CAVOTEC

annual report 2006

ANNUAL REPORT 2006

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the cavotec group at a glance

WHO WE ARE

Cavotec is a world leader in the design and manufacture of innovative mobile power supply solutions. Since the early 1970's, our group of companies has continually adapted to meet the growing demands of customers in the global markets of Ports & Maritime, Mining & Tunnelling, Steel & Aluminium, Energy & Offshore, Airports, and General Industry & Automation. Today, our people and our products are connecting mobile equipment in numerous types of application all around the globe.

WHAT WE DO

Cavotec designs and manufactures a wide range of core products through its highly specialised manufacturing "Centres of Excellence" and Group Partners. The range includes motorised cable reels, rail fastening systems, Panzerbelt cable protection systems, slipring columns, aircraft support systems, flexible cables, spring driven reels, electrical plugs and sockets, cable chain systems, radio remote controls and automated mooring systems.

WHERE WE ARE

Cavotec is a group of companies directly serving customers in more than 30 countries on five continents. We have 7 manufacturing "Centres of Excellence" located in Canada, France, Germany, Italy, New Zealand, Norway and Sweden, supported by other local manufacturing facilities in Australia, China, Germany, Sweden and the USA. Combined with our 27 sales companies and network of distributor partners spread throughout the world, the Cavotec Group offers its customers a unique "local everywhere" presence.

HOW WE WORK

Cavotec strives to foster long-term relationships with its customers in an effort to attain their true satisfaction. Within the Group we have created an environment that not only attracts but also retains top people, enabling Cavotec to consistently offer a reliable service and support structure to its customers. Partnered with our range of advanced products, Cavotec is well-equipped to maintain its established position as a global leader in the marketplace.

CAVOTEC

MANAGEMENT REPORT 2006

a message from the executive chairman

2006 – A YEAR OF TRANSFORMATION AND FULFILMENT

The year 2006 was for Cavotec a year of transformation and fulfilment. Since the very start of our Group, our management has endeavoured to meet the expectations of our major customers – most of whom are public companies operating in the global market. This commitment to performance and quality has motivated us to seek innovative solutions that serve our customers well. Our goal to provide global service has pushed us to grow quickly and establish our own network of wholly owned Cavotec companies. This investment in our marketing and sales network has produced compound annual growth of 19% in the years 2000 to 2005 and 35% in 2006.

We are very pleased to see such development resulting from our efforts which has been instrumental in paving the way for other positive steps taken in 2006.

In 2006 we were able to complete the re-purchase of Cavotec shares from previous investors and implement a share purchase scheme (FastTrack) for our employees. We also negotiated and completed the merger with MSL in New Zealand, resulting in the listing of our company on the NZX stock exchange in early 2007. Our Group looks very different today than it did one year ago!

RE-PURCHASE AND NEW ISSUE OF CAVOTEC GROUP SHARES

As mentioned in our 2005 Annual Report, our management arranged a re-purchase of the shares of Interbanca – a private equity shareholder with 16.1% interest in the Group – together with an interest of some 12% owned by another significant shareholder. These transactions and the subsequent corporate reorganization were concluded on May 5th, 2006, when Cavotec Group Holdings NV was merged into Cavotec Acquisition BV following which the latter changed its name and legal form to Cavotec Group Holdings NV.

In order to provide total clarity regarding this important issue, the comparative numbers presented for 2005 reflect the combined financial statements of the two entities referred to above and we refer you to the notes in the financial section of the report which provide a complete and comprehensive explanation.

Directly following the above mentioned merger, we implemented in May 2006 the Cavotec FastTrack share purchase scheme. This scheme was discussed and offered to our management and employees in the earlier part of the year, and resulted in an increase in our shareholder base from 32 to 65.

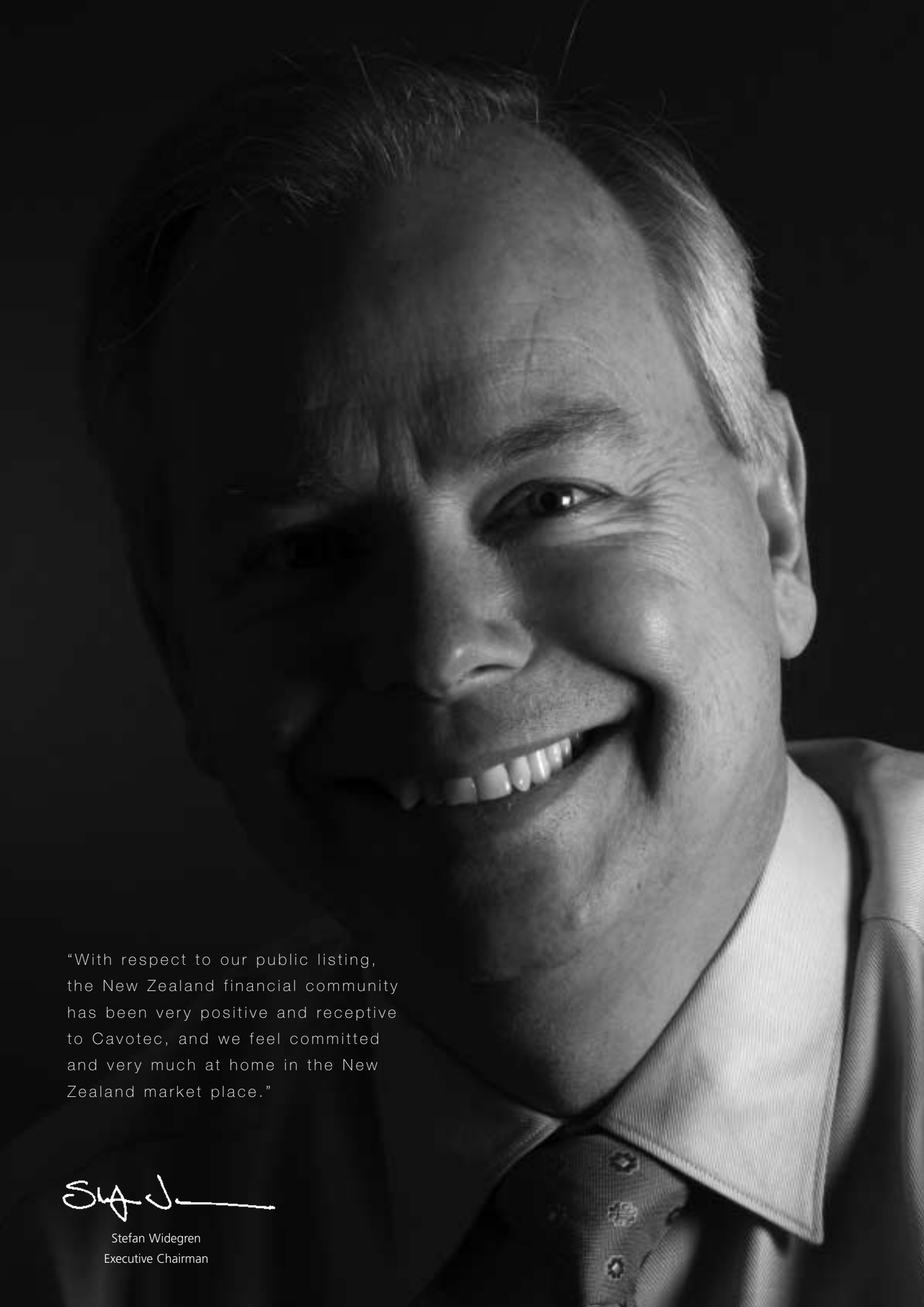
CAVOTEC MSL MERGER

The most important event in 2006 was, without a doubt, the merger of the Cavotec Group with Mooring Systems Ltd of New Zealand, resulting in the listing of our company as Cavotec MSL Holdings Ltd. (CCC) in early 2007. From an operational point of view this merger has given Cavotec an extraordinarily innovative system for mooring ships which has outstanding long-term growth potential for our global business. Additionally, the ability to tap into New Zealand capital markets will open new opportunities for the Group.

Our management is equally committed to investing in and strengthening the marketing of the Cavotec MoorMaster system world-wide, with an eye on increasing both revenues and profits and thus enhancing shareholder value.

OUR TASKS AND CHALLENGES AHEAD

Moving forward, we need to allocate significant resources to the development of our newest technologies (AMP, MoorMaster, PCAir) ensuring the Group's continued growth for years to come. We will execute this plan while simultaneously strengthening the position of our more traditional businesses. The successful implementation of these strategies will improve our financial performance and profitability. I can assure you that our management is both committed to these goals and excited to tackle the challenges ahead.



"With respect to our public listing, the New Zealand financial community has been very positive and receptive to Cavotec, and we feel committed and very much at home in the New Zealand market place."

Stefan Widegren
Executive Chairman

MANAGEMENT REPORT 2006

a report from the chief executive officer

FINANCIAL RESULTS 2006

Our Group continued to grow substantially in 2006, yielding all time high levels of both revenues and profitability. We achieved a consolidated turnover of € 112.2 million, compared with the € 83.3 million in 2005, representing a 35% increase for the year. This growth was completely organic, as no acquisitions have been made in the last three years and the merger with MSL did not contribute to the 2006 result. Our order book also increased by 46% to € 33.7 million (2005: € 23.1 million).

Our operating profit (EBIT) amounted to € 10.2 million (2005: € 5.6 million). The consolidated net profit amounted to € 6.8 million (2005: € 3.4 million).

Our Net Financial Position at year-end was € -15.5 million (2005: € -7.4 million).

2006 – A CHALLENGING AND EVENTFUL YEAR

The year 2006 was a very exciting and positive year for us, characterised by exceptional growth that represents payback from investments undertaken in previous years that have recently crystallized. More specifically, a large portion of our growth was fuelled by the following factors:

- exceptional growth of our sales into China and the Middle East
- strong development of all our "Centres of Excellence"
- robust infrastructure spending in our main markets, like: Airports, Ports & Maritime, Mining & Tunnelling, and Offshore

Throughout 2006, we continued efforts to improve efficiencies in our administrative, logistical and communications systems. We have also given high priority to the market development of our new technologies and systems: MoorMaster automatic mooring; AMP shore power to ships; and the Azipod propulsion power transmission. Furthermore, we have continued to invest in geographical expansion by incorporating new Cavotec sales companies and branch offices in Belgium, Korea, Qatar and Turkey.

In order to meet the increasing demands of our customers (35% volume increase in 2006), we took steps in the beginning of the year to increase our human and logistical resources at each of our "Centres of Excellence". This proactive strategy resulted in a distinct step-up of our production capacity and increased our total personnel count from 430 to 490 by year-end. We are now able to comfortably deliver sales orders totalling over € 10 Million per month on a consolidated basis.

LOOKING AHEAD

Looking out into 2007, we are expecting continued strong demand in general, and see particularly good growth in the Airports, Port & Maritime and Mining & Tunnelling markets.

The year 2007 has started very well for our Group, with a record order book and order intake well over the 2006 levels. Even though we do not currently foresee an increase in sales of a similar magnitude as 2006, we still expect revenues to increase by at least 10%, with a similar increase of our overall profits.

Needless to say, we will allocate large resources to the development of Cavotec MoorMaster in New Zealand, aiming to bring about a number of first orders in new potential markets for MoorMaster.

We anticipate another strong year and, in general, a positive development of our market penetration world-wide.

"As the representative of the Cavotec Group management, I am pleased to present to you the Annual Financial Report 2006 of the Company, which includes the Consolidated Financial Report 2006 of the Group."

Ottonel Popesco
Chief Executive Officer

the cavotec msl board

The Board of Directors of Cavotec MSL consists of 8 members and 2 associate directors who represent our shareholders. All members have a proven track record and long-standing experience in global business.

From left to right

Stefan Widegren, *Executive Chairman*
Peter Montgomery, *Director*
Erik Lautmann, *Independent Director*
Joe Pope, *Independent Director*
Jack Groesbeek, *Independent Director*
Ottonel Popesco, *Chief Executive Officer*
Lakshmi C. Khanna, *Independent Director*

Michael Cashin
Independent Director

Lars Hellman
Associate Director

Fabio Cannavale
Associate Director

EXECUTIVE MANAGEMENT COMMITTEE

This committee consists of 15 senior executives who operate in different areas of the Cavotec Group. Their task is to develop and review Group policies and strategies, put forward proposals to the Board of Directors and manage and implement agreed strategies. The members of this committee are all appointed by the Executive Chairman.

Peter Montgomery
MD Cavotec MoorMaster

Top row from left to right
Ottonel Popesco, *Chief Executive Officer* • Leena Essén, *Group Financial Controller* • Peter Brandel, *Chief Technical Officer*
Geir Leret Andersen, *Group IT Manager* • John Cooper, *Regional Manager - Far East*
Thomas Widegren, *Regional Manager - Middle East* • Giorgio Lingiardi, *Regional Manager Southern Europe*
Stefan Widegren, *Executive Chairman* • MIchael Widegren, *Regional Manager - North East Europe*
Phil Macridis, *Regional Manager - South East Asia - Pacific* • John Polatz, *Director Corporate Finance & Investor Relations*

Bottom row from left to right
Lars Hellman, *Vice President Marketing* • Erik Wilhelmsen, *Regional Manager - North & South America*
Christian Bernadotte, *Chairman Cavotec Gantrex*

CORPORATE MANAGEMENT

Leena Essén
Group Financial Controller

John Polatz
Director Corporate Finance & Investor Relations

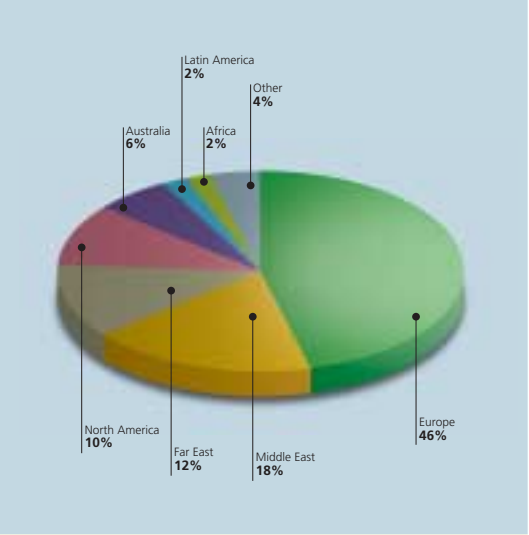
Geir Leret Andersen
Group IT Manager

Michael Scheepers
Group Communications Manager

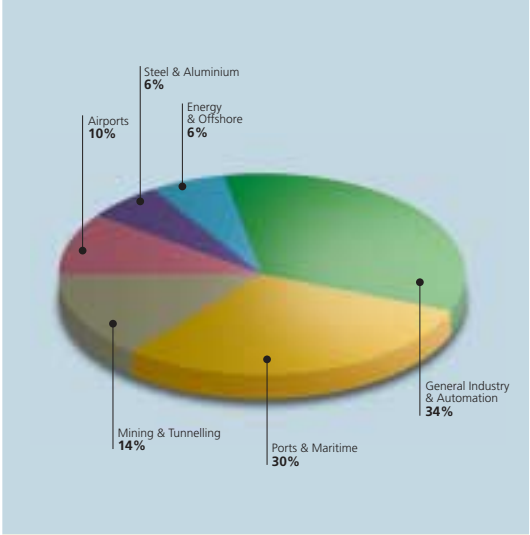
MANAGEMENT REPORT 2006

five years in summary

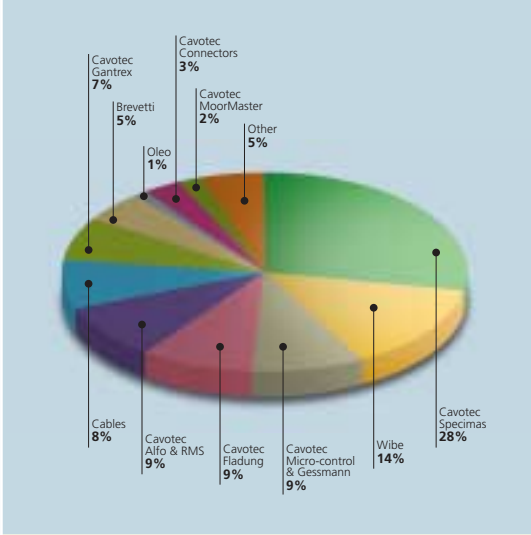
Amounts in thousands €	2006	2005	2004	2003	2002
RESULT AND CASH FLOW					
Net sales	112,223	83,290	68,185	58,824	49,377
Net margin on sales (EBIT)	10,233	5,628	4,014	3,774	2,255
Financial income/loss	-1,141	-570	-519	-431	-319
Net profit before taxation	9,174	4,957	3,501	3,425	1,921
Net profit after taxation	6,753	3,393	2,205	2,284	918
Cash flow from commercial operations	9,615	-278	4,952	7,374	2,176
Order Intake	122,849	87,795	71,216	58,445	51,327
Total investment in tangible assets	**14,874**	**13,607**	**10,719**	**10,328**	**9,988**
BALANCE SHEET					
Equity (incl. conv. bonds)	22,275	14,199	14,820	12,452	11,428
Goodwill	12,846	13,101	8,121	4,943	5,056
Net interest bearing loans	15,498	17,407	7,472	790	4,872
Total assets	72,578	63,614	46,362	36,191	35,124



Main Regions 2006



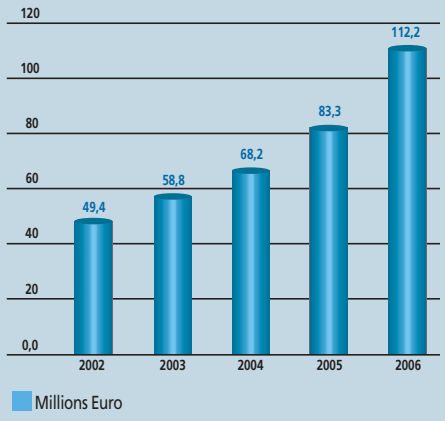
Main Market Sectors 2006



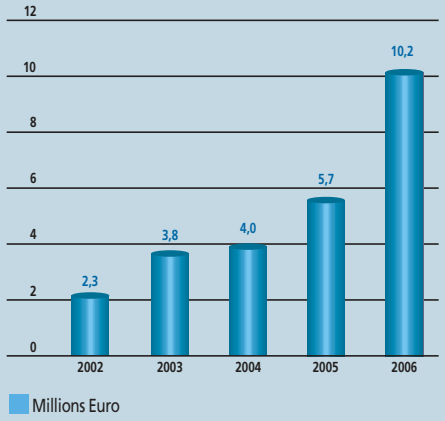
Main Product Ranges 2006

Amounts in thousands €	2006	2005	2004	2003	2002
RATIOS					
Net margin on sales/net sales	9,12%	6,76%	5,89%	6,41%	4,57%
Net profit before taxation/net sales	8,17%	5,95%	5,13%	5,82%	3,89%
Net margin on sales/average capital invested	56,11%	38,79%	29,44%	31,60%	25,40%
Net profit after tax/average capital invested	37,03%	23,38%	16,17%	19,13%	10,34%
Net equity (incl. conv. bonds)/total assets	30,69%	22,32%	31,97%	36,41%	32,53%
Total debt/total capital*	49,05%	63,77%	43,91%	36,72%	38,31%
NUMBER OF EMPLOYEES					
Number of employees at end of year	490	430	410	294	298
Average number of employees	460	397	396	302	260
Turnover per employee	243,962	209,798	172,185	194,782	189,911
Net margin per employee	22,246	14,177	10,137	12,459	8,601
Average cost per employee	43,449	38,888	34,566	37,010	38,514

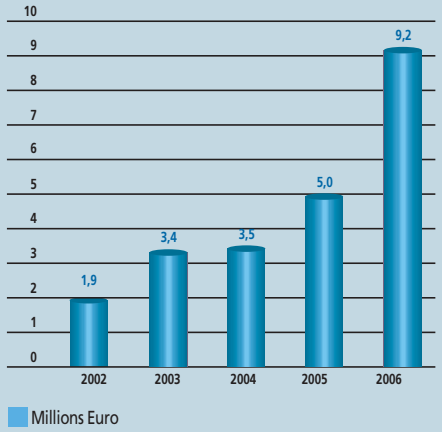
**Total Capital (Total Debt + Total Equity)*



Turnover



Net margin on sales (ebit)



Result on ordinary activity before taxation

PORT OF SALAL
MAERSK LINE

ship to shore

We have provided safe, reliable and innovative systems to this sector for more than 40 years. Working closely together with major industry operators, we make sure that they can get their job done.

CAVOTEC ACTIVITIES

ship to shore

Since the late 1960's we have designed and manufactured products and systems specifically for the port and maritime industries, with many becoming industry standards that are used all around the world. Today, some 30% of all ship-to-shore cranes in operation globally are equipped with our motorized cable reels, and more than 500 ports protect their crane power supply with our Panzerbelt cable protection system. Dozens of port and ship operators enjoy the use of pollution-reducing, shore-based electricity while in port by utilizing our AMP (Alternative Maritime Power) supply systems.

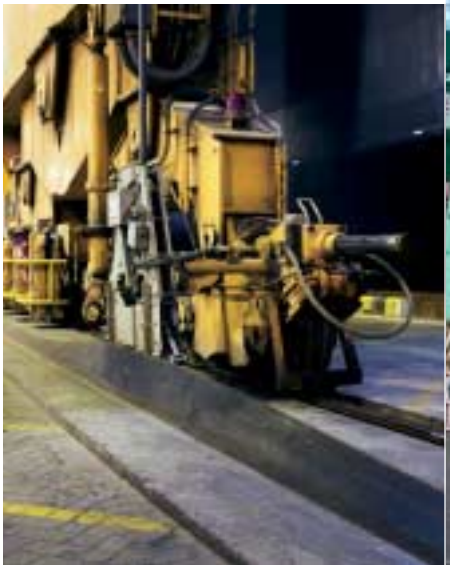
MAJOR CUSTOMERS
ABB • APMT • BP • Doosan • DPW
Evergreen • Hyundai • Kone
Mitsubishi Heavy Industries • MSC
Port of Los Angeles • Rolls Royce • ZPMC

With all of our solutions - whether large or small - our goal is always to make ports safer and more efficient. This is why we are especially proud of new innovations such as the MoorMaster system, which offers a groundbreaking new solution for mooring large vessels more safely and efficiently than ever before.

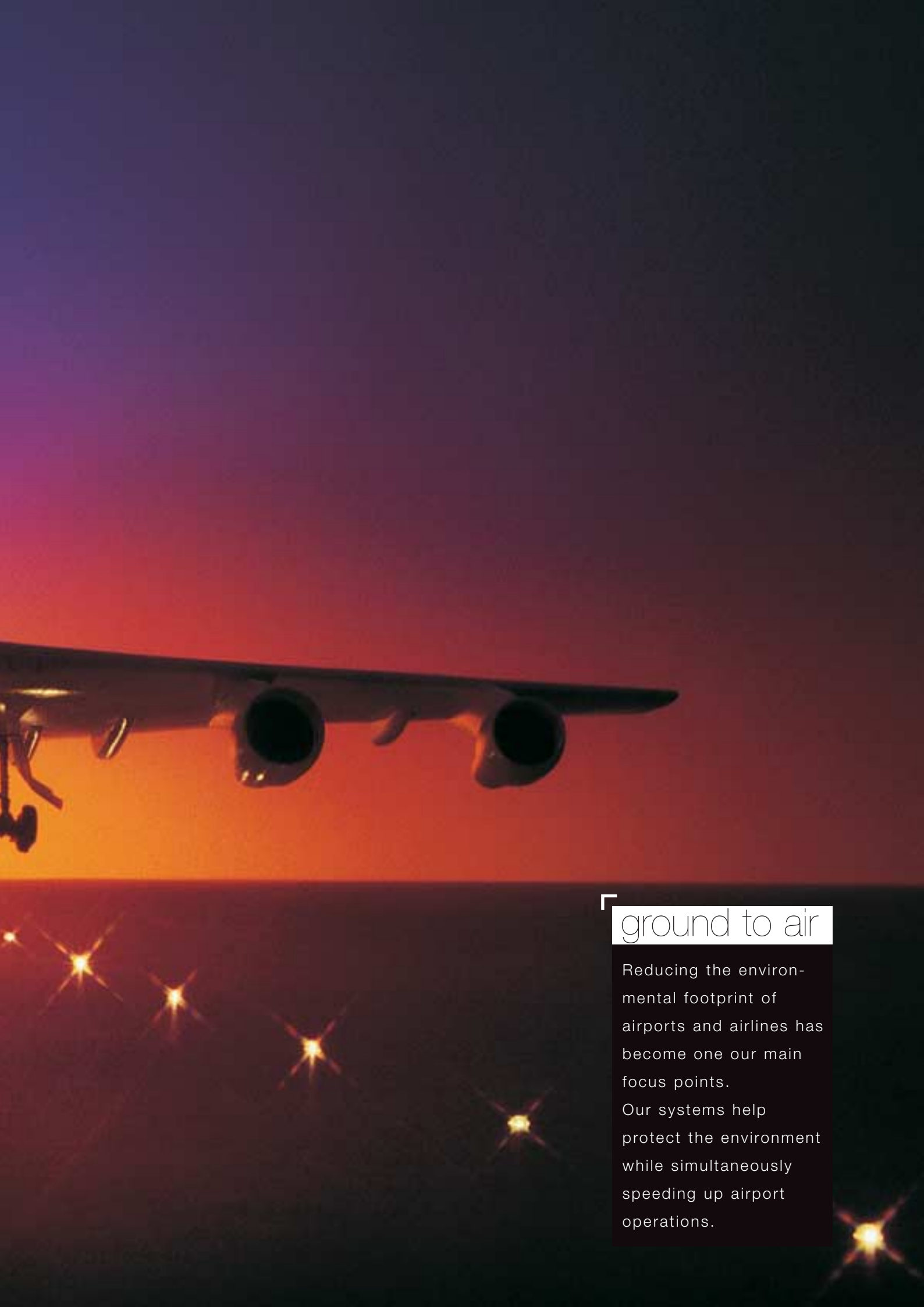
CAVOTEC ACTIVITIES

ship to shore

The dangers inherent in mooring today's large vessels compelled us to re-evaluate the actual concept of mooring, and develop the MoorMaster. By using vacuum-based technology, we eliminate the need for dock lines and drastically reduce the time spent mooring a vessel. So, for the first time in literally thousands of years, the world's ports are experiencing a revolution in mooring technology: mooring that is simpler, faster, more secure and, most importantly, safer.



EVERGREEN
EVERGREEN



ground to air

Reducing the environmental footprint of airports and airlines has become one our main focus points.
Our systems help protect the environment while simultaneously speeding up airport operations.

CAVOTEC ACTIVITIES

ground to air

MAJOR CUSTOMERS

Airbus • Air France
Axa • Beijing Airport • Boeing • Emirates
Fraport • Hobart
Leipzig Airport • Qantas

Airports around the world are continuously looking for ways to optimize their operations. Reducing the turn-around time of aircraft is a major part of this process, because as soon as one aircraft leaves a gate another one can take its place. Unfortunately, existing aircraft parking areas at terminals and hangars typically have not been designed for optimal use of ground support services. The result is a clutter of hoses, cables and carts lying around and congesting much of the area available to a parked aircraft.

Our range of Ground Support Systems was designed, developed and manufactured to provide all essential services to parked aircraft and use the least amount of tarmac space. By leaving the area around an aircraft free, servicing that aircraft becomes simpler and, more importantly, faster.

CAVOTEC ACTIVITIES

ground to air

One of our newest innovations is the PCA Caddy. This technology has been specifically designed to supply pre-conditioned air to aircraft without using diesel generators or other pollutants. As it is compact and mobile, the PCA Caddy can be used at different gates without any adaptation to the airport infrastructure.

Our unwavering commitment to safety, reliability and innovation ensures that the aircraft ground support systems we supply remain a step ahead of the dynamic developments encountered daily in the airport industry.

power to movement

In mines, in theatres, in factories and everywhere else power is needed, our systems are at work. Sometimes visible, sometimes not, we make sure everything keeps on running smoothly.

CAVOTEC ACTIVITIES

power to movement

MAJOR CUSTOMERS

Aker • Areva • Atlas Copco
Bechtel • Demag • Manitowoc
RS • Terex Sandvik
Thiessen Krupp • Voest Alpine

More than 3 decades ago Cavotec started supplying power supply equipment to major operators in the mining industry. By working closely with companies such as Atlas Copco and Sandvik Tamrock we managed to develop systems that made their operations easier and more efficient. This experience led us to apply the same principles to other, very diverse markets.

From construction to automation, from theatres to offshore platforms and from mining to tunnelling our products and systems make sure power flows smoothly. Although the markets may be very different, the basic needs remain the same. By providing our customers with safe, reliable and innovative products, they have come to rely on us to make their work possible.

CAVOTEC ACTIVITIES

power to movement

Take our cable reels mounted on the huge stacker reclaimers. They form but a small part of such an enormous machine, but without a reliable power supply even these behemoths would fall still. Our spring driven reels on the other hand make sure that a performance at the theatre goes smoothly. Mounted high above the stage, these reels make sure that back-drops arrive when and where they are supposed to, day in and day out.

This is why we make sure that every installation, large and small, is carried out to the highest level of quality and professionalism. We make every effort necessary to maintain our high standards of service and quality, providing our customers with what they have come to expect from us. Nothing but the best.

CAVOTEC ACTIVITIES

environmental progress

Cavotec Senior Management in Dubai, December 2006

Economic and environmental efficiency and sustainability are key factors we consider when designing new systems and solutions for our customers. Over the past three decades, we have dedicated ourselves to developing environmentally friendly technologies that enable our customers to reduce their contribution to global pollution. Working side-by-side with our customers both in the field and in the lab, we are continuously expanding our knowledge and expertise in these challenging and rewarding endeavours.

Such focus and collaboration by our management have led to new innovations such as the Alternative Maritime Power (AMP) supply systems for our port and shipping customers. This system allows a vessel to disengage its engines when in port and drastically reduce its effect on local pollution levels. For airport and airline operators, we have also developed a range of ground support systems that enable an aircraft to switch off its diesel-driven auxiliary power unit at the gate. Instead, the aircraft 'plugs in' to ground based power, allowing the aircraft to save on fuel consumption and reduce its diesel emissions.

After 30 years of leadership in our industries, we understand that our customers require smart solutions that reduce their use of energy and consumption of natural resources without reducing their bottom line.

Note 9	22,274,52
Note 10	1,461,56
Note 11	233,904
Note 12	18,569,787
	30,038,066
	€ 72,577,849

financial reporting

The management of the Cavotec Group is pleased to present the Annual Financial Report 2006 of the Company, which includes the Consolidated Financial Report 2006 of the Cavotec Group. Please note that all reported values in these reports are in Euro unless otherwise stated.

CAVOTEC GROUP HOLDINGS N.V. & SUBSIDIARIES

Consolidated Balance Sheet
as at December 31, 2006

Assets		2006	2005
Fixed assets			
Intangible fixed assets	Note 3	14,340,720	14,166,031
Tangible fixed assets	Note 4	6,821,351	6,022,514
Financial fixed assets	Note 5	984,504	761,212
Total fixed assets		€ 22,146,575	€ 20,949,757
Current assets			
Inventories	Note 6	18,882,491	14,286,471
Accounts receivable	Note 7	25,603,133	20,798,868
Cash at bank and in hand	Note 8	5,945,650	7,579,403
Total current assets		€ 50,431,274	€ 42,664,742
Total assets		€ 72,577,849	€ 63,614,499

Liabilities & shareholders' equity		2006	2005
Shareholders' equity	Note 9	22,274,525	14,198,612
Minority shares		1,461,567	1,236,806
Provisions	Note 10	233,904	1,787,805
Long-term liabilities	Note 11	18,569,787	23,363,714
Current liabilities	Note 12	30,038,066	23,027,562
Total liabilities, & shareholders' equity		€ 72,577,849	€ 63,614,499

Consolidated Balance Sheet in NZD*
as at December 31, 2006

Assets		2006	2005
Fixed assets			
Intangible fixed assets	Note 3	26,860,311	24,507,517
Tangible fixed assets	Note 4	12,776,458	10,419,070
Financial fixed assets	Note 5	1,843,986	1,316,912
Total fixed assets		$ 41,480,755	$ 36,243,499
Current assets			
Inventories	Note 6	35,367,093	24,715,881
Accounts receivable	Note 7	47,954,922	35,982,458
Cash at bank and in hand	Note 8	11,136,262	13,112,518
Total current assets		$ 94,458,277	$ 73,810,857
Total assets		$ 135,939,032	$ 110,054,356

Liabilities & shareholders' equity		2006	2005
Shareholders' equity	Note 9	41,720,406	24,563,883
Minority shares		2,737,528	2,139,699
Provisions	Note 10	438,106	3,092,938
Long-term liabilities	Note 11	34,781,396	40,419,692
Current liabilities	Note 12	56,261,596	39,838,143
Total liabilities, & shareholders' equity		$ 135,939,032	$ 110,054,355

**The Balance Sheet presented above in NZ Dollars which represents a translation from Euros into NZ Dollars, does not constitute an integral part of the Financial Statements of the Company and is presented only to facilitate reading by a resident in NZ. The exchange rates used were NZ$ 1 equals Euro 0.534 for 2006 and NZ$ 1 equals Euro 0.578 for 2005.*

CAVOTEC GROUP HOLDINGS N.V. & SUBSIDIARIES

Consolidated Profit and Loss account - for the year ended *December 31, 2006*

		2006	2005
Net sales		112,222,689	83,289,803
Cost of sales		62,899,976	49,283,722
Net operating result		**€ 49,322,713**	**€ 34,006,081**
Personnel costs	Note 13	19,986,603	15,438,536
External services		9,729,225	5,316,020
Travelling expenses		1,966,087	1,655,865
General expenses		5,636,371	4,497,819
Depreciation		1,771,038	1,469,584
Sub-total		**€ 39,089,324**	**€ 28,377,824**
Net margin on sales		**€ 10,233,389**	**€ 5,628,257**
Interest income		472,575	345,107
Interest expenses		-1,613,777	-914,874
Financial income/(loss)		**€ -1,141,202**	**€ -569,767**
Minority shares		-49,000	-48,085
Sub-total		**€ -1,190,202**	**€ -617,852**
Net profit on ordinary activities before taxation		**€ 9,043,187**	**€ 5,010,405**
Share in net result other shares and participations	Note 14	130,981	-53,127
Net profit before taxation		**€ 9,174,168**	**€ 4,957,278**
Taxation		2,420,692	1,564,472
Net profit after taxation		**€ 6,753,476**	**€ 3,392,806**

Consolidated Profit and Loss account in NZD* - for the year ended *December 31, 2006*

		2006	2005
Net sales		217,317,368	146,996,705
Cost of sales		121,804,756	86,979,972
Net operating result		**$ 95,512,612**	**$ 60,016,733**
Personnel costs	Note 13	38,703,724	27,247,200
External services		18,840,482	9,382,150
Travelling expenses		3,807,295	2,922,407
General expenses		10,914,738	7,938,121
Depreciation		3,429,586	2,593,643
Sub-total		**$ 75,695,825**	**$ 50,083,521**
Net margin on sales		**$ 19,816,787**	**$ 9,933,212**
Interest income		915,133	609,073
Interest expenses		-3,125,052	-1,614,645
Financial income/(loss)		**$ -2,209,919**	**$ -1,005,572**
Minority shares		-94,887	-84,865
Sub-total		**$ -2,304,806**	**$ -1,090,437**
Net profit on ordinary activities before taxation		**$ 17,511,981**	**$ 8,842,775**
Share in net result other shares and participations	Note 14	253,643	-93,762
Net profit before taxation		**$ 17,765,624**	**$ 8,749,013**
Taxation		4,687,630	2,761,110
Net profit after taxation		**$ 13,077,994**	**$ 5,987,903**

**The Profit and Loss Account presented above in NZ Dollars which represents a translation from Euros into NZ Dollars, does not constitute an integral part of the Financial Statements of the Company and is presented only to facilitate reading by a resident in NZ. The exchange rates used were NZ$ 1 equals Euro 0.516 for 2006 and NZ$ 1 equals Euro 0.567 for 2005.*

CAVOTEC GROUP HOLDINGS N.V. & SUBSIDIARIES

Group Accounting Policies

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements for 2006 and 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) which were initially adopted by the former Cavotec Group Holdings NV as of 1 January 2002. Such financial statements have been prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment effected in prior years. The merger of the former Cavotec Group Holdings NV into Cavotec Acquisition BV referred to in Note 1 has been incorporated in the financial statements as of 1 January 2006 as the two entities were under common control as of that date. Furthermore, for the purposes of clarity, the comparative numbers presented for 2005 reflect the combined financial statements for the two entities referred to above.

CONSOLIDATION

Subsidiary undertakings, which are those undertakings in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operations, have been consolidated. The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements as from the date of acquisition or up to the date of disposal. All inter company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group. Separate disclosure is made of minority interests. A listing of the Group's principal subsidiaries is set out in page 49.

INVESTMENTS IN ASSOCIATES

Investments in associated undertakings are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for long-term impairment in value. Equity accounting involves recognising in the income statement the Group's share of the associate's profit or loss for the year. The Group's interest in the associate is carried in the balance sheet at an amount which reflects its share of the net assets of the associate and includes goodwill on the acquisition. A listing of the Group's principal associated undertakings is shown in page 49.

BASIS OF CLASSIFICATION

The classification between current assets and current liabilities and medium and long term assets and liabilities is based on the generally accepted twelve month criteria.

FOREIGN CURRENCIES

The functional currency of the Group is the Euro. The income statements of foreign entities are translated into Euros at average exchange rates for the year and the balance sheets are translated at year end exchange rates ruling on 31 December. Exchange differences arising from the retranslation of the net investment in foreign subsidiaries and associated undertakings and of borrowings which hedge such investments, are reflected directly in "Translation Reserve" included in shareholders' equity. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Foreign currency transactions in Group companies are accounted for at the exchange rates prevailing at the date of the transactions; gains and losses from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Such balances are translated at year end exchange rates.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary /associated undertaking at the date of acquisition. Goodwill on acquisitions which occurred prior to 1 January 1995 was charged in full to free reserves; such goodwill has not been retroactively capitalised and amortised. Goodwill relating to acquisitions occurring between 1 January 1995 and 31 December 2000 which had previously also been written off against free reserves has been restated in the balance sheet as of 1 January 2002 net of the related amortisation attributable thereto. Such goodwill and goodwill on acquisitions arising after 1 January 2001 is reported in the balance sheet as an intangible asset and has been amortised for years up to and including 2001 using the straight line method over its estimated useful life which was deemed as not to exceed ten years. No goodwill amortisation was recorded in 2002 or subsequent years, in accordance with the provisions of International Financial Reporting Standard 3 which require that goodwill should be written down based on annual impairment tests and not based on systematic annual amortisation charges.

RESEARCH AND DEVELOPMENT

Research and development expenditure is recognised as an expense except that costs incurred on development projects are recognised as development assets (intangible assets) to the extent that such expenditure is expected to have future benefits. However, development costs initially recognised as an expense are not recognised as an asset in a subsequent period. Development costs which have been capitalised are amortised from the commencement of commercial production of the product to which they relate on a straight line basis over the period of expected benefit but not exceeding five years.

COMPUTER SOFTWARE DEVELOPMENT COSTS

Generally, costs associated with developing computer software programs are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include staff costs of the development team and an appropriate portion of relevant overheads. Computer software development costs recognised as assets relate primarily to ERP systems which are amortised on a straight line basis at the rate of 20% per annum.

OTHER INTANGIBLE ASSETS AND DEFERRED CHARGES

Patents, trademarks, licences and other costs having future benefits are stated at cost and generally amortised on a straight-line basis at an annual rate of 20%.

FIXED ASSETS AND RELATED DEPRECIATION

Fixed assets are stated at cost, including related acquisition costs, except for assets deriving from acquisition of subsidiaries which are stated at fair value as of the acquisition date. Maintenance and repair costs are charged to income as incurred; improvements and other expenditures which significantly increase the production capacity or the useful lives of fixed assets are capitalized. Depreciation is determined on the straight-line method based upon the following rates reflecting the estimated useful lives of the assets:

	Annual percentage
Industrial buildings	4
Building improvements and other constructions in leasehold	20
Plant and machinery	10 to 20
Laboratory equipment and miscellaneous tools	20
Furniture and office machines	20
Motor vehicles	20
Computer hardware	33 1/3

In the year of acquisition fixed assets are depreciated at half the annual rate.

ACCOUNTING FOR LEASES

Leases of property, plant and equipment where the Group assumes substantially all of the risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to receive a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance charges is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset. Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

INVENTORIES

Inventories are stated at the lower of cost or net realisable value. Cost is determined on the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses. Obsolete or un saleable items are written down to values which reflect their net realisable values while slow moving items or items exceeding sales or production requirements in the ordinary course of business are covered by a provision.

ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end and an appropriate provision for bad and doubtful debts is recorded. Bad debts are written off in the year in which they are identified.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Employee entitlements to annual leave are recognised when they accrue to employees and a provision is made for the estimated liability as a result of services rendered by employees up to the balance sheet date.

PENSION OBLIGATIONS

The Group has pension obligations for certain members of its staff. Such obligations are based on defined contribution plans which are funded annually with insurance companies and the costs relative to which are charged to income in the year to which they relate.

DEFERRED COMPENSATION

This liability represents deferred pay due to certain employees at the end of the year in accordance with the relative labour regulations in certain countries. The amount payable is calculated in accordance with the existing legal requirements and the related national labour contracts. The major part of this liability is long term in nature.

CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments, net of bank overdrafts and other bank borrowings. In the balance sheet bank overdrafts and other bank borrowings are included in long-term and current liabilities.

REVENUE RECOGNITION

Sales are recognised upon delivery of product and customer acceptance, if any. Sales are stated net of value-added taxes.

COST OF SALES

This includes the historic or manufacturing costs of the products sold, as well as the costs of purchasing, storage and transport.

INCOME TAXES

Income taxes are provided based on national tax rates and applicable tax legislation in the countries in which the group operates and comprise both current and deferred taxes and are calculated based on the earnings of the various group companies. Deferred taxation is provided to recognise the tax effect of items which are included in the financial statements in a period different from that in which they are dealt with for tax purposes. Deferred taxes are generally accounted for under the deferral method, on the basis of tax rate in effect at the balance sheet date. Deferred tax assets are recorded in the balance sheet only if realisation is assured in the foreseeable future.

MINORITY INTERESTS

These represent the share of third party stockholders in the net earnings and equity of certain consolidated subsidiaries.

FOREIGN CURRENCY EXCHANGE RATE TABLE

Currency	Year-end exchange rate as at 31 December 2006 1 Euro=
AUD	1.6660
ARS	4.0478
CAD	1.5260
DKK	7.4560
GBP	0.6707
NOK	8.2400
NZD	1.8730
USD	1.3186
SEK	9.0350
HKD	10.2400
SGD	2.0200
AED	4.8300
RMB	10.2937
ZAR	9.200

Notes to the consolidated financial statements - for the year ended *December 31, 2006*

Note 1. The group

The company, Cavotec Group Holdings NV, was constituted in the Netherlands on 26 October 2005 as Cavotec Acquisition BV. Cavotec Acquisition BV had no trading activities in 2005. In December 2005 Cavotec Acquisition BV acquired 27.82% of the share capital of the then Cavotec Group Holdings NV and on 28 February 2006 acquired the remaining share capital of that company. The subsequent merger of Cavotec Group Holdings NV into Cavotec Acquisition BV was approved by the Rotterdam Court on 3 May 2006 with retroactive effect from 1 January 2006 and subsequent to this merger, the surviving company, namely Cavotec Acquisition BV, changed its name and legal form to Cavotec Group Holdings NV.

Note 2. Significant subsequent event

On 5 January 2007, the company was acquired by Mooring Systems Ltd., a company listed on the New Zealand Stock Exchange. This reverse acquisition was made through the issue of shares in Mooring Systems Ltd. to the shareholders of Cavotec Group Holdings NV. On that date Mooring Systems Ltd. changed its name to Cavotec MSL Ltd and continues to be listed on the New Zealand Stock Exchange under this new name. This acquisition will be accounted for as a reverse acquisition under IFRS.

Note 3. Intangible fixed assets

	Research & Development	Patents and intellectual property	Goodwill	Total
Book value January 1, 2006	€ 683,500	€ 380,992	€ 13,101,539	€ 14,166,031
Movement				
Purchases for the year	452,756	340,389	-	757,145
Disposals for the year	-10,869	-	-	-10,869
Depreciation for the year	-245,998	-57,740	-	-303,738
Currency exchange difference	-11,828	-	-256,021	-267,849
Net movement	184,061	246,649	-256,021	174,689
December 31, 2006	€ 867,561	€ 627,641	€ 12,845,518	€ 14,340,720
Acquisition Cost	1,428,945	1,295,335	13,101,539	15,825,819
	€ 1,428,945	**€ 1,295,335**	**€ 13,101,539**	**€ 15,825,819**
Accumulated depreciation and value changes	-561,384	-667,694	-256,021	-1,485,099
Book value December 31, 2006	€ 867,561	€ 627,641	€ 12,845,518	€ 14,340,720

Note 4. Tangible fixed assets

	Machinery, equipment and tools	Ground & Buildings	Other tangible fixed assets	Total
Book value January 1, 2006	€ 1,452,265	€ 3,162,652	€ 1,407,597	€ 6,022,514
Movement				
Purchases for the year	811,068	434,381	1,088,101	2,333,550
Disposals for the year	-179,347	-	-126,201	-305,548
Revaluation for the year	107,991	-	10,501	118,492
Depreciation for the year	-588,584	-148,305	-443,038	-1,179,927
Currency exchange difference	43,781	-112,489	-99,022	-167,730
Deconsolidations	-	-	-	-
Net movement	194,909	173,587	430,341	798,837
December 31, 2006	€ 1,647,174	€ 3,336,239	€ 1,837,938	€ 6,821,351
Acquisition Cost	6,167,783	4,173,064	4,533,191	14,874,038
Revaluations	202,489	-153,241	10,508	59,756
	€ 6,370,272	**€ 4,019,823**	**€ 4,543,699**	**€ 14,933,794**
Accumulated depreciation and value changes	-4,723,098	-683,584	-2,705,761	-8,112,443
Book value December 31, 2006	€ 1,647,174	€ 3,336,239	€ 1,837,938	€ 6,821,351

Note 5.
Financial fixed assets

	Other shares and participations	Long-term receivables	Total
Book value January 1, 2006	€ 401,661	€ 359,551	€ 761,212
Movement			
Purchases for the year	-	198,938	198,938
Disposals for the year	-	-39,546	-39,546
Value changes for the year	130,981	-	130,981
Depreciation for the year	-	-	-
Currency exchange difference	-67,081	-	-67,081
Net movement	63,900	159,392	223,292
December 31, 2006	€ 465,561	€ 518,943	€ 984,504
Acquisition Cost	258,278	518,943	777,221
	€ 258,278	€ 518,943	€ 777,221
Accumulated depreciation and value changes	207,283	-	207,283
Book value December 31, 2006	€ 465,561	€ 518,943	€ 984,504

Total fixed assets

	Intangible fixed assets	Tangible fixed assets	Financial fixed assets	Total
Book value January 1, 2006	€ 14,166,031	€ 6,022,514	€ 761,212	€ 20,949,757
Movement				
Purchases for the year	757,145	2,333,550	198,938	3,289,633
Disposals for the year	-10,869	-305,548	-39,546	-355,963
Value changes for the year	-	118,492	130,981	249,473
Depreciation for the year	-303,738	-1,179,927	-	-1,483,665
Currency exchange difference	-267,849	-167,730	-67,081	-502,660
Net movement	174,689	798,837	223,292	1,196,818
December 31, 2006	€ 14,340,720	€ 6,821,351	€ 984,504	€ 22,146,575
Acquisition Cost	15,825,819	14,874,038	777,221	31,477,078
Revaluations	-	59,756	-	59,756
	€ 15,825,819	€ 14,933,794	€ 777,221	€ 31,536,834
Accumulated depreciation and value changes	-1,485,099	-8,112,443	207,283	-9,390,259
Book value December 31, 2006	€ 14,340,720	€ 6,821,351	€ 984,504	€ 22,146,575

Note 6.
Inventories

	2006	2005
Raw materials	4,712,863	4,931,798
Work in progress	1,073,767	618,147
Finished goods	13,095,861	8,736,526
Prepayments in stock	-	-
	€ 18,882,491	€ 14,286,471

Note 7. Accounts receivable

	2006	2005
Accounts receivable	22,649,291	18,832,413
Other current receivables	2,953,842	1,966,455
	€ 25,603,133	€ 20,798,868

All receivables are due and receivable within one year

Note 8. Cash & bank in hand

	2006	2005
Cash at pool account	-	1,372,854
Cash & bank balances	5,570,643	5,234,907
Other liquid assets	375,007	971,642
	€ 5,945,650	€ 7,579,403

All cash is at the free disposal of the company

Note 9. Shareholders Equity

On 28 February 2006 Cavotec Acquisitions BV acquired 72.18% of the share capital of Cavotec Group Holdings NV. This acquisition was made through the issue of 5,000,000 shares in Cavotec Acquisitions BV at a share premium of Euro 21,346,000 and was based on the fair market value of the shares acquired. However as the exchange of shares was between entities under common control, the excess of Euro 12,252,000 representing the price attributed to this transaction over the book value of the equity taken over was eliminated against the share premium account in order to conform with International Accounting Standards.

Note 10. Provisions

	2006	2005
Taxes	118,976	337,629
Deferred taxes	25,310	731,108
Other	89,618	719,068
	€ 233,904	€ 1,787,805

Note 11. Long-term liabilities

	2006	2005
Long term debt	16,296,770	21,578,507
Taxes	474,683	53,323
Deferred compensation	1,275,805	1,151,543
Other	522,529	580,341
	€ 18,569,787	€ 23,363,714

Note 12. Current liabilities

	2006	2005
Accounts payable	15,483,506	12,497,049
Taxes and social security	2,577,831	2,022,822
Other current liabilities	6,830,190	5,099,869
Cash at pool account	-	-
Bank overdrafts	4,791,882	2,791,644
Short term debt	354,657	616,178
	€ 30,038,066	€ 23,027,562

All current liabilities are due and payable within one year

Note 13. Personnel costs

	2006	2005
Salaries and wages	14,820,846	11,215,120
Social security	2,198,055	1,992,948
Deferred compensation and pension premiums	1,077,977	699,998
Other personnel costs	1,889,725	1,530,470
	€ 19,986,603	€ 15,438,536

Number of personnel amounted to 490 (2005 : 430) at year end while the average during the year amounted to 460.

Directors' emoluments

The members of the Cavotec Board of directors as a group received emoluments for 2005 and 2006 amounting to € 1,103,419 and € 1,245,207 respectively. These emoluments include those amounts received by the directors for the services provided by them to other companies within the Group.

Note 14.
Share in net result other shares and participations

	2006	2005
	130,981	-53,127

Note 15.
Interest bearing liabilities

	2006	2005
Bank overdrafts	4,791,882	2,791,644
Short term debt	354,657	616,178
Long term debt	16,296,770	21,578,507
	€ 21,443,309	€ 24,986,329
Cash and bank in hand	-5,945,650	-7,579,403
Net interest bearing debt	€ 15,497,659	€ 17,406,926

Note 16.
Securities and collaterals

SEB AG Merchant Banking, Frankfurt am Main, Germany
The SEB AG has provided a current account facility of € 3,000,000 to Cavotec Group Holdings NV and renewable loans of total of € 1,400,000 to the German subsidiaries.
Collaterals:
The current account facility relates to the pool account and for this the participating affiliates, including Cavotec Group Holdings NV, have assumed joint and several liability to SEB AG. The other renewable loans are secured by pledge on machinery, inventories and receivables of Cavotec Alfo GmbH and Cavotec Fladung GmbH.

Banca Intesa, Milano, Italy
New medium term loans of total € 18,500,000 were approved on December 19th, 2005 of which some € 8,500,000 were used to draw down the then existing borrowings. € 5.55 M of these loans have been repaid in 2006. The fixed interest rate is max. 4,85%. Repayment is scheduled as follows: € 2.3 M in 2007, € 3.25 M in 2008, € 3.70 M in 2009 and 2010.
Collaterals:
These medium term loans are secured by a pledge on 100% of the shares of the wholly owned subsidiary, Cavotec Specimas SpA in Nova Milanese (Milan).

Commitments and contingencies
The Cavotec Group is committed to pay an amount of € 6,887,457 related to real property rental payments, in accordance with the following table:

Future commitments for real property rental payments	2007	1,704,485
	2008	1,208,775
	2009	1,038,856
	2010	1,489,002
	2011	792,219
	2012 and after	654,119
	TOTAL	€ 6,887,457

CAVOTEC GROUP HOLDINGS N.V. & SUBSIDIARIES

Consolidated cash flow statement for 2006 according to indirect method

	2006	2005	2004
1. Cash flow from operating activities			
Operating Profit	10,233,389	5,628,257	4,014,058
Adjustments for Depreciation	1,771,038	1,469,584	1,238,777
Sub-total	**€ 12,004,427**	**€ 7,097,841**	**€ 5,252,835**
Movements in working capital:			
Increase/Decrease in trade debtors	-4,804,264	-5,048,492	-1,203,405
Increase/Decrease in stocks	-4,596,020	-1,482,395	-1,739,431
Increase/Decrease in trade creditors/current liabilities including VAT payable/reclaimable	7,010,504	-844,664	2,642,079
Sub-total	**€ -2,389,780**	**€ -7,375,551**	**€ -300,757**
Cash flow from commercial operations	€ 9,614,647	€ -277,710	€ 4,952,078
Interest received	472,575	345,107	212,301
Interest paid	-1,613,777	-914,874	-731,779
Profit tax paid	-2,420,692	-1,564,472	-1,295,690
Total cash flow from operating activities	€ 6,052,753	€ -2,411,949	€ 3,136,910
2. Cash flow from investing activities			
Acquisition of financial fixed assets	-198,938	-10,241,082	-306,473
Acquisition of subsidiaries net of goodwill acquired	-	-	-1,867,290
Investment in intangible fixed assets	-757,145	-258,046	-4,154,397
Investment in tangible fixed assets	-2,333,550	-3,367,277	-1,129,766
Disposal of financial fixed assets	-	293,784	11,079
Disposal of intangible fixed assets	-	14,568	3,088
Disposal of tangible fixed assets	25,555	177,251	73,303
Reclassifications	-	-	95,148
Total cash flow from investing activities	€ -3,264,078	€ -13,380,802	€ -7,275,308
3. Cash flow from financing activities			
Long-term liabilities	4,793,927	20,083,283	-854,236
Provisions	-1,553,901	181,927	-36,008
Increase share capital	593,523	204,314	121,570
Increase share premium	2,409,704	-	2,611,856
Increase/ (decrease) of currency exchange reserve	-1,367,174	1,622,185	-570,591
Other movements in reserves	-9,767,386	-408,628	-
Total cash flow from financing activities	€ -4,891,307	€ 21,683,081	€ 1,272,591
Net cash flow (Grand Total 1-3)	€ -2,102,632	€ 5,890,330	€ -2,865,807
Effect of exchange rate changes on cash items	113,138	-733,531	92,791
Share in net result other shares and participations	130,981	-53,127	230,000
Minority shares	224,760	-1,655,138	236,999
Increase/Decrease in cash	€ -1,633,753	€ 3,448,534	€ -2,306,017

CAVOTEC GROUP HOLDINGS N.V.

Corporate Balance Sheet
as at December 31, 2006 - (after profit appropriation)

			2006	2005
Assets	Fixed assets		-	-
	Financial fixed assets	Note 5	38,405,723	10,154,272
	Total fixed assets		€ 38,405,723	€ 10,154,272
	Current assets	Note 6	€ 1,943,025	€ 60,942
	Total assets		€ 40,348,748	€ 10,215,214
Liabilities & Shareholders' equity	Shareholders' equity	Note 7	22,274,525	104,768
	Provisions	Note 8	989,087	-
	Long-term liabilities	Note 9	13,050,000	10,000,000
	Current liabilities	Note 10	4,035,136	110,446
	Total liabilities & shareholders' equity		€ 40,348,748	€ 10,215,214

Corporate Profit and Loss account - for the year ended
December 31, 2006

	2006	2005
Income from investments after taxation	€ 8,883,138	-
Other profit/(loss)	-2,129,662	-99,546
Profit after taxation	€ 6,753,476	€ -99,546

Corporate Balance Sheet in NZD*
as at December 31, 2006 - (after profit appropriation)

			2006	2005
Assets	Fixed assets		-	-
	Financial fixed assets	Note 5	71,934,300	17,567,094
	Total fixed assets		$ 71,934,300	$ 17,567,094
	Current assets	Note 6	$ 3,639,305	$ 105,431
	Total assets		$ 75,573,606	$ 17,672,525
Liabilities & Shareholders' equity	Shareholders' equity	Note 7	41,720,406	181,251
	Provisions	Note 8	1,852,570	-
	Long-term liabilities	Note 9	24,442,780	17,300,200
	Current liabilities	Note 10	7,557,850	191,074
	Total liabilities & shareholders' equity		$ 75,573,606	$ 17,672,525

**The Balance Sheet presented above in NZ Dollars which represents a translation from Euros into NZ Dollars, does not constitute an integral part of the Financial Statements of the Company and is presented only to facilitate reading by a resident of NZ. The exchange rates used were NZ$ 1 equals Euro 0.534 for 2006 and NZ$ 1 equals Euro 0.578 for 2005.*

Corporate Profit and Loss account in NZD* - for the year ended
December 31, 2006

	2006	2005
Income from investments after taxation	$ 17,202,049	-
Other profit/(loss)	-4,124,055	-175,687
Profit after taxation	$ 13,077,994	$ -175,687

**The Profit and Loss Account presented above in NZ Dollars which represents a translation from Euros into NZ Dollars, does not constitute an integral part of the Financial Statements of the Company and is presented only to facilitate reading by a resident of NZ. The exchange rates used were NZ$ 1 equals Euro 0.516 for 2006 and NZ$ 1 equals Euro 0.567 for 2005.*

Notes to the corporate financial statements - for the year ended *December 31, 2006*

Note 1. General

The company, Cavotec Group Holdings NV, was constituted in the Netherlands on 26 October 2005 as Cavotec Acquisition BV. Cavotec Acquisition BV had no trading activities in 2005. In December 2005 Cavotec Acquisition BV acquired 27.82% of the share capital of the then Cavotec Group Holdings NV and on 28 February 2006 acquired the remaining share capital of that company. The subsequent merger of Cavotec Group Holdings NV into Cavotec Acquisition BV was approved by the Rotterdam Court on 3 May 2006 with retroactive effect from 1 January 2006 and subsequent to this merger, the surviving company, namely Cavotec Acquisition BV, changed its name and legal form to Cavotec Group Holdings NV. The statutory financial statements of Cavotec Group Holdings N.V. have been prepared on the accrual basis in accordance with International Financial Reporting Standards as allowed in art. 362 paragraph 8 of Part 9 Book 2 of the Netherlands Civil Code for financial book years starting January 1, 2006.

Note 2. Activities of the Company

The principal activities of the Cavotec are to act as a holding and finance company.

Note 3. Basis of preparation of financial statements

The corporate financial statements for 2006 have been prepared in accordance with International Accounting Standards and comply with the International Financial Reporting Standards. The merger of the former Cavotec Group Holdings NV into Cavotec Acquisition BV referred to in Note 1 has been incorporated in the financial statements as of 1 January 2006 as the two entities were under common control as of that date. The comparative numbers presented for 2005 refer to those relative to Cavotec Acquisition BV and do not reflect the combined financial statements of the two entities referred to above.

Note 4. Accounting principles

The corporate financial statements of the Company are included in the consolidated financial statements of the Group. The accounting policies used are similar to those used for the preparation of the consolidated financial statements. The consolidated financial statements as presented on pages 34 through 44 form an integral part of these notes and reference is made to these pages for further information.

Note 5. Financial fixed assets

	Investments in subsidiaries	Other Shares and participations	Loans to companies*	Total
Book value January 1, 2006	€ 5,432,125	-	-	€ 5,432,125
Equity share in profits	8,752,157	130,981	-	8,883,138
Dividends received	-4,579,306	-	-	-4,579,306
Currency exchange difference	-1,644,918	-35,872	-	-1,680,790
Other changes	22,199,421	370,402	1,629,992	24,199,815
Transfer to provision	989,087	-	-	989,087
Total value changes	**€ 25,716,441**	**€ 465,511**	**€ 1,629,992**	**€ 27,811,944**
Book value December 31, 2006	€ 31,148,566	€ 465,511	€ 1,629,992	€ 33,244,069

Intangible assets

	Goodwill	Intangible assets	Total
Book value January 1, 2006	€ 4,722,147	-	€ 4,722,147
Other changes	-	439,507	439,507
Total value changes	-	**€ 439,507**	**€ 439,507**
Book value December 31, 2006	€ 4,722,147	€ 439,507	€ 5,161,654
Total financial fixed assets			€ 38,405,723

The caption Other changes above represents the assets acquired open the merger of the former Cavotec Holdings NV into Cavotec Acquisition BV as explained in Note 1

Note 6.
Current assets

	2006	2005
Accounts receivable group companies	2,781	-
Cash & bank balances	-215,983	60,942
Taxes	-	-
Other current receivable	2,156,227	-
	€ 1,943,025	€ 60,942

Shareholders' equity

Note 7.
Share capital

	2006	2005
Starting balance	204,314	-
Capital increase	5,593,523	204,314
	€ 5,797,837	€ 204,314

The capital increase relates to the issue of 5,000,000 shares in exchange for acquiring 72.18% of the remaining share capital of the former Cavotec Group Holdings NV and the subsequent issue of 593,523 shares in cash at a share premium totalling € 2,409,704. The authorized share capital consists of 15,000,000 common shares of € 1 each; the issued and paid-up share capital amounts to 5,797,837 common shares.

Note 7.
Share-premium

	2006	2005
Starting balance	-	-
Share premium on issue of 5 million shares	21,345,844	-
Elimination	-12,252,000	-
Share premium on issue of 593,523 shares	2,409,704	-
	€ 11,503,548	-

On 28 February 2006 Cavotec Acquisitions BV acquired 72.18% of the share capital of Cavotec Group Holdings NV. This acquisition was made through the issue of 5,000,000 shares in Cavotec Acquisitions BV at a share premium of € 21,346,000 and was based on the fair market value of the shares acquired. However as the exchange of shares was between entities under common control, the excess of € 12,252,000 representing the price attributed to this transaction over the book value of the equity taken over was eliminated against the share premium account in order to conform with International Accounting Standards.

Note 7.
Legal reserve

	2006	2005
Starting balance	-	-
Transfer to retained profit	-	-
	-	-

Note 7.
Currency exchange reserve

	2006	2005
Starting balance	-	-
Increase / (decrease) for the year	-1,680,790	-
	€ -1,680,790	-

Note 7.
Retained profit

	2006	2005
Starting balance	-	
Transfer from legal reserves	-	-
Transfer from net profit for the year	-99,546	-
	€ -99,546	-

Note 7.
Net profit for the year

	2006	2005
Starting balance	-99,546	-
Dividend distribution	-	-
Transfer to retained profit	99,546	-
Net profit for the year	6,753,476	-99,546
	€ 6,753,476	€ -99,546

Note 7.
Summary of shareholders' equity

	2006	2005
Share capital	5,797,837	204,314
Share premium	11,503,548	-
Legal reserve	-	-
Currency exchange reserve	-1,680,790	-
Retained profit	-99,546	-
Net profit for the year	6,753,476	-99,546
	€ 22,274,525	€ 104,768

Note 8.
Provisions

	2006	2005
Negative value of subsidiaries	989,087	-
	€ 989,087	-

Note 9.
Long-term liabilities

	2006	2005
Bank loans	13,050,000	10,000,000
	€ 13,050,000	€ 10,000,000

Note 10.
Current liabilities

	2006	2005
Accounts payable	13,489	-
Accounts payable group companies	3,151,830	-
Other current liabilities	869,817	110,446
Bank credit	-	-
	€ 4,035,136	€ 110,446

Note 11.
Directors' fees

Fees paid by the Holding Company to the Directors in 2006 amounted in total to € 93,500 (2005 € 125,000).

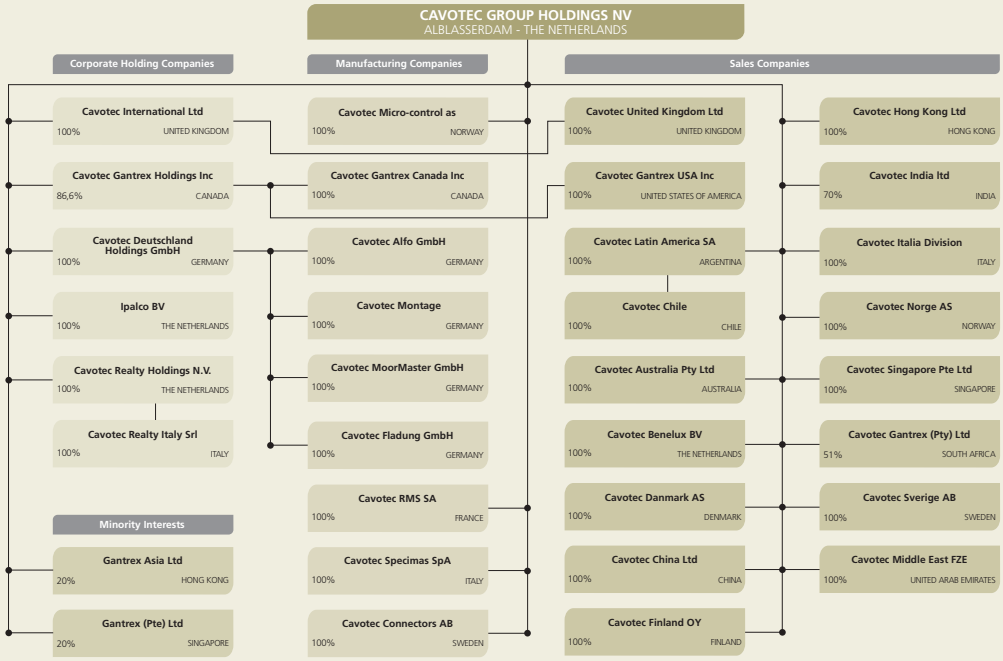
Note 12.
Directors

The Board of Directors of Cavotec Group Holdings NV consists of nine members.

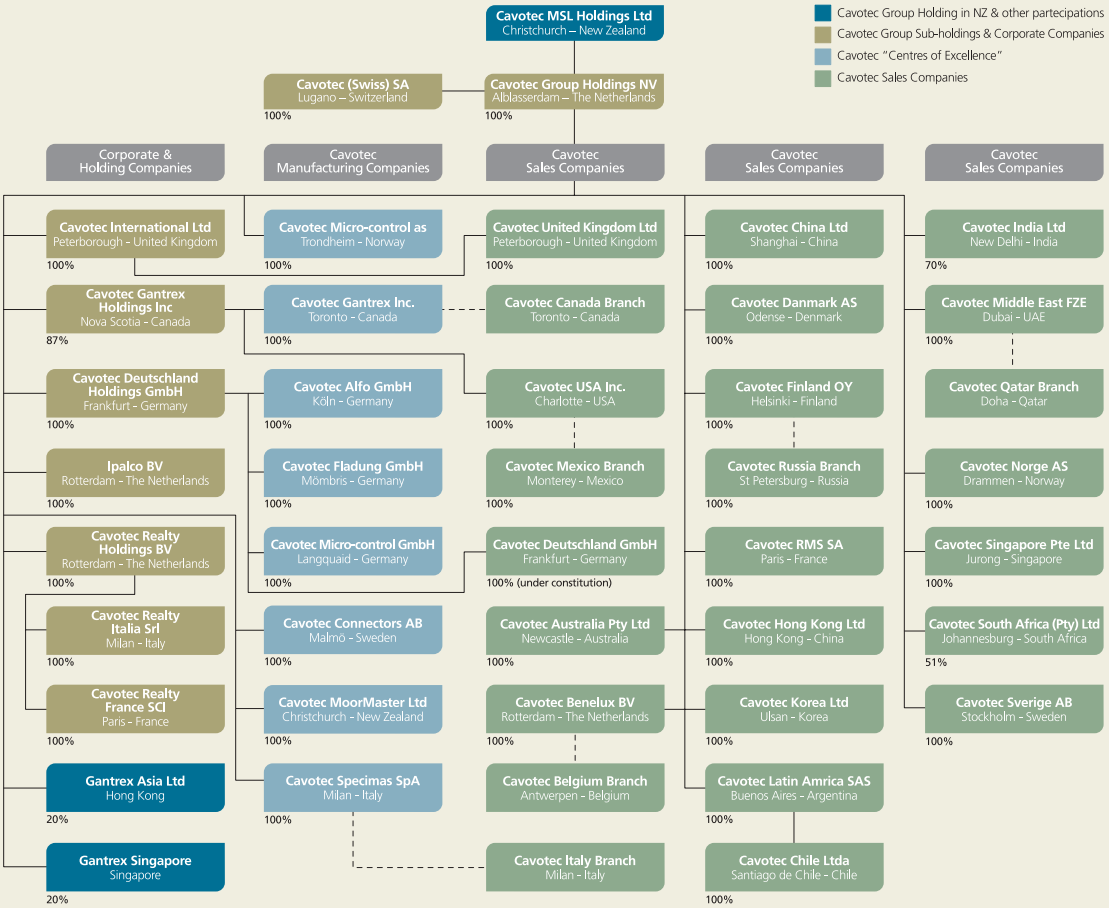
Ablasserdam, February 20th, 2007

The Board of Directors
Fabio Cannavale, Michael Cashin, Jack Groesbeek, Lars Hellman, Lakshmi C. Khanna, Erik Lautmann, Joe Pope, Ottonel Popesco, Stefan Widegren

CAVOTEC MAJOR SUBSIDIARIES AND PARTICIPATIONS
Cavotec Group Organisation Chart as per December 31, 2006



CAVOTEC MAJOR SUBSIDIARIES AND PARTICIPATIONS
Cavotec MSL Organisation Chart as per January 5, 2007



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R.C. de Man RA
Drs. E.P.H. van Ravenswoud RA
J.Th.M. van Schie RA

AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF CAVOTEC GROUP HOLDINGS NV

Report on the financial statements

We have audited the accompanying 2006 financial statements of Cavotec Group Holdings N.V. at Alblasserdam, which comprise the consolidated and company balance sheet as at December 31, 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and Dutch law. Those standard and Dutch law requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Cavotec Group Holdings N.V. as at December 31, 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rozenburg, February 23rd, 2007
EDO Registeraccountants en Belastingadviseurs

Edwin P.H. van Ravenswoud
Registeraccountant

Dividend proposal

"Management proposes not to declare any dividend on the 2006 year profits."

A member of:
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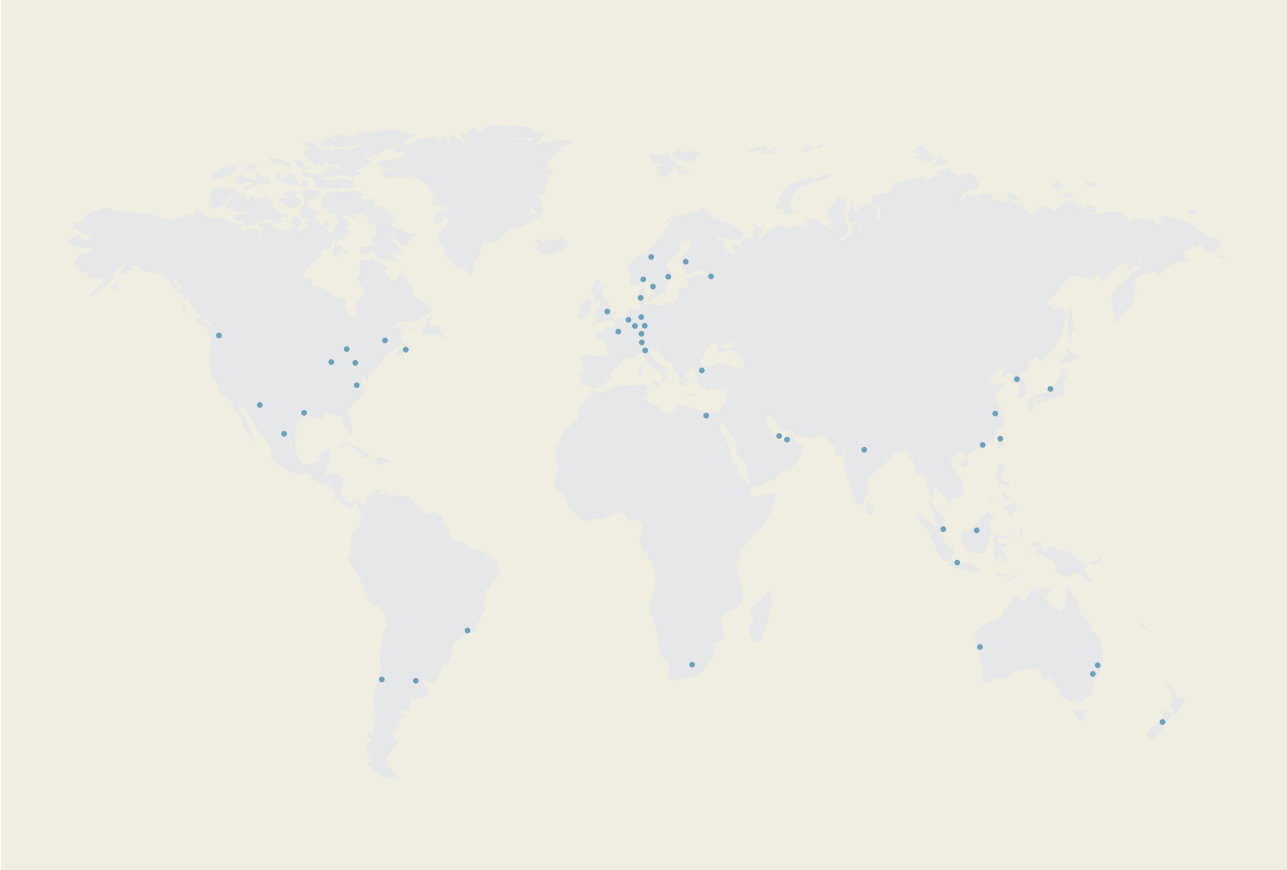

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Japan • Korea • Luxemburg • Malaysia
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Saudi Arabia • Singapore • South Africa • Sweden • Switzerland
Taiwan • Turkey • U.A.E. • U.K. • U.S.A.

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