynamic starting point for expansion in a fragmented market. Kalmar's expertise in logistics and container handling is a clear advantage in a demarcated market. Sales is extremely project-orientated and where purchasing decisions are taken at a high level.

Customer Segment

Inland Terminals

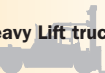
Terminal Tractors



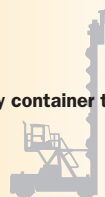
Medium Lift trucks



Heavy Lift trucks



Empty container trucks



Reachstacker



A long major rivers which connect centres of population, an increasing number of ports and terminals are being built. The development at major railway hubs is similar. On the roads containers and semitrailers are transported to and from these hubs. At these new distribution terminals there is a demand for effective, over the road transports.

At every terminal, there is a need to handle these containers for on-ward transportation, for storage, inspection or repair. Inland traffic will become an increasingly important market for Kalmar and many of the group's products are already used in all of these handling situations.

When moving containers and trailers at inland terminals, medium and heavy lift trucks, empty container handlers, reachstackers and terminal tractors are all an important part of the handling solution. Handling at inland terminals is growing all over the world but 2/3 of the world market for short container and trailer movements is in North America. The group's Ottawa, Magnum and Sisu terminal tractors together have over 50 percent of the world market.

Short-distance handling of containers and trailers in the USA mainly takes place at distribution centres owned by department store chains, food retailing companies, car producers etc., but also in ports and at railway terminals where the increase in intermodal transport requires fast reloading from railway to road trailers and vice versa. For this type of handling, reachstackers and terminal tractors are used.

Fragmented total market creates opportunities for expansion

The need for short trailer transports can be satisfied in different ways and there are a variety of players in the American market. Fifty-five percent of the total handling requirement is met by terminal tractors, specially developed for this purpose.

The rest of the market, served by conventional road-based tractors, consequently has the potential for further expansion. During the year, Kalmar acquired the operations of Bartlett Lifting Devices, Chicago. The company produces, among other things, fifth

wheels that make it possible to adapt ordinary trucks to short-distance tractor units.

An extensive network

The group has an extensive sales network which, in principle, covers every state in the North American market. The network consists of a number of regional marketing managers who, along with dealers, are responsible for technical services and customer support.

Major order

The just-in-time concept in industry is another reason for the increase of trailer traffic on roads and in industrial areas, which in turn stimulates the need for short trailer transportation. In October, Kalmar and OB Leasing signed an unusually large delivery agreement, covering 250 Ottawa terminal tractors. The deliveries were scheduled for 1998, 1999 and 2000. OB Leasing supplies intermodal transport terminals in the USA with terminal tractors.

■ K&T Switching is responsible for handling incoming materials to Ford's car manufacturing facilities in the USA. At the Kansas City plant, 20 Ottawa terminal tractors carry out the hard work. The daily production at the plant stands at 1,850 cars and lorries.

"We move approximately 800 trailers and containers every day. We estimate that Ottawa purpose built terminal tractors can move five trailers in the time it takes a converted road tractor to move one!"

"Ford expects on-time deliveries. We can't afford to risk breakdowns. Our Ottawas are for reliability and efficiency and they can give us 30,000 hours or more of life expectancy."

**David O'Bryan, Operations Manager,
K&T Switching**



Ottawa – the bestseller in the USA market.



Magnum – exported to a great extent.

The handling in inland terminals is growing all over the world

■ Sandvik Steel produces and supplies steel, mainly stainless, as pipes, strips, blanks and drill steel. The forklift truck is an important link in the production chain.

“Production would suffer immediately if the trucks stopped working”, says Ingemar Forselius. “We have about 90 diesel trucks in the 5–16 tonne class that we use for various lifting operations, and several hundred electrical trucks. In addition, we operate five large Sisu straddle carriers.”

“We have a constant requirement for new trucks and we regularly talk to and meet Kalmar’s experts. The truck will be playing an important role far into the future – there is nothing to replace it in traditional industrial operations.”

**Ingemar Forselius, Sectional Manager,
Production Services Division,
Sandvik Steel AB, Sweden**



Specially equipped lift truck for the paper industry.



Customised handling solution for the steel industry.

Customer Segment *Industry*

The total market for Industry is very large, and is characterised by relatively low growth levels and sharp international competition. Kalmar has chosen to focus on certain parts of this market segment and on improving business relationships by developing added-value services that increase the customer’s competitiveness. By developing a greater understanding of the customers’ areas of operation, Kalmar can offer tailored and efficient logistics solutions.

Kalmar is focusing on the timber, pulp and paper industries, as well as on the steel, concrete and engineering sectors.

Timber, paper and pulp

Kalmar’s products and expertise cover the sawmills’ and forest industry’s handling requirements for raw and sawn timber, as well as the handling of pulp wood, pulp bales and rolls of paper for the pulp and paper industry. Customers are mainly in Finland, Norway, Germany, Austria, North America, Russia and the Baltic states.

These basic industries are characterised by large production volumes which generate a major need for handling equipment. Despite an increasing level of automation within the warehousing and loading/unloading function, the forklift truck remains the most flexible and rational handling method.

This market segment is sensitive to strong and rapid swings in the trade cycle.

Steelworks and other industries

Customers in the heavy industry such as iron and steel works, the concrete and stone industry and the construction industry, are mainly based in Scandinavia and the European countries north of the Alps, but also in Russia and Eastern Europe.

The industrial trade cycle in the world in general, and in Europe in particular, is of vital importance for the level of demand in this segment. Russia and Eastern Europe offer great potential which can be turned into direct demand if the countries’ economies are able to generate industrial growth.

Models tailored for the segment

The greatest part of sales involves customers who have a long-standing and close relationship with Kalmar. This means that their needs are well-known and well-defined. The product developers are working on creating basic models adapted to the segment and with a standard design already suitable for specific industrial applications. This minimises the need for further adaptation and allows the sales staff, when selling new equipment, to show the exact running cost for a certain area of use and provide other information to support a purchasing decision.



Sawmills make use of the forklift truck’s flexibility

Light Lift trucks

Medium Lift trucks

Heavy Lift trucks

Terminal Tractors

**The industry is
faithful to
lift trucks**

One of Kalmar's strongest competitive tools is that we can provide our customers with immediate technical assistance or advice in the areas of logistics and materials handling – irrespective of which of the group's markets they operate in. Via the group's global network, which includes own subsidiaries, agents and service technicians – we can attend to our customer relations in more than 130 countries on a continuous basis. No competitor can currently offer this high level of presence and service today.

The product line Customer Support offers more than just field service and spare parts – it is a responsive, creative and businesslike resource which helps our customers develop their operations and improve their profitability. The focus on customers' needs creates a deeper and broader involvement which has resulted in the service gradually expanding to include other machines in the customer's materials handling system.

Global customer support

During 1998, the Russian and Middle-East markets performed well while the Asian market was weaker than before.

The group's systematic customer support is a strategic asset which will ensure continued growth. Customer Support is currently responsible for approximately 20 percent of the group's turnover. The aim is to increase this share to 30 percent and a targeted and systematic marketing programme will be carried out.

Financial and technical assistance

A straddle carrier represents a considerable investment which creates substantial fixed monthly costs for the customer. By training the personnel to drive more gently and to position the machine more precisely, Kalmar helps the customer to minimise operational expenses and increase productivity.

The market's training requirements are increasing as machines become more and more technically advanced, particularly with the introduction of complex electronics systems. More than half of the group's technical training involves customers' service technicians.

A straddle carrier which has to be taken out of service costs the customer approximately SEK 6,000 per hour in lost earnings, or SEK 120,000 per day. Customer Support stocks 58,000 spare parts, it is well prepared to deal with emergency deliveries, and a spare part normally reaches the customer within 24 hours.

Service contracts for reliable operation

A high level of availability and low cost for a machine are, together with the machine's performance, the most important criteria for the customer. The purpose of a service contract is to achieve optimum balance between these points. In consultation with the customer, we decide on fixed intervals for replacement of components and renovation, in order to prevent breakdowns. Customers pay a fixed monthly fee and this gives them maximum availability and safeguards their own production.

Older machines are refurbished

The latest advances in the group's product development do not only accrue to the new machine models. A natural result of its focus on its customers is that Kalmar offers all its clients the opportunity to upgrade their machines.

During 1998, Customer Support refurbished machines in different countries. Four straddle carriers were upgraded in Dubai and during the year, other major upgradings have been carried out in Russia, Spain, Ireland and the USA.

The sale of new machines and upgrading of older stock complement each other, and help develop the group's customer relations.

■ Wallhamn on the island of Tjörn, is Sweden's third largest container port and it has a rental agreement with Kalmar which gives it access to guaranteed, fully-functional machinery – without the port itself owning a single truck.

"The full-service agreement with Kalmar has many benefits", says Jan Fläder, Operations Manager at Wallhamnsbolagen. "In return for a fixed monthly fee, Kalmar supplies us with machines and service. This gives us total control and we avoid unpleasant surprises such as standstills or unexpected costs."

"We hold regular rental meetings with Kalmar every other month and this gives us the opportunity to discuss the current situation and the future. Dialogue is very important."

Jan Fläder, Operations Manager
Wallhamn, Sweden.



Service is an important part of Kalmar's customer relations.



Kalmar increases the customers' competitive edge.

“Care for the environment is one of the guiding principles of Kalmar Industries and it covers the whole life cycle of a product. The goal is to work without harming people or the environment. The aim of the environmental policy is to provide a framework for the group in defining and reviewing its environmental goals.

‘Environment’ in this policy means both the external environment and the internal working environment, which includes health and safety.”

Quality and environmental work at Kalmar Industries is decentralised and delegated to ensure that they permeate the organisation so that all working methods and products are developed in accordance with the goals set. The work of developing quality and environmental policy continued throughout the year, and implementation has now started.

The aim of the quality programme is to control the development, delivery and service processes to ensure that the customer receives a product with the performance promised and expected. Product quality is a result of the quality of the working methods of the organisation. The group's model assumes that clear rules apply and that the staff has a high level of competence and the ability to make independent decisions. This creates a focus and minimises documentation.

All the group's operations at the production facilities are certified under ISO 9001/2. The only exception is the factory at White Oak, Texas, which will be certified during 1999.

**Production quality
is a reflection
of the operation**

Routines for handling chemicals

The group uses 400 different chemicals. To reduce the risk of harmful effects on personnel and the environment, the number of purchasing channels has been limited and rigorous internal safety rules have been laid down.

Environmental projects

At the Lidhult factory it has been decided to introduce the ISO 14001 environmental management system. An eco-yard for the expanded sorting of waste has been in use since the beginning of the year.

The results of a project to save energy at the Ljungby factory have been positive. Projects are in progress to establish and take account of the environmental consequences of different choices made for a product as early as during the development period.

A decision has been taken at the Tampere factory on the implementation of the ISO 14001 environmental management system.



Concentration and specialisation are the key words in the group's production and work distribution strategy. One reason for the merger between Kalmar Industries and Sisu Terminal Systems was the opportunity it offered to co-ordinate the companies' joint production resources.

During 1998, a number of concentration and relocation projects have been carried out or initiated with the aim of increasing efficiency in production and limit the product range.

Concentrated and specialised production

The extensive production of cabs has been concentrated at the group's Velsa Oy subsidiary in Kurikka, Finland, while the corresponding production in Lidhult and Ljungby was shut down. Velsa Oy is Scandinavia's largest producer of

customised cabs, with a number of prominent machine and automotive manufacturers among their clients. The concentration has doubled the production of cabs at Velsa Oy.

The production of toplift attachments for reachstackers has been concentrated at the Tampere plant in Finland, which recently invested in a new production line. The production in Lidhult of toplift attachments for forklift trucks will continue as before.

The production of hydraulic cylinders has been concentrated at the cylinder factory in Ljungby, with the corresponding production moving from the Tampere plant.

The expected reduction in cost has been realised and the timetable for the production changes was maintained.

During 1998, production of forklift trucks and reachstackers for empty containers in Tampere ceased and the corresponding production was transferred to Ljungby and Lidhult. The production of the Sisu empty container lift truck and Sisu reachstacker for full containers will remain in Tampere. Today, the group's production of terminal tractors in Europe is concentrated at the

Tampere plant. In early 1999, the decision was taken to close the Härnösand factory and move production of those products that will remain in the group's product range to Ljungby. In total, the measures taken during 1998 have reduced the workforce by approximately 100 employees. The closure of Hernöwerken implies a further reduction in personnel by 110 persons.



Production of cabs is nowadays concentrated to Velsa Oy in

It is estimated that the full effects of the synergies gained from the concentration projects and the changes will be felt at the end of 1999.

Development project

In addition to the concentration projects, SEK 8 million has been invested in a change of layout at Velsa Oy. The blank workshop in Lidhult is being expanded and equipped with completely new machinery including a more efficient machine for cutting steel. An investment in a new system for control of production, material and spare parts has been made at the Ottawa plant.

In production, further steps will be taken to reduce the number of assembly operations and increase the number of large modules containing many components. The production of small components, as well as any work which is not part of the core operation, will be increasingly contracted out to external suppliers.

Systematised product development

Product development within the group follows a systematic project pattern through all the phases from determining the needs of the market to delivery of products and follow-up discussions with the customer. The processes are extremely decentralised and close to the customer.

During 1998, this resulted in the launching of a number of new products:

- RTG cranes with satellite control (GPS) and a positioning precision of ± 5 cm.
- A new generation of reachstackers with technology which facilitates a higher level of automation.
- Hydrostatic operation mode available throughout the Light range.
- Four-wheel drive terminal tractors for heavy handling in the American market.
- Specially-developed Twinspreader for straddle carriers.



Kurrika, the largest producer of cabins in the Nordic countries

- DRD100 – 200, a reachstacker with a special application solution for demountable systems and other industrial handling operations.

SMARTAIL for automating container handling.

Kalmar was the first supplier of GPS-based navigation systems for machines used for container handling. The system was installed in RTG cranes used by Sociedad Portuaria Regional de Cartagena in Colombia.

The system increases the productivity of the crane by automatically keeping on the correct track. The location of each container in the terminal is also verified automatically through a link-up with the terminal management system.

Global Positioning Satellites (GPS) provide a versatile solution for automated container handling. The system developed by Kalmar gives sufficient accuracy for precision driving and positioning. It can also be introduced rapidly in all terminals since no ground work is necessary.

The new millennium

Since 1997, Kalmar has been working systematically to solve any problems arising from the new millennium. A special project team is carrying out the necessary adaptations. Considerable effort is, naturally, put into the areas of administration, business systems and within the administrative systems of the production units. Adaptation to the year 2000 is also being carried out in the following areas:

- Salary administration
- Production equipment
- Design and design systems (CAD)
- Computers and other hardware
- Various supplier categories
- Kalmar's Products

Communication systems, e.g. telephone systems

Property security systems, e.g. fire alarms, clocks, monitoring, lock systems

All work must be finished as at July 1999.

For more information, please see Kalmar's website:

www.kalmarind.com/y2k/

Personnel

During 1998, personnel work has been dominated by the restructuring work resulting from the merger. The group's consistent restructuring of production has resulted in management functions and expertise becoming decentralised to each production unit. Expertise has become concentrated in the production areas, which increases quality and the competitiveness of the group.

At the end of 1998, 120 staff had taken part in the group's project method training, which was introduced in 1997.

Expertise and staff development

The Management Review Project increased in intensity during 1998. This means that the management staff's strengths/weaknesses, development goals and actions are documented. The criteria for bonuses have been changed to include individually-related, non-financial goals.

The investment in IT training has been more extensive than before and the staff has, for example, been offered the opportunity of borrowing computers for use in their homes in combination with training requirements.

Cross-border exchange of experience is a method of skills development that has become more and more common as a result of the group's growing international network of service companies and factories. Knowledge of customers and markets is one of the company's most important assets.



Reduction in staff

The group employed an average of 3,369 persons in 1998. The change in the structure of production resources has resulted in a gross staff reduction in Ljungby of 66, Lidhult of 9 and Tammerfors of 33 people. The factories in Kurikka, Finland, and Ottawa, USA, have taken on more staff as a result of increased production. Staff increases due to acquisitions amount to 27.

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Directors' report

Information in brackets in the following text refers to 1997.

Orders received amounted to SEK 4,939 million, a fall of 5 percent compared with 1997. Market trends in Europe and North America have been good. The level of activity in South-East Asia was low, with the exception of China and Hong Kong.

Net sales amounted to SEK 5,278 million, an increase of 15 percent compared with the previous year.

Profit after financial income/expense was SEK 213 million (30). The net profit for the year after tax amounted to SEK 165 million (2).

Structural changes

Important events during the financial year

As a result of the merger between Kalmar and Sisu Terminal Systems*, extensive restructuring of the group's production has been carried out at the various production units in order to better utilise the group's resources and expertise. The greatest change was the transfer of cab production from Ljungby to Velsa Oy in Kurikka, Finland. The production of toplift attachments has been concentrated in Tammerfors. Production of hydraulic cylinders has moved to Ljungby. Production of heavy lift trucks has been concentrated to the plant in Lidhult.

The five product lines have been adapted to increase the focus on customer needs and the product range. Resources that were previously administered jointly have been tied to individual product lines which gives clearer responsibility regarding customers and profits. Specialists in development, production and marketing are now found in each product line. Customer Support has been designated a product line mainly in recognition of its strategic importance for global customer support.

In distribution operations, sales companies in Sweden, the USA, the UK, Singapore and Hong Kong have been amalgamated into one sales company for each market. The sales companies in Norway, Austria and France have taken over complete responsibility for distribution in their own markets. In other markets, distribution responsibility has been clarified.

The operations of the American company, Bartlett Lifting Devices, Inc, Chicago, which manufactures lifting fifth wheels for road tractors, as well as other lifting equipment, was acquired at the end of the year. Bartlett has an annual turnover of approximately SEK 25 million, and its products complement the group's terminal tractors produced in the USA. During the year, the group acquired a further 9 percent of the shares in Kalmar Pacific Limited, Hong Kong, and now owns a total of 60 percent of the shares.

Important events after the end of the financial year

Since the start of 1999, a decision has been taken to close down production at Hernöverken in Härnösand. The concentration of the operations involving light and medium lift trucks to Ljungby, as well as the greater focus in the product range, will improve Kalmar's competitiveness in these lift truck segments. Production of the smallest electrical lift trucks will cease completely. Provisions for the expenses involved in the closure are included in the structural reserve (see page 19 under the column heading "Results"). A decision has also been made to wind up the sideloader business. This business amounted to 2 percent of the group's turnover in 1998.

** On 1 December 1998, Sisu Terminal Systems Oy changed its name to Kalmar Industries Oy Ab.*

Financial Review

	1998	1998*	1997	1997*
Profit margin, %	4.0	4.4	0.7	4.3
Earnings per share, SEK	7.00	7.60	0.10	6.20
Return on capital employed, %	13.8	14.8	4.1	12.8
Return on shareholders' equity after tax, %	16.3		0.2	

** Before items affecting comparability*

Definitions

See page 21.

Summary

The group's profit after financial income/expense was SEK 213 million (30). Before items affecting comparability, profit was SEK 233 million (199), an increase of 17 percent in comparison with 1997.

The profit margin increased to 4.0 percent (0.7) or, before items affecting comparability to 4.4 percent (4.3). Net profit for the year after tax amounted to SEK 165 million (2). Tax expense for the year was SEK 48 million (23). Earnings per share were SEK 7.00 (0.10).

Return on capital employed was 14 percent (4). Before items affecting comparability, return on capital employed was 15 percent (13). Return on equity after tax was 16 percent (0).

Orders received and net sales

Orders received amounted to SEK 4,939 million (5,196), a fall of 5 percent compared with the previous year. The trend in Europe and North America has been good with a steady inflow of orders. The level of activity in South-East Asia was low with the exception of China and Hong Kong.

The market situation varied between the product lines. Product line Medium & Heavy experienced a fall in orders received compared with the same period in 1997. This was mainly due to the economic situation in Asia, Russia and South America which has resulted in a reduced demand for reachstackers and empty container machines in particular. For the other product lines, the level of orders received was approximately the same as in 1997. As a result of increasing competition, price levels fell during the year.

Net sales amounted to SEK 5,278 million (4,599), an increase of 15 percent compared with the previous year. Acquisitions during the year have increased turnover by SEK 3 million.

Net sales per market area.

In most products, the fall in orders received and net sales in Asia were offset in other markets, with the exception of reachstackers and empty container machines.

Net sales per market area were distributed as follows: Europe 53 % (49), North America 27 % (27), Pacific Asia 7 % (11) and other markets 13 % (13).

Net sales for individual product lines are shown in the table below.

Product Line			
MSEK	1998	1997	Change
Medium & Heavy	1,747	1,665	5%
Terminal Systems	1,264	967	31%
Terminal Tractors	1,079	876	23%
Light & Sideloaders	976	1,017	-4%
Others	212	74	
Total	5,278	4,599	15%

Changes in exchange rates have increased orders received and invoicing by 2 and 3 percent respectively.

Orders in hand have fallen from SEK 1,545 million at the beginning of the year to SEK 1,206 million.

Results

Operating profit after depreciation amounted to SEK 259 million (68). Items affecting comparability which have been charged to profits for the year at SEK 20 million (169) relate to a reserve for continued structural measures. Profit before items affecting comparability was SEK 279 million (237). The improvement in profits is largely due to the increase in invoicing. The operating margin was 5.3 percent (5.2).

Research and development costs amounted to SEK 35 million (35).

Depreciation according to plan increased by SEK 8 million to SEK 154 million (146). The change is attributable to a high level of investment in leasing lift trucks.

The restructuring projects to realise the synergy effects of the merger are continuing according to plan. The estimated

effect of these on the results for 1998 was SEK 40 and the full impact of SEK 100 million is not expected before the end of 1999. Of the reserve of SEK 120 million relating to structural expenses of the merger, which was established in the accounts for 1997, SEK 100 million has been utilised. After the end of the financial year, a decision was taken to close down production at Hernöverken in Härnösand. The above-mentioned SEK 20 million has been set aside to cover this and previously-decided structural measures. Accordingly, the reserve at the end of the year stood at SEK 40 million.

In March 1999 the decision was taken to wind up the side-loader business. The measures to close the Hernöverken plant and the side-loader business are expected to affect results by SEK 40 – 60 million from year 2000.

Participation in the profits of associated companies amounted to SEK 2 million (1).

Net interest income/expense was SEK -46 million, compared to SEK -38 million in the preceding year. Interest expense has increased by SEK 12 million, and is attributable to the loan of SEK 300 million which the group took out in December 1997 for share redemption and transaction expenses during the merger between Kalmar and Sisu Terminal Systems. Net interest income/expense includes exchange gains of SEK 2 million (1).

Profit after net interest income/expense was SEK 213 million (30). The profit margin was 4.0 percent (0.7). Before items affecting comparability, profit after net interest income/expense was SEK 233 SEK million (199), an increase of 17 percent. The profit margin before items affecting comparability was 4.4 percent (4.3).

Tax has been charged to the net profit for the year at SEK 48 million (23). The main part of the tax is attributable to the companies in Sweden, Finland and the USA. The tax expense for the year has fallen by SEK 28 million, equivalent to half the deferred income taxes recoverable in the USA.

Balance sheet

The balance sheet total increased during the year to SEK 3,177 million (2,962) or by 7 percent. The change is attributable to the increase in volume compared with 1997.

Capital employed increased during the year by SEK 138 million, and amounted at 31 December to SEK 2,067 million (1,929). The capital turnover rate rose to 2.7 times (2.4).

Accounts receivable – trade at the end of the year totalled SEK 1,008 million (843), which is equivalent to 19 percent (18) of net sales. Inventories amounted to SEK 993 million (965). Inventories related to net sales were 19 percent (21).

Accounts payable – trade at the year-end amounted to SEK 366 million (365).

The residual value according to plan for machinery and equipment at the year-end was SEK 435 million (412). The fleet of forklift trucks for rent was valued at SEK 193 million (169).

The item "Deferred income taxes recoverable" includes a sum of SEK 28 million (0), equivalent to half of the losses

carried forward in Kalmar Industries USA, Inc. There is a very strong likelihood that this sum may be utilised in the next few years. The valuation of the income taxes recoverable shall be reconsidered annually in connection with the year-end procedures.

At the year-end, the equity/assets ratio was 37 percent (33 percent). Net debt was SEK 828 million (837).

Financing and liquidity

	1998	1997
Equity/assets ratio	37.1	33.4
Debt/equity ratio	0.79	1.00
Net debt, SEK m	828	837
Cash and bank	43	77
Interest coverage ratio	4.6	1.6

Cash flow after investment was SEK 6 million (–113).

The bulk of loans are of the multi-currency type. The largest part, 75 percent, of borrowings is in SEK. The manufacturing companies in Finland and the USA have borrowings in FIM and USD. The loans taken out are long-term. The fixed rate period is shorter than six months for almost 70 percent of the loans. Pension provisions were SEK 89 million (81).

Investment

The group's total investment in tangible assets excluding company acquisitions was SEK 199 million (176). Of this, investment in rental trucks represented SEK 94 million (62). In Lidhult SEK 14 million is being invested in the reconstruction and extension of the bland factory which will be equipped with completely new machinery, including a more efficient steel-cutting machine. During 1998 SEK 6 million were utilised and this investment will be carried through in winter 1999.

The effect of currencies and currency hedging

90 percent (88) of the group's invoicing relates to markets outside Sweden. The group's production units are located in Sweden, Finland and the USA, as well as to a lesser extent in Estonia. Invoicing to sales companies takes place in the local currency of each sales company. The net exposure of the production units in foreign currencies (incoming payments minus outgoing payments in each currency) is hedged for the next six months.

The group's annual net flow stated in SEK million for various currencies approximates to USD 700, Euro –250, SEK –650 and others 300.

The equity in the US subsidiary has been hedged by Kalmar Industries Oy Ab. Otherwise, equity has not been hedged.

Personnel

The group employed an average of 3,369 (3,240) people. The number of employees at the year-end was 3,278 (3,336). Staff increases due to acquisitions amount to 27. Further information on the number of employees and salaries can be found in Note 2 and 3.

The year 2000 problem

The work of adapting the group to the new millennium started in 1997. The adaptation and co-ordination project tests will be finished as at July 1999 according to schedule.

The work of adapting and testing the mainframe computer systems in Ljungby and Tampere has been in progress since autumn 1997. In early 1998, work started on replacing or upgrading systems in the USA and at the group's sales companies.

The adaption to year 2000 also involves other parts of the group's operations assessed as being at possible risk such as products, production equipment, security equipment, telecommunications, supplies, salary systems etc.

The risks are minimised by systematic risk management. It is estimated that the preparations will be completed in all essentials during July 1999, and the follow-up work will then continue until the new millennium as preparedness is increased further.

During the year, information has been collected from all key suppliers on their preparations in advance of the new millennium. Customers requiring information on Kalmar's year 2000 activities have been informed individually by letter and have been invited to follow the work via the group's Internet homepage.

EMU/the Euro

Customers and suppliers

During spring 1998, Kalmar started an EMU project. The consequences of the introduction of the Euro have also been analysed for companies based outside the Euro zone.

Sales normally take place in the sales companies' local currency, both inside and outside the Euro zone. Customers can be invoiced in Euros if they so wish. From Sweden and Finland, invoicing of external customers is often carried out in USD as well as in the currencies of these two countries. The Euro will probably gradually replace the USD.

Price lists are available in local Euro zone currency, Euros and SEK.

Accounting

There are no plans for accounting in Euros during 1999. The requirement for investment in IT is being investigated. It is likely that some older, but year 2000 adapted, systems will be replaced, but not, however, before the new millennium.

The changed currency exposure resulting from the introduction of the Euro is being taken into account during hedging.

Dividend policy

The shareholders will receive a reasonable share in the profits of Kalmar Industries. Dividends, which will fluctuate with net profits after the company's need for investment funds has been satisfied, are normally paid at a rate equivalent to one-third of earnings per share.

The Board of Directors

Until 4 December 1998, the Board of Directors consisted of seven members appointed by the Annual General Meeting. On that date, the former President, Jonas Svantesson, resigned his post. He was succeeded by Christer Granskog, who has been member of the Board since 1997. For the remainder of the year, the Board consisted of six members appointed by the Annual General Meeting. In addition, two permanent members and two alternates have been appointed by the employee organisations. The Board has one secretary, who is a lawyer having no connection with Kalmar.

The Finance Director and Executive Vice President regularly attend the meetings of the Board of Directors and give their reports, while other office holders attend Board meetings when this is considered necessary.

Eight Board meetings were held during the financial year. This is a more frequent rate than in previous years and was the result of the Board's careful follow-up of the merger between Kalmar and Sisu Terminal Systems.

The work of the Board follows a plan drawn up in advance; this is intended to satisfy the Board's requirement for information about the operations and the management's requirement for guidance in its work. Kalmar's auditors participate in board meetings in connection with the presentation of the Annual Report and take this opportunity to report on their observations based on the group audit.

The Board has laid down its approach in a written working plan accepted during the year, which also clarifies the

division of responsibility between the Board and the President, as well as the guidelines for financial reporting to the Board. The working plan is to be subject to annual review. The Board has appointed a remuneration committee, which has the task of carrying out annual revisions of the salaries of senior office holders in the group. The committee consists of Christoffer Taxell, Gösta Bystedt and Christer Granskog. The Board has not appointed any other committees.

For information on payments to the Board and President, see note 3.

The Parent Company

Kalmar Industries AB does not engage in production or sales, but acts as a holding company in the group. With effect from 1 January 1998, the expenses of the group management are reported through the parent company.

Outlook

The group will continue to grow both organically and through acquisitions.

Kalmar's strategy is based on a customer-orientated organisation. The product lines will continue to increase their focus on selected customer segments and product ranges.

Customer Support will become an increasingly important part of the group's operations. The aim is to increase its share of turnover by 30 percent over a five year period.

The market situation is expected to remain unchanged during 1999 compared with 1998, and no improvement is expected until the later part of the year. The profits trend will be negatively affected by the reduced inflow of orders towards the end of 1998 which continued in the beginning of 1999. The synergy effects of the merger between Kalmar and Sisu Terminal Systems are not expected to become fully noticeable until the end of the year.

Definitions

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

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

Cashflow after investments Cashflow from the current operations minus the investments operations.

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 interest 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.

Profit and Loss Accounts

SEK million	Note	Group		Parent company	
		1998	1997	1998	1997
Net sales	1, 4	5,278.5	4,598.8	17.0	6.2
Cost of goods sold		-4,318.3	-3,723.0	—	—
Gross profit		960.2	875.8	17.0	6.2
Selling expenses		-413.9	-398.7	-21.1	—
Administrative expenses		-245.3	-216.2	-34.5	-6.7
Research and development costs		-34.9	-34.8		
Items affecting comparability		-20.0	-168.7	—	-38.4
Result from participations in associated companies		2.0	1.2		
Other operating income		11.8	9.7		
Other operating expenses		-0.4	-0.7		
Operating profit/loss	2,3,5,6,7,8	259.5	67.6	-38.6	-38.9
Result from financial items					
Result from participations in group companies				53.0	225.2
Result from participations in partnerships				1.5	2.1
Interest income	11	11.5	9.6	8.2	8.3
Interest expenses	11	-59.8	-47.9	-17.9	-2.9
Exchange rate differences		2.1	0.5	-1.4	0.0
Profit after financial items	9, 10, 11	213.3	29.8	4.8	193.8
Appropriations					
Group contributions received	17			69.0	12.6
Group contributions paid	17			-11.6	-3.7
Transfers to tax allocation reserve				-2.4	-2.4
Profit before tax		213.3	29.8	59.8	200.3
Tax on the profit for the year	12	-47.6	-22.7	-2.2	-3.0
Minority participations in profit for the year		-0.7	-4.7		
Net profit for the year		165.0	2.4	57.6	197.3

Funds statement

SEK million	Group		Parent company	
	1998	1997	1998	1997
Day-to-day operations				
Operating profit	259.5	67.6	-38.6	-38.9
+ Depreciation and write-downs charged to profit/loss	153.8	192.6	—	—
+/- Change in structural reserve	-32.5	73.0		
+/- Change in non interest-bearing allocations	7.0	16.8		
+/- Other	3.9	18.0		
+/- Minority interest in profit for the year	-0.7	-4.7		
+/- Result of fixed assets sold	2.6	-1.1		
	393.6	362.2		
Net interest income/expense and tax	-105.8	-86.9	-13.7	6.1
Cash flow from the day-to-day operations before changes in working capital	287.8	275.3	-52.3	-32.8
Change in working capital (excl. liquid assets)				
Increase(-)/decrease(+) in inventories etc.	-28.3	-145.3		
Increase(-)/decrease(+) in current receivables	-152.7	-110.2	15.6	9.1
Increase(+)/decrease(-) in current liabilities	86.6	3.8	28.9	4.1
Cash flow from day-to-day operations	193.4	23.6	-7.8	-19.6
Investment activities				
Acquisition of subsidiary companies			-3.6	-294.0
Acquisition of financial assets			0.2	-0.9
Acquisition of tangible assets	-199.1	-176.0		
Acquisition of intangible assets	-6.1	-18.5		
Sale of inventory	39.9	28.7		
Exchange rate differences on fixed assets	-30.9			
Change in financial receivables	11.0	10.6	-24.4	-128.3
Increase in minority interests	-2.5	18.3		
Cash flow from investment activities	-187.7	-136.9	-27.8	-423.2
Cash flow after investment	5.7	-113.3	-35.6	-442.8
Financing operations				
New issue and other shareholder contributions	0.0	375.5	—	255.2
Change in interest-bearing liabilities	-54.9	21.0	-29.3	258.0
Exchange rate difference on shareholders' equity	61.9	2.6		
Group contributions received and paid			57.4	8.9
Dividend and similar payments to shareholders	-47.0	-306.3	-47.0	-306.5
Result from participations in group companies			53.0	225.2
Result from participations in partnerships			1.5	2.1
Cash flow from financing operations	-40.0	92.8	35.6	442.9
Cash flow for the year	-34.3	-20.5	0.0	0.1
Liquid resources at the start of year	77.4	97.9	0.1	0.0
Liquid resources at year-end	43.1	77.4	0.1	0.1

Balance sheet

SEK million		Group		Parent company	
ASSETS	Note	981231	971231	981231	971231
Fixed assets					
Intangible assets					
Patents and similar rights	13	4.7	5.5		
Goodwill	13	127.4	133.8		
Total intangible assets		132.1	139.3		
Tangible assets					
Buildings, land and land improvements	14	326.8	306.8		
Machinery and technical assets	14	359.5	351.0		
Equipment, tools, fixtures and installations	14	75.5	61.3		
Construction in progress and advance payments for tangible assets	14	13.3	5.1		
Total tangible assets		775.1	724.2		
Financial assets					
Participations in group companies	16			630.0	626.4
Receivables from group companies	17			258.3	233.9
Participations in associated companies	15	4.2	3.7	2.6	2.8
Other long-term securities holding		0.8	0.9		
Other long-term interest-bearing receivables	15	41.2	55.0		
Other long-term receivables		0.2	0.1		
Deferred income tax recoverable	21	31.9	—		
Total financial assets		78.3	59.7	890.9	863.1
Total assets		985.5	923.2	890.9	863.1
Current assets					
Inventories					
Raw materials		338.3	331.6		
Work in progress		201.6	205.6		
Finished products		453.3	426.2		
Advance payments to suppliers		—	1.5		
Total inventories		993.2	964.9		
Current receivables					
Accounts receivable – trade	17	1,007.7	842.9		
Bills receivable		8.7	8.6		
Receivables from group companies				24.9	47.0
Receivables from associated companies		13.9	12.3		
Income tax recoverable		8.5	9.5		
Other receivables		49.7	53.3	8.6	—
Other interest-bearing receivables		19.2	16.9		
Pre-paid expenses and accrued income	18	47.9	53.3	0.1	2.2
Total current receivables		1,155.6	996.8	33.6	49.2
Short-term investments		13.4	12.2		
Cash and bank balances		29.7	65.2	0.1	0.1
Total current assets		2,191.9	2,039.1	33.7	49.3
Total assets		3,177.4	2,962.3	924.6	912.4

Balance sheet

SEK million

		Group		Parent company	
EQUITY AND LIABILITIES	Note	981231	971231	981231	971231
Equity	19				
Restricted equity					
Share capital		293.8	293.8	293.8	293.8
Restricted reserves		492.0	460.8		
Share premium reserve				105.4	105.4
Total restricted equity		785.8	754.6	399.2	399.2
Non-restricted equity					
Non-restricted reserves		183.8	185.8		
Profit/loss brought forward				94.5	-55.8
Profit for the year		165.0	2.4	57.6	197.3
Total non-restricted equity		348.8	188.2	152.1	141.5
Total shareholders' equity		1,134.6	942.8	551.3	540.7
Minority interest		43.4	45.9		
Untaxed reserves					
Tax allocation reserve	20			36.0	33.6
Total untaxed reserves				36.0	33.6
Provisions					
Provisions for pensions and similar commitments		88.6	81.2		
Provisions for deferred tax	21	46.2	43.7		
Other provisions	22	113.6	139.1		
Total provisions		248.4	264.0		
Long-term liabilities					
Bank overdraft facilities	23	223.8	203.6		
Other interest-bearing liabilities	17, 24	446.3	594.9	250.0	300.0
Other liabilities		0.6	2.1		
Liabilities to group companies	17			—	29.3
Total long-term liabilities		670.7	800.6	250.0	329.3
Current liabilities					
Accounts payable – trade	17	366.2	364.9		
Bills payable		1.1	1.9		
Tax liability		38.5	6.9	2.2	2.5
Accrued expenses and deferred income	25	396.2	325.3	15.0	2.0
Advance payments from customers		48.4	54.9		
Other interest-bearing liabilities		172.5	104.9	50.0	0.0
Other liabilities		57.4	50.2	—	0.6
Liabilities to group companies				20.1	3.7
Total current liabilities		1,080.3	909.0	87.3	8.8
Total shareholders' equity and liabilities		3,177.4	2,962.3	924.6	912.4
Pledged assets	26	34.3	34.9	none	none
Contingent liabilities	26	264.8	347.5	283.6	40.7

Accounting principles

General

The new EU-adapted Annual Accounts Act is in force with effect from and including 1997. The company follows the recommendations of Redovisningsrådet, the Swedish Financial Accounting Standards Council, which in all essential respects are in accordance with the recommendations of IASC (the International Accounting Standards Committee). To achieve better comparability between years, certain minor adjustments have been made to the values relating to 1997 in relation to the previous year's annual report.

Consolidated accounts

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

The pooling of interests method was applied to the merger with Sisu Terminal Systems Oy (STS) in 1997. The consolidated accounts were, accordingly, prepared as if the merger had taken place on 1 January 1997. The 1997 figures reflected the new group's performance on a full-year basis, and pro-forma annual accounts were prepared for 1996. Other subsidiaries have been consolidated using the acquisition method, while associated companies have been consolidated using the equity method.

Kalmar Industries translates the income statements and balance sheets of foreign subsidiaries using the current method, which means that all assets and liabilities are translated at year-end exchange rates while all income statement items are translated at the average exchange rate over the year. Translation differences arise on account of differences between the average exchange rates used for the income statement 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 investments 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 taken to equity to the extent that they correspond 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 provisions, 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 operating receivables or operating liabilities are included in operating profit.

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

The group hedges a significant 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 the first-in/first-out basis (FIFO). A sufficient deduction 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 original purchase value less deductions for accumulated depreciation according to plan. Yearly depreciation percentages are based on estimated economic lifetimes. For machinery and inventories, depreciation percentages of 5–33% are applied; for buildings, the rate is 1.5–6%. Goodwill is written off at 5–20% per annum. This rate of depreciation is based on the long-term strategic significance of each acquisition to the group. Patents and similar rights are amortised at a rate of 10–20% per annum.

Notes

Note 1. Intra-group transactions – Partek group

The parent company is a subsidiary of Oy Sisu Ab in the Partek group, Finland, which as at 31 December 1998 owns 61% of its shares.

The year saw the following transactions between the group and other Partek companies:

Group	1998	1997
Sales to Partek companies	93.2	78.5
Purchases from Partek companies	67.1	16.4

Note 2. Average number of employees

	1998	1997
<i>Parent company</i>		
Sweden	1	1
(of which men %)	100%	100%
<i>Subsidiaries</i>		
Sweden	1,222	1,170
(of which men %)	89%	88%
Other Nordic	1 231	1 188
(of which men %)	94%	91%
Rest of Europe	281	290
(of which men %)	89%	76%
North America	537	497
(of which men %)	93%	85%
Asia Pacific	88	90
(of which men %)	67%	63%
Elsewhere	9	4
(of which men %)	89%	75%
Total subsidiaries	3,368	3,239
(of which men %)	91%	88%
Total group	3,369	3,240
(of which men %)	91%	88%

Note 3. Salaries, other remuneration and social benefits

SEK million	1998	1997
<i>Parent company</i>		
Salaries etc	6.2	2.0
Social benefits	2.7	0.5
(of which pensions)	1.5	0.3
<i>Subsidiaries</i>		
Salaries etc	860.8	797.7
Social benefits	281.8	254.4
(of which pensions)	83.4	90.1
<i>Group</i>		
Salaries etc	867.0	799.7
Social benefits	284.5	254.9
(of which pensions)	84.9	90.4
Total ¹⁾	1,151.5	1,054.6

¹⁾ SEK 1.5 million (0.3) of the pension costs at the group and parent company relate to the group's Board of Directors and CEO. The company's outstanding pension liabilities in respect of these officers amount to SEK 0 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 remuneration by country, type of officer and other employees

SEK million	1998	1997
<i>Parent company</i>		
Sweden		
Board plus President and CEO	6.2	2.0
(of which bonuses)	0.9	0.3
Other employees	0.0	0.0

SEK million	1998	1997
<i>Subsidiaries</i>		
Sweden		
Board plus President and CEO	0.9	0.6
(of which bonuses)	0.0	0.0
Other employees	289.3	284.7
Other Nordic		
Board plus President and CEO	3.2	2.5
(of which bonuses)	0.2	0.0
Other employees	297.9	277.2
Rest of Europe		
Board plus President and CEO	6.4	5.6
(of which bonuses)	0.8	0.2
Other employees	87.1	78.8
North America		
Board plus President and CEO	3.1	5.2
(of which bonuses)	0.5	0.3
Other employees	146.2	122.7
Asia Pacific		
Board plus President and CEO	6.8	4.4
(of which bonuses)	0.0	0.1
Other employees	17.1	13.3
Elsewhere		
Board plus President and CEO	0.3	0.3
(of which bonuses)	0.0	0.0
Other employees	2.5	2.4
Total subsidiaries		
Board plus President and CEO	20.7	18.6
(of which bonuses)	1.5	0.6
Other employees	840.1	779.1
Total group		
Board plus President and CEO	26.9	20.6
(of which bonuses)	2.4	0.9
Other employees	840.1	779.1

The President and CEO received a salary and other remuneration (including the benefit of a company car) totalling SEK 5,730,000, of which SEK 866,000 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 were divided as follows:

SEK million	1998	1997
Sweden	544	539
Other Nordic	458	422
Rest of Europe	1,808	1,307
North America	1,432	1,226
Asia Pacific	349	496
Other markets	687	609
	5,278	4,599
SEK million	1998	1997
Medium & Heavy	1,747	1,665
Terminal Systems	1,264	967
Terminal Tractors	1,079	876
Light & Sideloaders	976	1,017
Other	212	74
	5,278	4,599

Note 5. Items affecting comparability

SEK million	1998	1997
<i>Parent company</i>		
Consultancy fees for merger	0.0	13.3
Finnish transfer tax	0.0	25.1
	0.0	38.4
<i>Group</i>		
Restructuring provisions, write-downs of buildings and land	0.0	47.0
Restructuring provisions, other	20.0	73.0
Consultancy fees for merger	0.0	13.3
Finnish transfer tax	0.0	25.1
Finnish pension provisions	0.0	10.3
	20.0	168.7

Note 6. Depreciation according to plan – Group

SEK million	1998	1997
<i>Breakdown by class of asset</i>		
Patents and similar rights	1.4	1.6
Goodwill	14.3	13.7
Machinery and technical assets	90.4	82.8
Equipment, tools, fixtures and installations	28.8	31.0
Buildings and land improvements	18.9	16.5
	153.8	145.6
<i>Breakdown by function</i>		
Cost of goods sold	107.5	98.4
Selling expenses	29.5	31.6
Administrative expenses	16.2	15.0
R&D expenses	0.6	0.6
	153.8	145.6

The parent company has no tangible or intangible assets.

Note 7. Other operating income

SEK million	1998	1997
<i>Group</i>		
Property rentals, buildings	3.6	5.3
Profit on sale of fixed assets	2.6	0.0
Disposal of Climax operations in UK	3.2	4.4
Other	2.4	0.0
	11.8	9.7

Note 8. Leasing charges for operating leases

SEK million	1998	1997
<i>Group</i>		
Assets held through operating leases	None	None
Lease charges paid during the year	45.1	50.0
<i>Agreed lease charges for future years:</i>		
1999	44.8	
2000	34.9	
2001	25.8	
2002	19.3	
2003 and after	8.5	
<i>Parent company</i>		
Assets held through operating leases	None	None
Lease charges paid during the year	-	-
Agreed lease charges for future years:	-	-

Note 9. Result from participation in group companies

SEK million	1998	1997
<i>Parent company</i>		
Dividends	53.0	225.2
	53.0	225.2

Note 10. Result from other financial assets and securities

SEK million	1998	1997
<i>Parent company</i>		
Interest income, subsidiaries	8.1	7.6
Interest income, other	0.1	0.7
	8.2	8.3

Note 11. Other interest income/expenses

SEK million	1998	1997
<i>Group</i>		
Interest income, other	9.7	8.4
Interest income, group companies	1.8	1.2
	11.5	9.6
<i>Parent company</i>		
Interest income, other	0.1	0.7
Interest income, group companies	8.1	7.6
	8.2	8.3
<i>Group</i>		
Interest expenses, other	51.2	33.2
Interest expenses, group companies	8.6	14.7
	59.8	47.9
<i>Parent company</i>		
Interest expenses, other	16.6	1.2
Interest expenses, group companies	1.3	1.7
	17.9	2.9

Note 12. Taxes

SEK million	1998	1997
<i>Group</i>		
Tax payable	77.3	45.6
Deferred tax	-29.7	-22.9
	47.6	22.7
<i>Parent company</i>		
Tax payable	2.2	3.0
	2.2	3.0

The deferred tax charge for 1998 has been reduced by SEK 28 million, equivalent to half of the deferred income tax recoverable in the USA.

Note 13. Intangible assets

SEK million	981231
Patents and similar rights:	
Opening balance acquisition value	8.2
Investments	0.7
Reclassification/Exchange rate difference	-0.2
Closing balance, accumulated acquisition value	8.7

SEK million	981231
Opening balance depreciation	-2.7
Reclassifications/Exchange rate difference	0.1
Depreciation for the year	-1.4
Closing balance accumulated depreciation	-4.0
Net book value, 31 Dec	4.7
Goodwill :	
Opening balance acquisition value	183.9
Investments	5.4
Reclassifications/Exchange rate difference	4.0
Closing balance, accumulated acquisition value	193.3
Opening balance depreciation	-50.1
Reclassifications/Exchange rate difference	-1.5
Depreciation for the year	-14.3
Closing balance, accumulated depreciation	-65.9
Net book value, 31 Dec	127.4

Note 14. Tangible assets

SEK million	981231
Buildings, land and land improvements:	
Opening balance acquisition value	416.6
Investments	20.8
Disposals	-6.8
Reclassifications/Exchange rate difference	30.1
Closing balance, accumulated acquisition value	460.7
Opening balance depreciation	-109.8
Disposals	2.6
Reclassifications/Exchange rate difference	-7.8
Depreciation for the year	-18.9
Closing balance accumulated depreciation	-133.9
Net book value, 31 Dec	326.8
<i>Tax assessment :</i>	
Buildings	64.2
Land	13.9
Tax assessment value refers to Swedish real estate.	

SEK million	981231
<i>Machinery and technical assets</i>	
Opening balance acquisition value	749.6
Investments	128.3
Disposals	-43.7
Reclassifications/Exchange rate difference	9.4
Closing balance, accumulated acquisition value	843.6
Opening balance depreciation	-398.6
Disposals	16.3
Reclassifications/Exchange rate difference	-11.4
Depreciation for the year	-90.4
Closing balance accumulated depreciation	-484.1
Net book value, 31 Dec	359.5
<i>Rental fleet (included in machinery and technical assets) :</i>	
Opening balance acquisition value	257.7
Investments	94.5
Disposals	-31.0
Reclassifications/Exchange rate difference	1.6
Closing balance accumulated acquisition value	322.8
Opening balance depreciation	-88.7
Disposals	8.7
Reclassifications/Exchange rate difference	-0.6
Depreciation for the year	-48.8
Closing balance accumulated depreciation	-129.4
Net book value, 31 Dec	193.4
<i>Equipment, tools and installations :</i>	
Opening balance acquisition value	134.1
Investments	38.0
Disposals	-21.5
Reclassifications/Exchange rate difference	28.4
Closing balance accumulated acquisition value	179.0
Opening balance depreciation	-72.8
Disposals	13.4
Reclassifications/Exchange rate difference	-15.3
Depreciation for the year	-28.8
Closing balance accumulated depreciation	-103.5
Net book value, 31 Dec	75.5

Construction in progress:

Opening balance acquisition value	5.1
Investments	11.9
Reclassifications/Exchange rate difference	-3.7
Closing balance accumulated acquisition value	13.3

Note 15. Financial assets

SEK million	981231	971231
<i>Participations in associated companies:</i>		
Opening balance acquisition value	3.7	8.3
Share of profit for the year	2.0	1.2
Dividends	-1.5	-1.3
Reclassifications		-4.5
Net book value, 31 Dec	4.2	3.7

	Shares held	% holding	Par value (x 1 000)	Net book value (SEK m)
--	-------------	-----------	---------------------	------------------------

Owned by parent company, 31 Dec 98

Peinemann Kalmar				
Cont. Handl. BV	34	33.3	NLG 340	0.2
Peinemann Kalmar				
Cont. Handl. CV				
Hoogvliet, the Netherlands		30.3	NLG 220	1.4
Kalmar España SA, Madrid, Spain	4 900	49.0	ESP 4 900	0.3
				1.9

Retained earnings at associated companies 0.7

Net book value for parent company, 31 Dec 2.6

Share of equity 1.6

Net book value for group, 31 Dec 4.2

Other long-term interest-bearing receivables:

	981231	971231
Open balance acquisition value	55.0	66.1
Additions	0.0	0.0
Repayments	-17.9	-20.1
Reclassifications	4.1	9.0
Net book value, 31 Dec	41.2	55.0

Note 16. Shares and participations in subsidiaries

SEK million	981231	971231
Opening balance acquisition value	626.4	332.4
Investments	3.6	266.1
Capital contributions		27.6
Reclassifications		0.3
Net book value, 31 Dec	630.0	626.4

	Number of shares	Participations %	Net book value (SEK m)
(Org. nr: 556088-1657)			
The parent company's holdings as at 31 Dec 1998			
Kalmar Industries Sverige AB, 556105-5467 Ljungby, Sweden	500,000	100%	181.9
Kalmar Forwarding AB, 556061-8604 Ljungby, Sweden	500	100%	0.1
Kalmar LMV East Asia Pte Ltd, Singapore, Singapore	850,000	100%	3.0
Kalmar Hebefahrzeuge Handelgesellschaft m b H, Klagenfurt, Austria		100%	1.0
Kalmar Japan Ltd, Tokyo, Japan		100%	2.7
Kalmar Hernöwerken AB, 556044-2625 Härnösand, Sweden	90,000	100%	2.8
Kalmar LMV Sverige AB, 556206-2116 Sundbyberg, Sweden	20,000	100%	63.6
AB Kalmar Industries Finans, 556245-1822 Sundbyberg, Sweden	500	100%	36.8
Kalmar LMV Förvaltnings AB, 556051-6410 Härnösand, Sweden	1,250	100%	0.8
Kalmar AC Inc, Dublin, Ohio, USA	4,305	52.6%	29.3
Kalmar Norge AS, Oslo, Norway	3,000	100%	4.4
Kalmar Pacific Ltd, Hong Kong, Hong Kong	390,000	60%	14.7
Kalmar Vermögensverwaltungsgesellschaft m b H, Hamburg, Germany		100%	33.6
Kalmar France S.A. Paris, France		100%	
Kalmar Industries USA Inc, Texas, USA		7%	
Kalmar Flurförderzeuge Vertriebs GmbH, Hamburg, Germany		100%	
Kalmar Handling Systems Ltd, Coventry, UK		100%	
Kalmar Ltd, Coventry, UK		100%	
Sisu Terminal Systems (UK) Ltd, Coventry, UK		100%	
International Port Equipment Ltd, Coventry, UK		100%	
Kalmar Industries Oy Ab, Tammerfors, Finland	27,500	100%	255.3
Kalmar Industries USA Inc, Texas, USA		93%	
Kalmar Inc, Delaware, USA		100%	
Sisu Terminal Systems (South Pacific) Pty Ltd, Melbourne, Australia		51%	
Sisu Terminal Systems GmbH, Landhut, Germany		100%	
Velsa Oy, Kurikka, Finland		100%	
AS Finmec, Mardu, Estonia		100%	
Sisu Terminal Systems (Sverige) AB, Göteborg, Sweden		100%	
Kalmar South East Asia Pte. Ltd, Singapore, Singapore		100%	
			630.0

During the year, an additional 9 percent of the shares of Kalmar Pacific Limited was acquired, and the holding now represents 60 percent of the shares. The operations of the American company, Bartlett Lifting Devices, Inc, Chicago, which manufactures fifth wheels for road tractors, as well as other lifting equipment, was acquired at the end of the year.

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

SEK million	981231	971231
<i>Group</i>		
Accounts receivable, group companies	11.1	55.5
Total	11.1	55.5
Long-term interest-bearing liabilities, group companies	41.0	90.4
Accounts payable	11.0	7.5
Accrued expenses and deferred income	4.4	3.4
Other liabilities	3.3	13.7
Total	59.7	115.0

Account receivable/liabilities to Partek-companies, net

	-48.6	-59.5
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Parent company

Long-term liabilities:		
Opening balance acquisition value	233.9	105.6
Additional	24.4	128.3
Net Book value, 31 Dec	258.3	233.9

Long-term liabilities:		
Opening balance acquisition value	29.3	71.3
Settled liabilities	-29.3	-42.0
Net Book value, 31 Dec	0.0	29.3

Group contributions

<i>Received by parent company</i>		
Kalmar Industries Sverige AB	55.0	0.0
AB Kalmar Industries Finans	7.5	9.9
Kalmar LMV Sverige AB	6.5	2.7
	69.0	12.6

Paid by parent company

Kalmar Hernöverken AB	11.6	3.7
	11.6	3.7

Note 18. Prepaid expenses and accrued income

SEK million	981231	971231
<i>Group</i>		
Prepaid expenses	14.6	19.7
Other accrued income	4.8	3.8
Accrued interest income	1.6	0.5
Other items	26.9	29.3
	47.9	53.3
<i>Parent company</i>		
Other items	0.1	2.2
	0.1	2.2

Note 19. Shareholders' equity

MSEK	Share capital	Restricted reserves	Unrestricted reserves
<i>Group</i>			
Opening balance	293.8	460.8	188.2
Dividends			-47.0
Restricted and unrestricted reserves		-29.0	29.0
Net profit for the year			165.0
Translation differences for the year		60.2	13.6
Closing balance	293.8	492.0	348.8

	Share capital	Share premium reserves	Retained earnings
<i>Parent company</i>			
Opening balance	293.8	105.4	141.5
<i>Transfers to be approved by Annual General Meeting</i>			
Dividends			-47.0
Net profit for the year			57.6
Closing balance	293.8	105.4	152.1

The number of shares amounted to 23,507,480 at the year-end.

Note 20. Untaxed reserves

SEK million	981231	971231
<i>Parent company</i>		
Tax allocation reserve		
- For 1995 tax	3.3	3.3
- For 1996 tax	27.9	27.9
- For 1998 tax	2.4	2.4
- For 1999 tax	2.4	–
	36.0	33.6

Note 21. Deferred tax

SEK million	981231	971231
Deferred income tax recoverable		
Other liabilities/receivables	31.9	–
Provisions for deferred tax liabilities		
Untaxed reserves	74.5	74.8
Other liabilities/receivables	-2.4	0.7
Internal inventory gains	-11.7	-5.8
Restructuring provisions	-14.2	-26.0
	46.2	43.7

Note 22. Other provisions

SEK million	981231	971231
Cost of restructuring measures	40.5	73.0
Guarantee commitments	52.8	50.6
Pensions	16.9	15.2
Other	3.4	0.3
	113.6	139.1

Note 23. Overdraft facility

SEK million	981231	971231
Credit limit	381.2	303.5
Unused portion	-157.4	-99.9
Utilised	223.8	203.6

In addition, there is an unutilised credit commitment of SEK 133 million for other interest-bearing liabilities.

Note 24. Other interest-bearing liabilities

SEK million	981231	971231
<i>Group</i>		
Due after 1–5 years	405.3	491.2
Due after 1–5 years, group companies	10.0	90.4
Due after more than five years	31.0	13.3
	446.3	594.9
<i>Parent company</i>		
Due after 1–5 years	250.0	300.0
	250.0	300.0

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

Pledged assets to credit institutes

SEK million	981231	971231
<i>Group</i>		
Real estate mortgages	20.7	18.9
	20.7	18.9

Note 25. Accrued expenses and prepaid income

SEK million	981231	971231
<i>Group</i>		
Accrued salaries and social benefits	170.0	143.1
Accrued interest	9.8	8.4
Accrued expenses, supplies	107.7	74.2
Accrued guarantee expenses	19.1	10.6
Other	89.6	89.0
	396.2	325.3
<i>Parent company</i>		
Accrued salaries and social benefits	7.9	—
Accrued interest	1.1	1.2
Other	6.0	0.8
	15.0	2.0

Note 26. Pledged assets and contingent liabilities

	Group		Parent company	
SEK million	981231	971231	981231	971231
Pledged assets				
For own liabilities and provisions				
Real estate mortgages	20.7	18.9		
Others	12.3	11.2		
Total	33.0	30.1	0.0	0.0
<i>Other pledged assets</i>				
Real estate mortgages, Partek/STS	0.0	0.0		
Others	1.3	4.8		
Total	1.3	4.8	0.0	0.0
Total pledged assets	34.3	34.9	0.0	0.0
Contingent liabilities				
Guarantees, pensions	1.8	1.7	1.7	1.7
Guarantees, group companies	0.0	0.0	281.9	39.0
Others	263.0	345.8	0.0	0.0
Total contingent liabilities	264.8	347.5	283.6	40.7

Proposed appropriation of profits

The group has unrestricted shareholders' equity of SEK 349 million. No transfer to restricted reserves is required.

The following profits from the Parent Company are at the disposal of the Annual General Meeting:

Retained profit/loss			The Board and the President and CEO propose:		
brought forward	SEK	94,481,761	To pay a dividend of SEK 2.20		
Net profit for the year	SEK	57,565,545	per share to shareholders	SEK	51,716,456
Total	SEK	152,047,306	To be carried forward	SEK	100,330,850

LJUNGBY 4 MARCH 1999

Christoffer Taxell
Chairman

Gösta Bystedt
Vice Chairman

Thomas Oldér

Bengt Kvarnbäck

Dag Wersén

Jan Andersson

Agne Follin

Christer Granskog
President and CEO

Our Auditor's report was submitted 8 March 1999.

Thomas Thiel
Authorized Public Accountant

Bo Axelsson
Authorized Public Accountant

**To the general meeting of the shareholders 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 1998. 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 or 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, 8 MARCH, 1999

Thomas Thiel
Authorized Public Accountant

Bo Axelsson
Authorized Public Accountant

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.

Price trends during 1998

Kalmar share price fell by 33 percent during the year, from SEK 128 at the beginning of January, to SEK 86 at the year-end. The all-share index rose by 10.5 percent over the same period. The share price peaked at SEK 138.50 on 16 April and bottomed out at SEK 52 on 8 October. The market capitalisation of the company at the year-end was SEK 2,022 million.

Partek's offer on redemption

During the year, Partek increased its holding of Kalmar's total shares to 61 percent, and on 17 December 1998, the group announced its intention of offering to redeem the remaining shares in Kalmar against a cash payment of SEK 85 per share.

Kalmar's Board resolved to retain an independent adviser, Alfred Berg Fondkommission AB, before taking a decision on Partek's offer. Taking into account the valuation report and its knowledge in general of Kalmar's business activities, the Directors* Gösta Bystedt, Thomas Oldér and Bengt Kvarnbäck issued a statement in which they stated that they were unable to recommend that the shareholders accept Partek's offer.

No restrictions applied to Partek's offer, which would be proceeded even if it gained the support of less than 90 percent of the total number of outstanding shares.

The original acceptance period expired on 18 February 1999, but was extended to 16 March 1999. At the end of the original time limit for applications, the offer had been accepted by 470 shareholders with 5.4 percent of the shares. Partek's participation right in Kalmar Industries thereby rose to 66.4 percent.

*Directors Christoffer Taxell, Christer Granskog and Dag Wersén, along with the employee representatives Jan Andersson, Agne Follin, Ann-Katrin Andersson and Henrik Nymansson, were not party to the statement.

Trading

An average of 45,632 shares were traded per day in 1998, compared with 54,973 in 1997. A total of 11,408,112 shares changed hands during 1998, which is equivalent to 49 percent 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 the 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

Partek has been the majority shareholder in Kalmar Industries since the merger in 1997 between Kalmar and Sisu Terminal Systems (STS). In June 1998, Partek increased its holding in Kalmar from 51 percent to 61 percent of the total number of shares.

The ownership pattern in Kalmar is stable with few changes. Roburs aktiefonder is the largest Swedish shareholder and in January 1999 increased its holding from 9.2 to 10.2 percent of the shares. Foreign ownership in Kalmar, including Partek's holdings, amounted at the year-end to 69.6 percent.

Holders of 1 – 1000 shares have increased from 3.2 percent to 5.9 percent of share capital. The table of major shareholders only includes investors who 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 1998

Holding	Shares held	% of shares
1 – 1000	1,373,53	5.9
1001 – 10 000	1,349,030	5.7
10 001 – 50 000	986,000	4.2
50 001 – 100 000	571,730	2.4
100 001 – 500 000	4,296,045	18.3
500 001 – 1 000 000	590,226	2.5
1 000 001 –	14,340,912	61.0
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 1998 and subsequently 29 January 1999 (taking account of known changes):

Shareholder	No. of shares	% of share capital & votes
<i>Foreign shareholders:</i>		
Partek, Finland	14,340,912	61.0
Chase Manhattan Bank, USA	590,200	2.5
State Street Bank and Trust, USA	224,900	1.0
Bankers Trust Company, USA	200,000	0.9
GSI Tax Separation Fund, UK	179,129	0.8
<i>Swedish shareholders:</i>		
Roburs aktiefonder	2,404,020	10.2
SPP	397,400	1.7
AMF sjukförsäkring AB	350,000	1.5
Arbetsmarknadens Försäkrings AB	226,710	1.0
Riksförbundet mot reumatism	165,100	0.7
KPA Fond & Finans	158,200	0.7

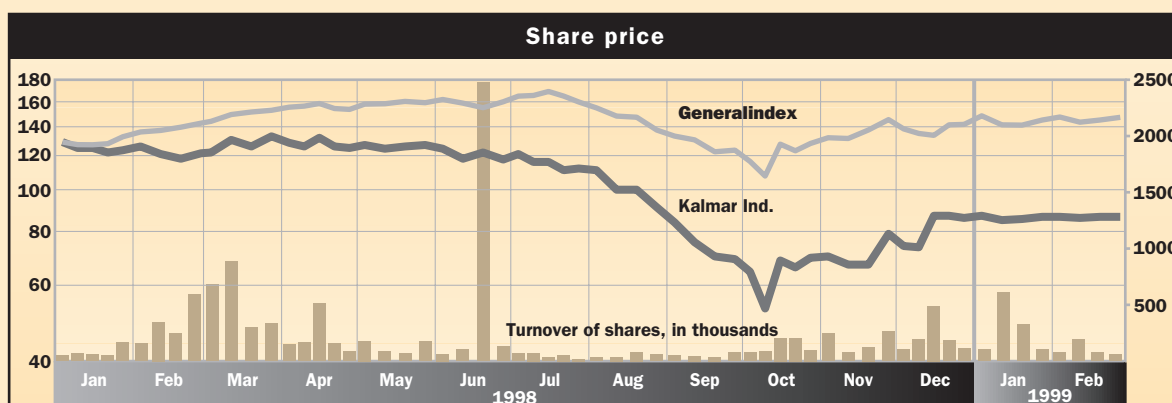
The company had around 5,000 shareholders on 30 December 1998.

Shareholdings by country

Country	% holding
Finland	61.2
Sweden	30.4
USA	5.1
UK	1.3
Luxembourg	1.2
Switzerland	0.4
Canada	0.2
Others	0.2

Comments on key ratios

The pooling of interest method of merger accounting was used for the merger with STS. As such, the consolidated accounts have been prepared as though the merger took place on 1 January 1997. With the aim of increasing comparability between years, the information in the table below is given pro forma for 1996 as if the acquisition of STS and the redemption of shares in Kalmar had taken place at the start of the period.



Key figures

	1998	1998 ²⁾	1997	1997 ²⁾	1996 pro forma	1996
Profit after full tax, SEK million	165	179	2	145	188	135
Eps after full tax, SEK	7,00	7,60	0,10	6,20	8,00	10,60
Share price 31 December, SEK	86		128			113
Dividends, SEK	2,20 ¹⁾		2,00		-	4,00
Net sales, SEK million	5,278		4,599		4,566	2,499
Equity, SEK million	1,135		943		880	637
Net debt, SEK million	828		837		789	323
Price/equity ratio, %	178		319			227
Dividend yield, %	2,6		1,6			3,5

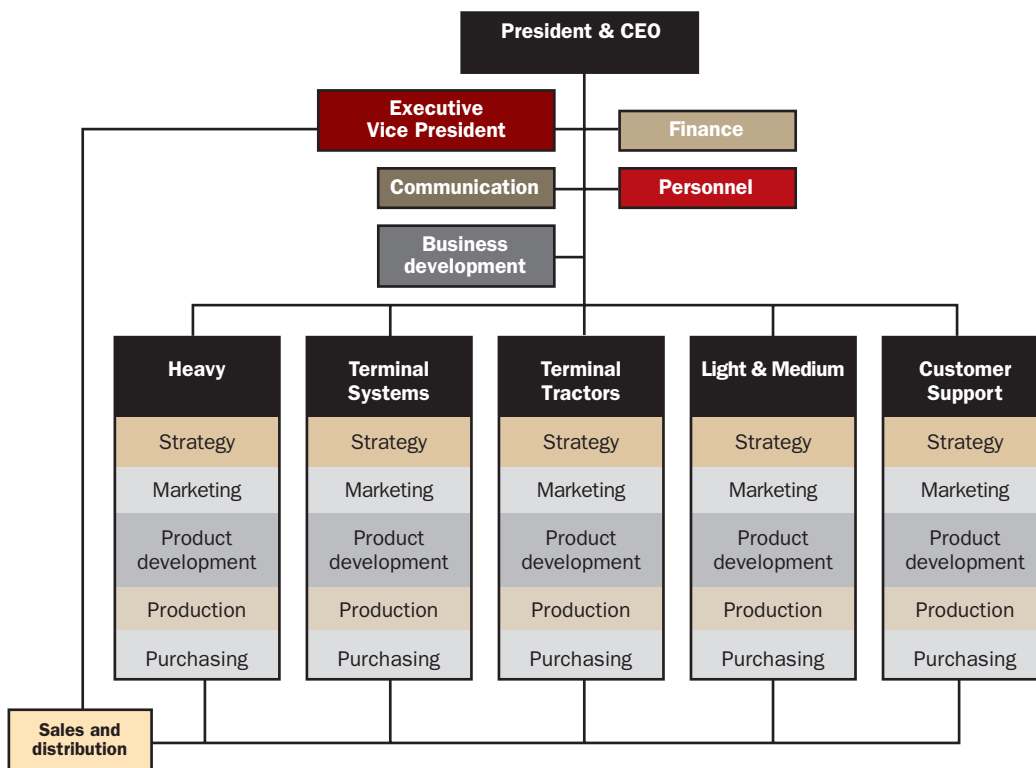
¹⁾As proposed by the Board ²⁾Before items affecting comparability

SEK million	1998	1997	1996 proforma	1995	1994 proforma
Orders received	4,939	5,196	4,200	2,345	1,817
Backlog of orders	1,206	1,545	936	754	561
Net sales	5,278	4,599	4,566	2,222	1,683
Of which foreign sales, %	90	88	88	84	89
Operating profit before depreciation	413	213	457	291	198
Operating profit after depreciation	259	68	329	243	174
Profit after financial income and expenses	213	30	289	242	165
Net profit for the year	165	2	188	170	115
Operating margin ¹⁾ , %	5.3	5.2	7.2	10.9	10.3
Operating margin ²⁾ , %	4.9	1.5			
Profit margin ¹⁾ , %	4.4	4.3	6.3	10.9	9.8
Profit margin ²⁾ , %	4.0	0.7			
Capital employed, 31 December	2,067	1,929	1,845	874	575
Capital employed, average	1,971	1,887	1,845	659	588
Return on capital employed ¹⁾ , %	15	13	19	40	31
Return on capital employed ²⁾ , %	14	4			
Shareholders' equity, 31 December	1,135	943	880	554	423
Shareholders' equity, average	1,011	912	880	476	367
Return on shareholders' equity, %	16	0	21	36	29
Capital turnover rate, times	2.7	2.4	2.5	3.4	2.9
Equity/assets ratio, %	37	33	33	40	46
Interest coverage ratio	4.6	1.6	6.2	12.6	9.4
Debt/equity ratio, %	79	100	106	58	36
Investments in fixed assets	205	194	296	289	32
Number of employees 31 December	3,278	3,336	3,296	1,491	1,149
Earnings per share ¹⁾ , SEK	7.60	6.20	8.00	13.30	8.20
Earnings per share ²⁾ , SEK	7.00	0.10			
Shareholders' equity per share, SEK	48.30	40.10	37.40	43.30	33.00
Dividend per share, SEK	2.20 ³⁾	2.00	—	4.00	3.00
Share price 31 December, SEK per share	86	128		110	84
Dividend yield, %	2.6	1.6		3.6	3.6
Number of shares (thousand)	23,507	23,507	23,507	12,795	12,795

1) Before items affecting comparability

2) After items affecting comparability

3) As proposed by the Board



As a result of the group's strategies and its focusing on customers and their requirements, the matrix organisation has, to some extent, been reassessed.

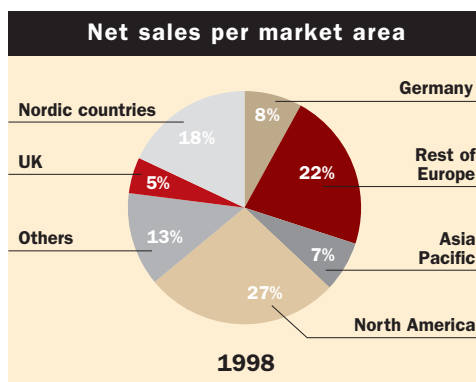
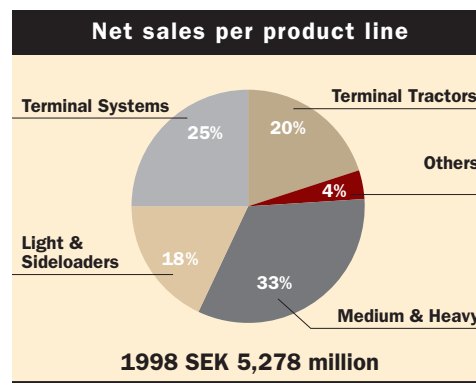
Operations within the five product lines have become more targeted, focusing on their individual customer segments. Each product line has total responsibility for development, production and marketing.

At year end 1998, the product line Light & Sideloaders was renamed Light & Medium, while the former product line Medium & Heavy is now termed Heavy. The 1998 figures for the product lines have been entered in the books in accordance with the organisation which applied during the year.

Business development, technology and product development are carried out via integrated functions. Distribution is handled via the group's own sales companies, agents and dealers.

Integrated customer support

Customer Support is responsible for joint, global customer support via the group's world-wide network of sales companies, agents and dealers in more than 130 countries. Customer service includes continuous dialogue, training, inspection, repairs and on-site service, service agreements etc. Component service includes delivering spare parts and machine parts, replacement units and upgrading existing machinery.



Board of Directors



Christer Granskog

Born in 1947, resident in Helsinki, President and CEO of Kalmar Industries AB. Member of the board of Kalmar since 1997.
Shares in Kalmar Industries: 0.



Christoffer Taxell

Chairman, born in 1948, resident in Turku, President and CEO of Partek. Member of the board of Kalmar since 1997.
Shares in Kalmar Industries: 0.



Bengt Kvarnbäck

Born in 1945, resident in Stockholm, Executive Vice President of Atlas Copco AB. Member of the board of Kalmar since 1996.
Shares in Kalmar Industries: 0.



Gösta Bystedt

Vice Chairman, born in 1929, resident in Lidingö, Vice Chairman of AB Electrolux and Axel Johnson AB. Member of the boards of Atlas Copco AB and the Federation of Swedish Industries, among others. Member of the board of Kalmar since 1994.
Shares in Kalmar Industries: 16,600.



Dag Wersén

Born in 1939, resident in Stockholm. Attorney. Member of the board of Kalmar since 1997.
Shares in Kalmar Industries: 0.



Thomas Oldér

Born in 1947, resident in Vellinge, President and CEO of Svedala Industri AB. Member of the board of Kalmar since 1994.
Shares in Kalmar Industries: 1,600.

UNION REPRESENTATIVES

PERMANENT



Jan Andersson

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



Agne Follin

Born in 1962, resident in Ryssby. Union representative (Swedish Trade Union Federation).
Shares in Kalmar Industries: 0.

ALTERNATES



Ann-Katrin Andersson

Born in 1948, resident in Ljungby. Union representative (Swedish Federation of Salaried Employees in Industry and Services).
Shares in Kalmar Industries: 0.



Henrik Nymansson

Born in 1952, resident in Hyltebruk. Union representative (Swedish Trade Union Federation).
Shares in Kalmar Industries: 0.



Christer Granskog

Born in 1947, President and CEO of Kalmar Industries AB since 1998.
Shares in Kalmar Industries: 0.



Raimo Ylivakeri

Born in 1945, Executive Vice President, employed by Kalmar since 1970.
Shares in Kalmar Industries: 0.



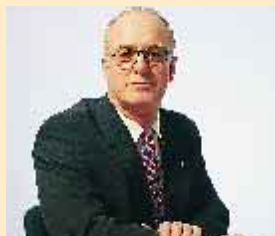
Anne-Charlotte Eggwertz

Born in 1951. Finance Director until 28 February 1999.
Shares in Kalmar Industries: 0.



Larsjörän Rosén

Born in 1947, Vice President, Human Resources, employed by Kalmar since 1996.
Shares in Kalmar Industries: 0.



Sven-Eric Petersson

Born in 1947, Vice President, Corporate Communications, employed by Kalmar since 1989.
Shares in Kalmar Industries: 0.



Matti Sommarberg

Born in 1961, Vice President, Business Development, employed by Kalmar since 1986.
Shares in Kalmar: 0.



K G Salomonsson

Born in 1950, Vice President, Product Line Heavy, employed by Kalmar since 1970.
Shares in Kalmar Industries: 0.



Juhani Lukumaa

Born in 1947, Vice President, Product Line Terminal Systems, employed by Kalmar since 1993.
Shares in Kalmar Industries: 0.



Johnny Ståhl

Born in 1949, Vice President, Product Line Light & Medium, employed by Kalmar since 1972.
Shares in Kalmar Industries: 0.



Jorma Tirkkonen

Born in 1951, Vice President, Terminal Tractors, employed by Kalmar since 1995.
Shares in Kalmar: 0.



Ari Antila

Born in 1954, Vice President, Product Line Customer Support, employed by Kalmar since 1981.
Shares in Kalmar Industries: 0.



Roger Jehander

Born in 1946, Finance Director from 1 March 1999.
Shares in Kalmar Industries: 0.

AUDITORS

Bo Axelsson

Authorized Public Accountant at KPMG Bohlins.
Auditor for Kalmar since 1998.

Thomas Thiel

Authorized Public Accountant at KPMG Bohlins.
Auditor for Kalmar since 1992.

DEPUTY AUDITORS

Dan Kjellqvist

Authorized Public Accountant at KPMG Bohlins.
Deputy Auditor for Kalmar since 1994.

Alf Svensson

Authorized Public Accountant at KPMG Bohlins.
Deputy Auditor for Kalmar since 1998.

Notice

Financial Information

Notice is hereby given that the company's Annual General Meeting will be held at 2.00 pm on Monday 26 April 1999, at Kalmar's recreation hall, Långgatan 14, Ljungby, Sweden.

Issues

The general meeting will consider such matters as, under the law and the Articles of Association, fall within the remit of the annual general meeting. The Board will propose changes to the Articles of Association.

Registration

To have the right to participate and vote at the general meeting, a shareholder must both be entered in the register of shareholders at Värdepapperscentralen VPC AB at the latest on Friday 16 April 1999, and notify the company of his intention to participate in the general meeting at the latest on 23 April 1999, at 12 noon.

VPC Registration

The company's register of shareholders is kept by VPC AB. Shares in Kalmar are registered either in the name of the shareholder or of the shareholder's trustee. 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 Friday 16 April 1999. Shareholders should notify their trustees of this in good time before this date.

Notification of intention to attend

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

- by phone: +46 (0)372 261 15 or
- by fax: +46 (0)372 263 94 or
- by post: Kalmar Industries AB, Sekretariatet, SE-341 81 Ljungby, Sweden.

On notifying their intention to attend, shareholders should state their, name, personal identification number/company registration number, address and telephone number.

Confirmation

As a confirmation of your notification of your intention to participate in the annual general meeting, you will be sent an admission card, which you should bring with you to the meeting. The confirmation will also include a description of the most suitable route to the recreation hall.

Payment of Dividends

The Board of Directors has decided to propose that only those shareholders listed in the register of shareholders on Thursday 29 April 1999 receive dividends. If the Annual General Meeting adopts the Board's proposal, dividends will be paid through VPC AB on Thursday 6 May 1999.

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.

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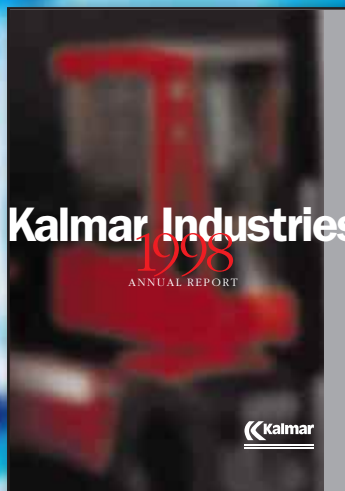
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Kalmar Industries



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