Annual report

2014

CARGOTEC

Contents

Dear reader,

The past year was not a year of solid profit improvement, but it was one of solid progress.

Even though the overall financial results for 2014 were below our expectations, with 2014 in mind, I have an increasing confidence in our capabilities to meet our future targets.

At the close of the year, the figures in terms of operating profits for both Hiab and Kalmar show that our profit improvement programmes are delivering. The good progress in Kalmar was masked by a very large cost overrun in one of Kalmar's projects; this occurred during the first half of the year. MacGregor's profitability decreased from the previous years due to lower volumes and the tougher competitive environment we faced. These are a result of the exceptionally weak shipbuilding markets that we have seen in the past few years. To facilitate efforts to increase our profitability over the cycle, we launched a number of programmes in MacGregor during autumn 2014.

The year also saw us making solid progress in improving our business control environment. The coverage of our Hiab and Kalmar common frontline enterprise resource planning (ERP) is around 60 percent and we started to see a return on business benefits from the heavy investments of the past years. For instance, in 2014 we introduced a cloud-based system based on which all of our employee data is contained on one platform. This opens up potential new ways of building on our performance culture.

MacGregor initiated strategic programmes

MacGregor's year started out with a strong focus on integration and delivering the synergies after two important acquisitions: Hatlapa and Aker Solutions' mooring and loading systems unit. During the summer it became evident that the global economy was not improving according to forecasts and the merchant shipping market was not progressing at the expected speed. In the autumn the decline in oil prices added uncertainty. However, certain market areas remained stable, such as the market for offshore cargo handling equipment. The containership market outlook and demand for services also remained satisfactory, but overall year 2014 showed a need to improve MacGregor's capabilities to keep up with the ever-changing market environment.

To address and facilitate the necessary development actions, MacGregor initiated strategic programmes during the second half of the year. These ongoing programmes aim to improve our top line by better solution selling and cross-selling activities as well as increasing our services revenues and profitability. The reorganisation of MacGregor resulted into more customer-facing operations with better capabilities to drive effectiveness. This can be achieved, for example, through design-to-cost and design-to-service initiatives and leveraging research and develoment (R&D) and engineering more effectively across the different business units. However, MacGregor's order-to-delivery cycle being about two years it will take some time for its efforts to show their full force.

Kalmar is back in gear

Kalmar's very significant loss in the second quarter of 2014 – a major part of which related to a ship-to-shore crane project sold in 2012 – caused a serious setback to Kalmar's otherwise good year.

Excluding this second quarter's loss, Kalmar's profitability improvement programme did well through the year, with good results from actions relating to design-to-cost and new products introduced to the market in 2014, for instance.

At the close of the year, Kalmar was where we envisioned we would be in terms of profitability and we are making progress according to plans.

Hiab took a big leap forward

In 2014, Hiab set an example for the rest of Cargotec. Profit improvement advanced well and although there obviously remains significant room for improvement at Hiab, I have full confidence that it is on a winning track.

Hiab made solid progress in several profit acceleration areas: route-to-market actions, pricing, services including spare parts and supply development. This includes the restructuring of Hiab's operations at Hudiksvall in Sweden and expanding the facilities in Poland with a new paint shop, which bases its new sustainable pre-treatment and paint process nDurance™ on nanotechnology.

Hiab's profit acceleration programme will continue in 2015. There will be some changes in the programme's focus areas, as Hiab's development efforts are advancing well and creating results ahead of schedule.

Cargotec at the close of 2014: making progress in our must-win battles

2014 was a year of hard work and much progress, despite momentary setbacks and varied market situations around the globe. Growth picked up in certain markets such as North America, while others remained flat, or quite mixed, such as in Europe.

Looking at the results of all three business areas, it is clear our profit improvement actions are seeing significant progress, and we are advancing in the "must-win" battles mapped in our strategy. I want to sincerely thank all of our employees, as they have worked hard to get us to where we are at present.

The next chapter in Cargotec's future history

Cargotec has a unique position and extremely strong market position in the key parts of the cargo handling industry. Presently, there are over half a million Hiab cranes installed around the globe. Over one hundred thousand vehicles have Kalmar's mobile equipment. Every second ship in the world has MacGregor equipment on it.

> **"Presently, there are over half a million Hiab cranes installed around the globe. Over one hundred thousand Kalmar mobile equipment move cargo. Every second ship in the world has MacGregor equipment on it."**

Cargotec's brand leadership is grounded on in-depth knowledge and understanding of our industries and extremely strong customer relations. Our customer satisfaction ratings tell a story of stellar relationships and attachments to our brands. In most of our current segments, we are not only a strong market leader; we also have some of the best business-to-business brands in the world.

This strong position in the market puts us in a unique position: we can create new markets and product categories and impact the entire industry with our innovations and decisions. We will keep pushing to improve and to shape a future we are proud of.

Sustainability has always been integral to our business. We work hard to ensure our employees and partners know the importance of ethical, transparent and ecologically conscious decisions in everything we do. In years to come, the importance of sustainability will continue to increase.

We are about to embark on a new leg of our journey. Our aim is simple: to shape the cargo handling industry. Cargotec will reach this target with two interlinked spearheads:

- digitalisation, and
- smart sustainability.

These two forces will drive fundamental changes our industry. They are upcoming megatrends, with immediate appeal among smart customers: forerunners looking for long-term benefits and new ways to create growth and value.

Most importantly, they make good business sense. The single largest cost item for most of our customers is energy costs. Commonly, the sustainable option and the digitalised solution are also the options with the greatest promises for profit. Energy efficient, safe and intelligent solutions help create better business for our customers.

Our market power gives us tremendous future opportunities to enhance personal growth and development among our employees, and to bring growth and profitability to our shareholders. Above all, it enables us to shape our industry, and bring unrivalled value to our customers by helping them improve their own businesses.

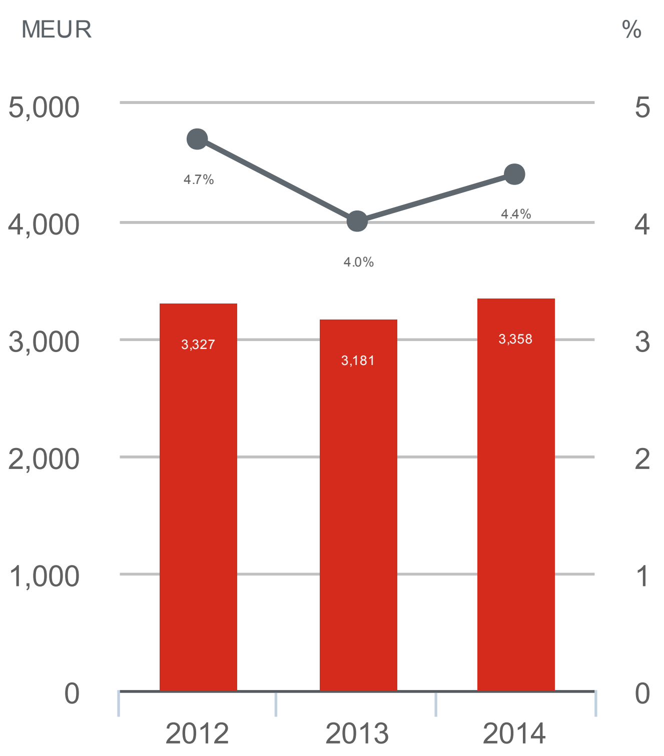
I would like to take this opportunity to thank all of our customers, who have shown trust in our capabilities to serve them, globally. In 2014, our customers have challenged us and together we have created solutions that will prove to be durable in the changing environment. In the coming years, we intend to do even better to meet customer needs, enhance customer intimacy through key account management, and focus on value based marketing, along with the many other initiatives we will undertake. Some of these we have already launched; others are planned for 2015 and the years to follow.

Year 2014 was a decisive step forward for Cargotec. I want to thank our shareholders, who believe in our ability to generate improved returns. I am excited about the vast array of opportunities the future holds.

Mika Vehviläinen
President and CEO

Cargotec in brief

Cargotec is a leading provider of cargo handling solutions. We shape the cargo handling industry for the benefit of our customers and shareholders. Our products are can be found in every major cargo hub worldwide. They are used in ships, ports, terminals, distribution centres, heavy industry and in on-road load handling.



Sales and operating profit margin

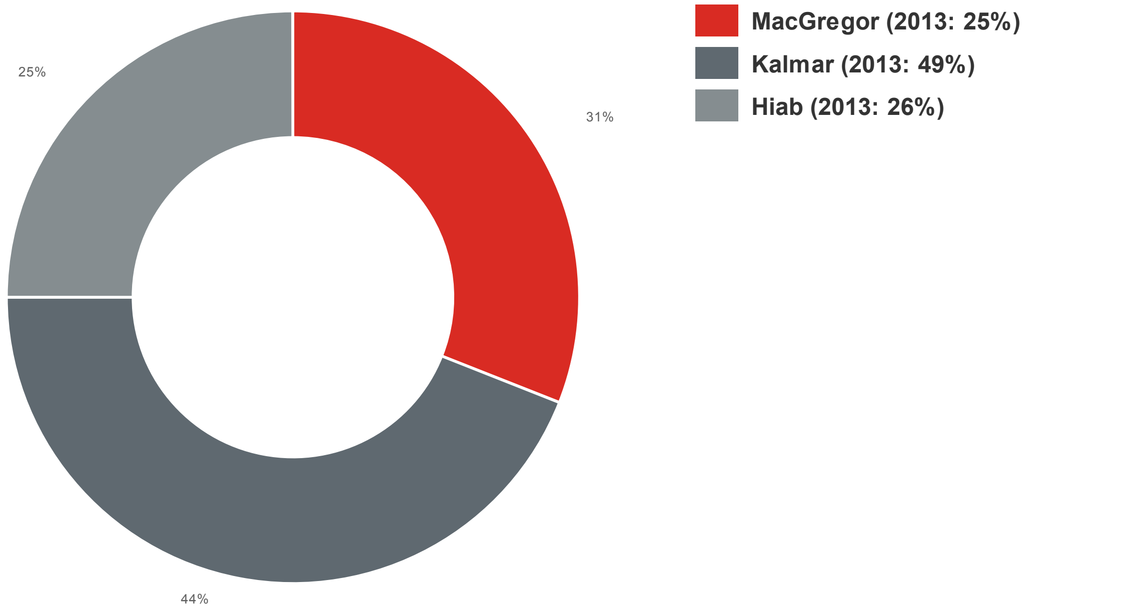
Cargotec has three business areas: MacGregor, Kalmar and Hiab, which are recognised leaders in cargo and load handling solutions around the world. Their global network is positioned close to customers and offers extensive services that ensure a continuous, reliable and sustainable performance according to customers' needs.

MacGregor provides integrated cargo and load handling solutions and services for the maritime transportation and offshore industries. Kalmar offering consists of container and cargo handling equipment and related services, automation, software and integration solutions as well as Navis terminal operating systems (TOS), Bromma spreaders and Siwertell bulk handling systems. Hiab products and related services are used in on-road transport and delivery.

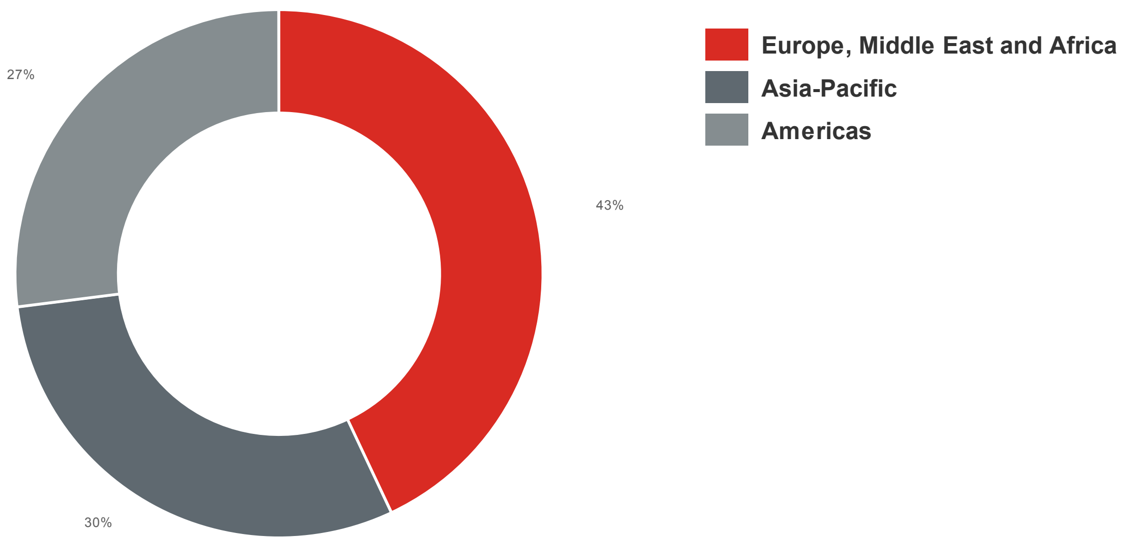
Cargotec was formed in 2005. However, our three business areas have much longer histories during which their know-how, product offering and customer relationships have grown. These deep roots and accumulated knowledge are reflected in Cargotec’s strong brands.

Cargotec’s corporate headquarters is located in Helsinki, Finland, while the business areas’ production facilities are located in China, Finland, Germany, India, Ireland, Malaysia, Norway, Poland, South Korea, Spain, Sweden, the United Kingdom and the United States. A big part of our manufacturing has been outsourced to partner plants located mainly in Asia.

Sales by business area

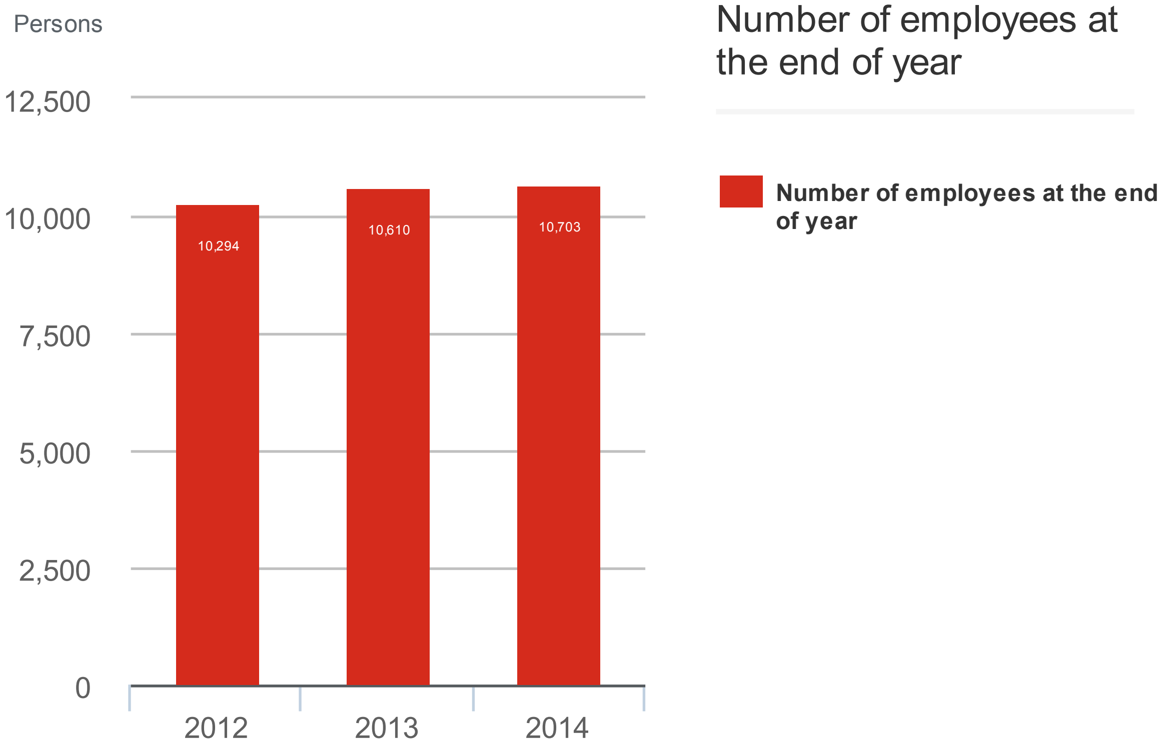


Sales by market area 2014

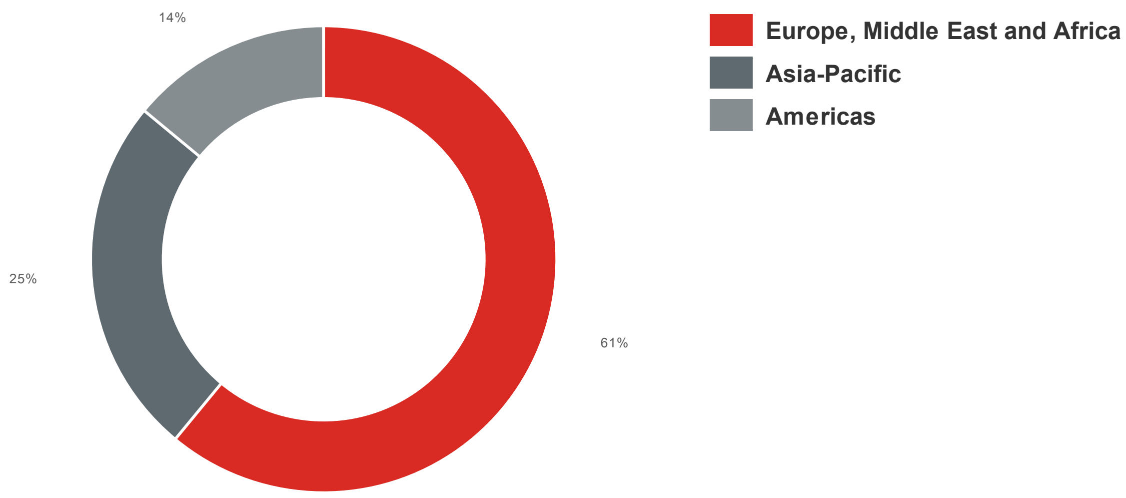


At the end of 2014, we had a total of 10,703 (2013: 10,610) employees. With operations in more than 100 countries, of which we have our own employees in 46, we have a unique sales and service network and we can serve our customers locally ensuring the continuous operation of their equipment.

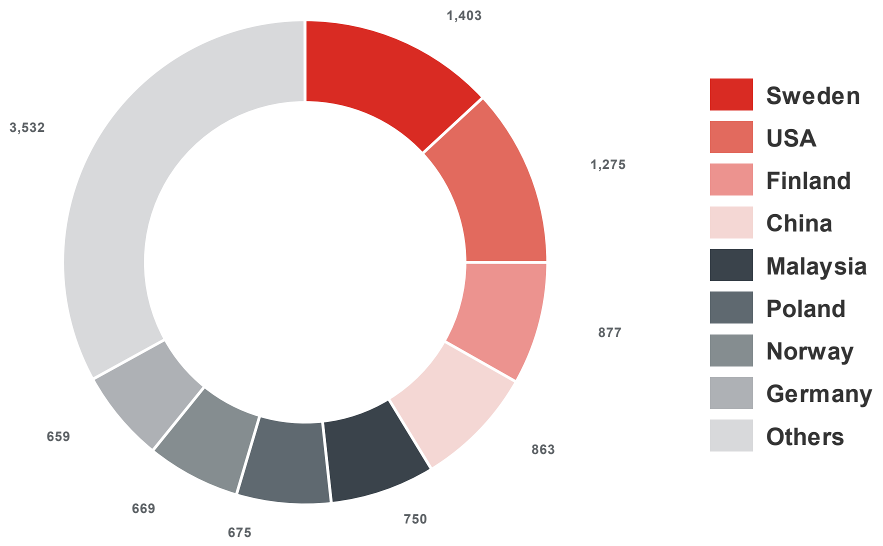
Number of employees at the end of year



Employees by region 31 December 2014

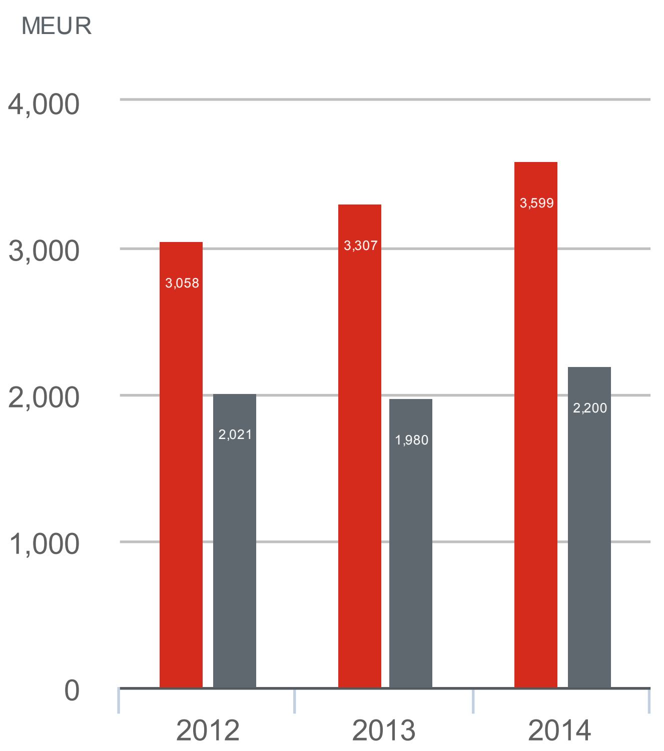


Personnel by countries 31 December 2014

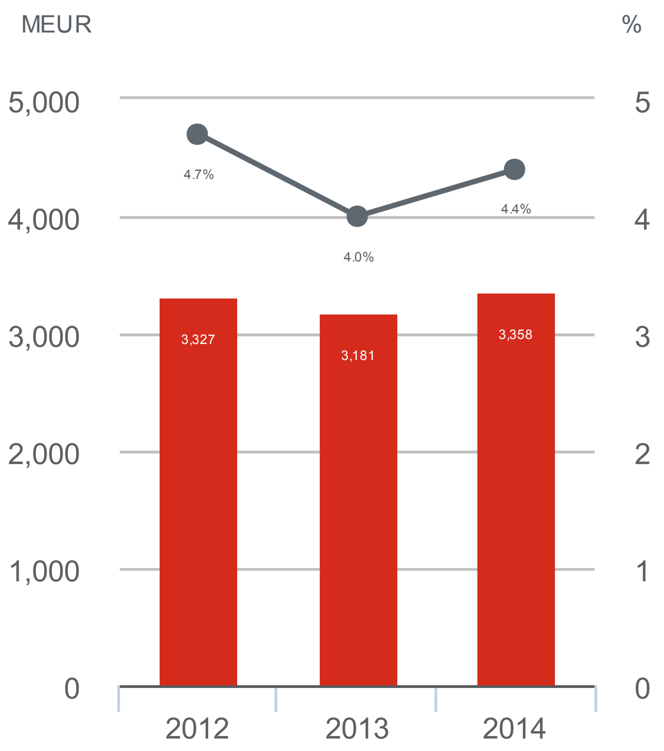


Key ratios

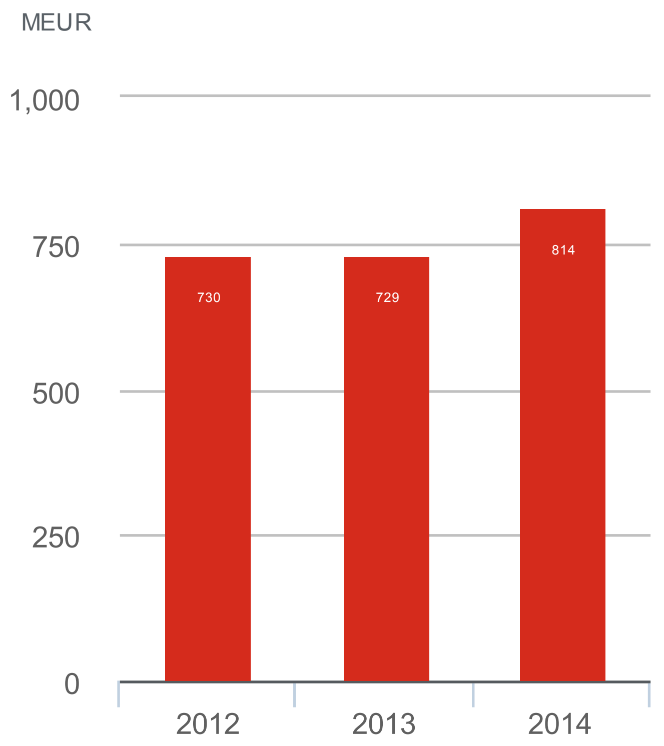
Orders received and order book



Sales and operating profit margin

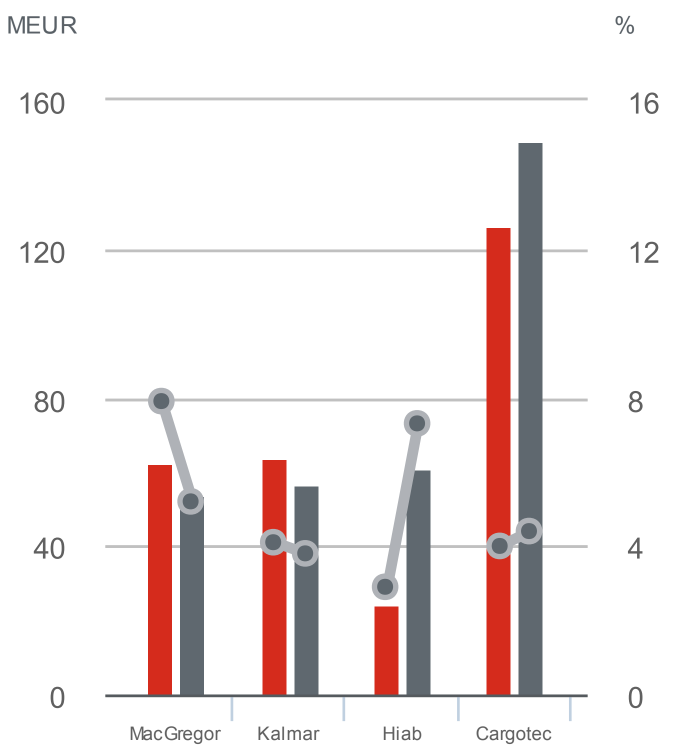


Services sales



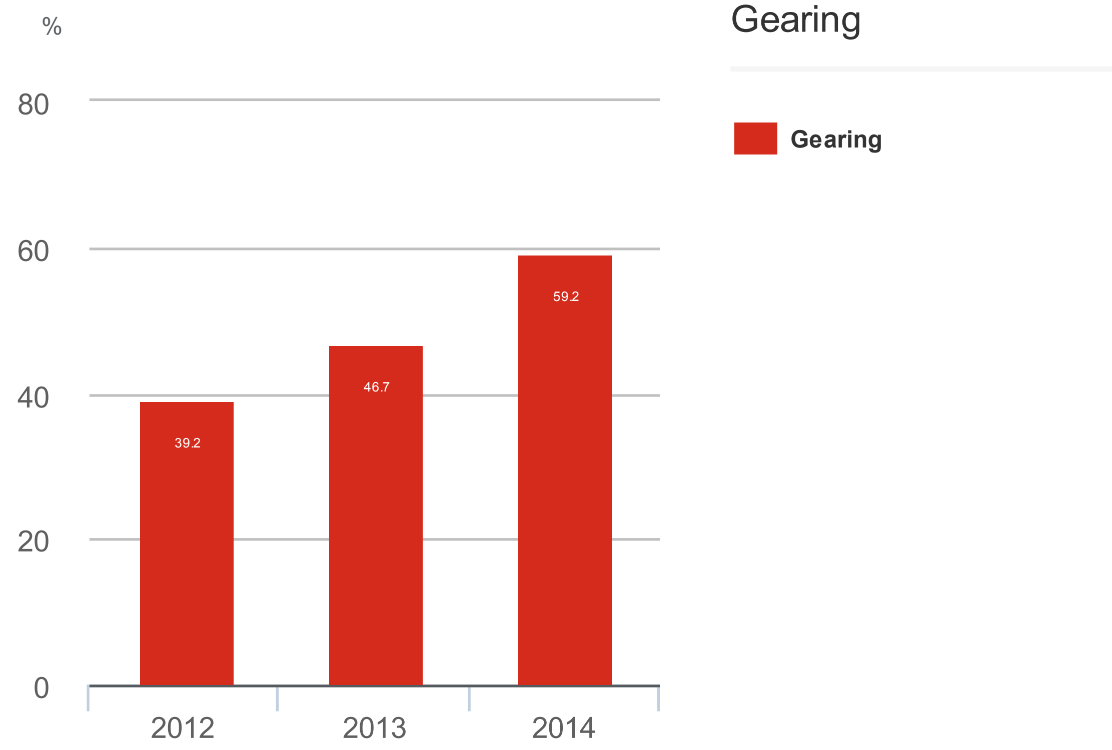
Services sales

Operating profit by business area, excluding restructuring costs

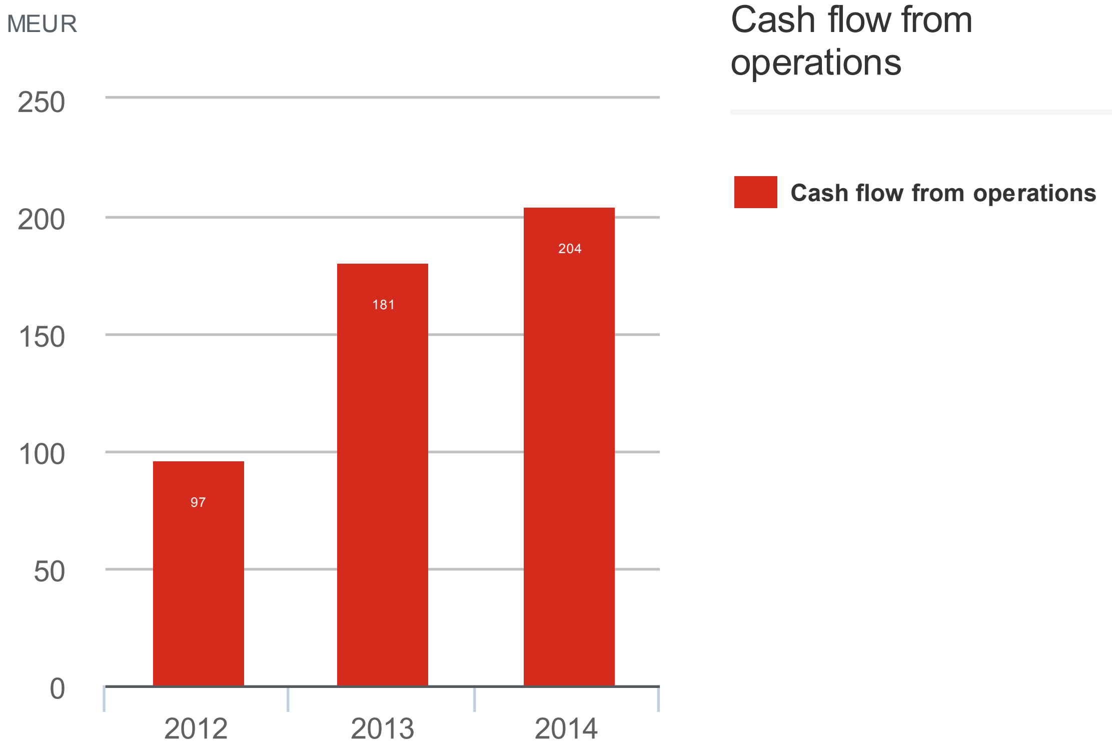


2013
2014
Operating profit margin excl. restructuring costs

Gearing



Cash flow from operations



Cargotec's strategy

Cargotec's primary strategic goal in all our operations is to bring value to our customers and shareholders. You cannot talk about Cargotec's strategy without recognising the immense importance of our brands. MacGregor, Kalmar and Hiab are extremely well known, highly respected brands that hold strong emotional attachments with our customers. They are the foundation we build on. Staying in tune with our customers' changing needs and meeting and exceeding their expectations with our products, solutions and services is the key long-term goal our strategy aims to meet.

We have intentionally kept operational issues as a strong focal point throughout the year in all our businesses, as we believe that the best return on shareholder value comes from fixing our businesses and turning them around to a clear path of profit acceleration.

Our strategic focus in Hiab and Kalmar during 2014 has been driving profit improvement through the wide array of actions initiated a year earlier. The actions targeted a EUR 40 million run-rate improvement by the end of 2014 in both business areas, and both of them achieved their target, Hiab with a wide margin. We are proud of the progress made, and we will intensify our efforts further to ensure our businesses reach their full potential.

MacGregor concentrated on the integration of the strategic growth platform offered to us by the acquisitions of Hatlapa and Aker Solutions' mooring and loading systems unit. In addition, to ensure agility and value creation in a challenging market environment, several strategic programmes were initiated at MacGregor during autumn 2014. The main focus of these strategic programmes is to keep ahead of market change and uncertainty with improved performance in areas such as sales, services, and procurement and also through the launch of a new customer-orientated organisation within MacGregor.

Cargotec´s current strategic goals are best described and summarised with Cargotec's five "must-win" battles. Our focus on these five "must-win" battles has brought results and progress in 2014. The work continues with fine-tuning, emphasis is put on turning the businesses around and achieving the set goals. The "must-win" battles are:

- Driving Hiab to best in class profitability and capital return
- Driving MacGregor profitability over the cycle through better effectiveness
- Safeguarding Kalmar's competitiveness and profitability in mobile equipment
- Driving services offering development and growth in Kalmar and MacGregor
- Driving growth in automation in Kalmar.

We have every intention and possibility to succeed in reaching these strategic goals. They are an important stepping stone for Cargotec in building a sustainable foundation, although they should not be taken as a reflection of our long term ambitions. In the longer term our direct competitors will not be our benchmark; as the best-in-class machinery companies all over the world will set the bar for what we aspire to top.

The future of the cargo handling industry relies on smart sustainability and digitalisation

Our long-term strategy is to shape the cargo handling industry. The upcoming megatrends, smart sustainability and digitalisation, will change our industry. Cargotec's world-class business-to-business brands put us in a paramount position to shape the future of the entire industry.

The pressure for improved sustainability in logistics is rising and we are investing heavily in the upcoming years to provide our customers with sustainable solutions. Digitalisation is present already today and we are discussing how to develop, produce, manufacture and supply, sell and maintain our equipment in the future utilising available technology. In addition, we are innovating completely new ways to create value in the cargo handling industry by leveraging our unique position and capabilities.

Our business areas MacGregor, Kalmar and Hiab, describe their strategies in the **"Business areas in 2014"** section of this report and also on their own websites.

The role of Cargotec's corporate functions is to maximise shareholder value and ensure MacGregor, Kalmar and Hiab reach their goals. Cargotec works hard to ensure it adheres to solid corporate governance and ethics in its business operations.

Financial targets

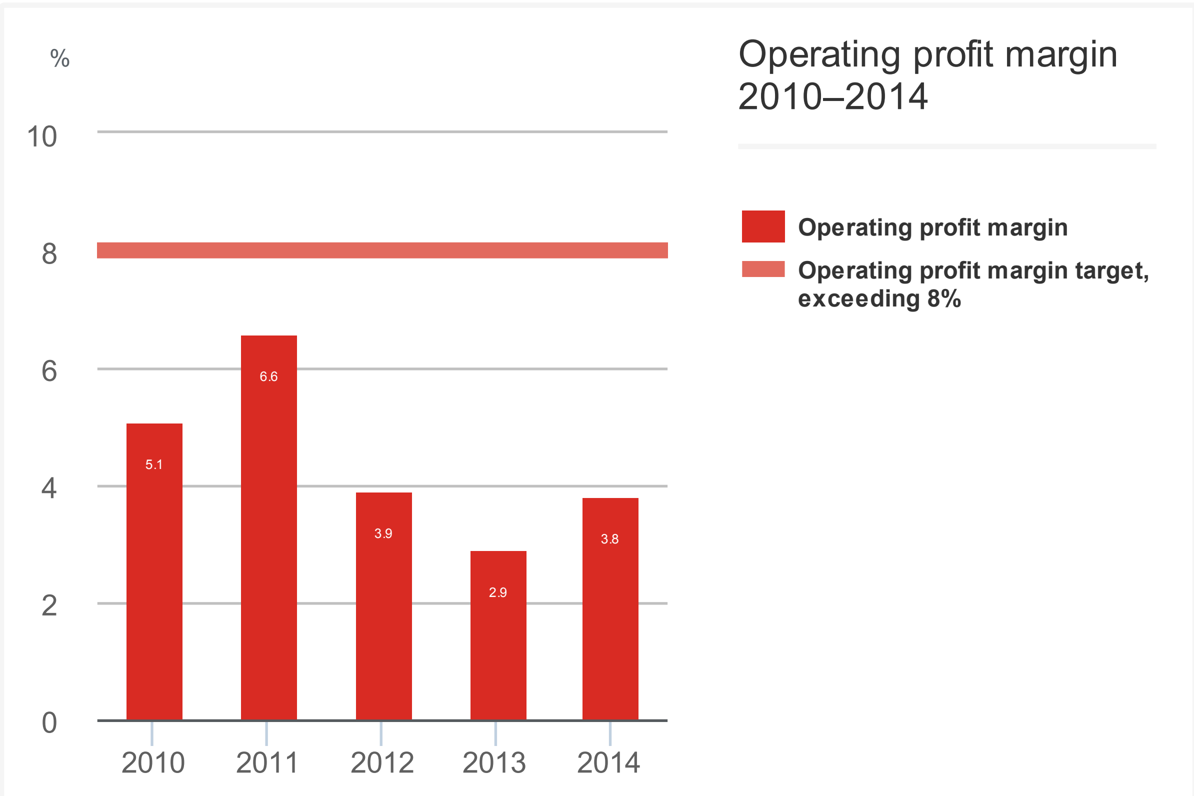
Cargotec's financial targets reflect our continued focus to strengthen market leadership and improve profitability in all of Cargotec's three business areas during 2015–2016. Already on-going actions to improve offering competitiveness, drive profitable growth in services and enhance sales and distribution operations globally will be further intensified and developed.

Two key financial targets remain unchanged: retaining gearing below 50 percent and distributing a dividend of 30–50 percent of earnings per share to owners. Profitability improvement and focus on cash generation are central in bringing the gearing down to the targeted level after the recent acquisitions in MacGregor.

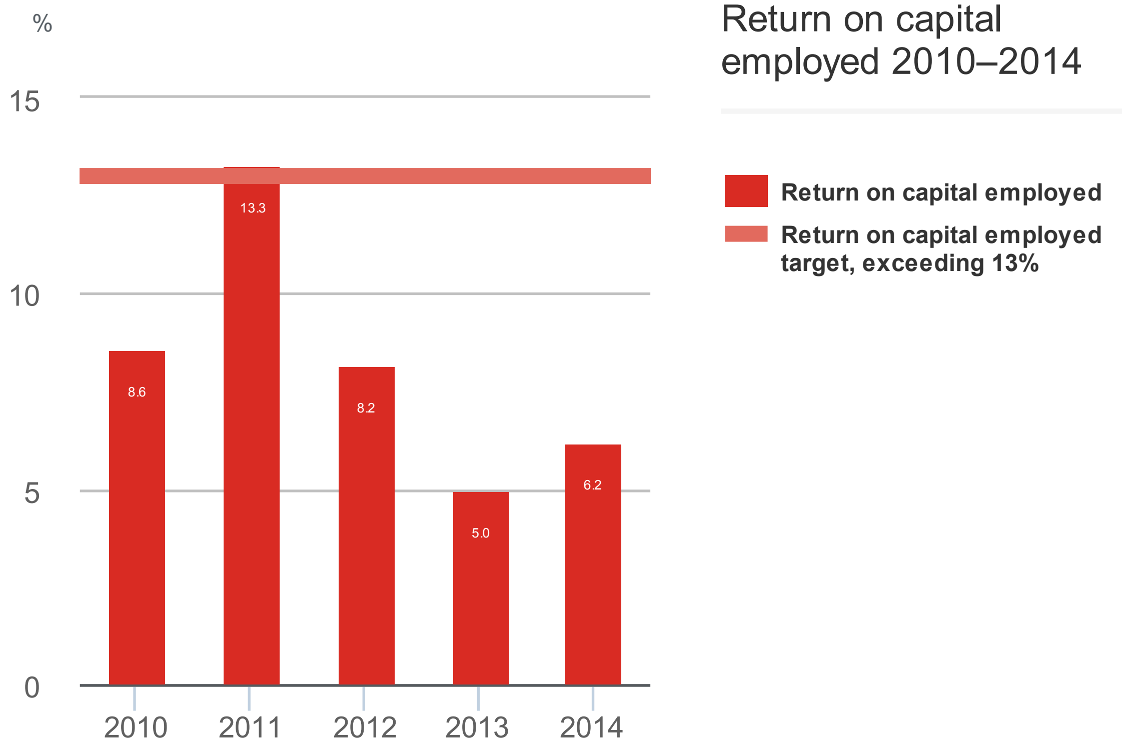
A new target for return on capital employed has been established in order to ensure better shareholder value creation, mainly by increased focus on net working capital efficiency in the three business areas.

Cargotec's Board of Directors has confirmed the following financial targets for Cargotec Corporation for 2016:

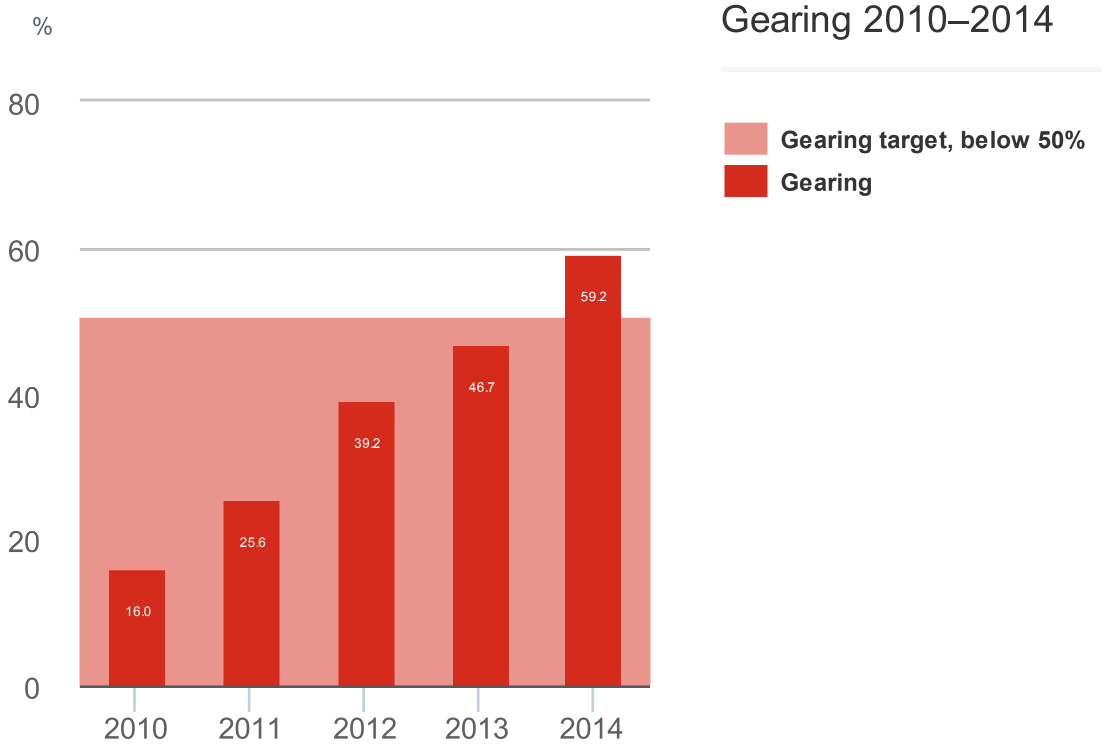
- Operating profit (EBIT) margin exceeding 8 percent
- Return on capital employed (ROCE pre-tax) exceeding 13 percent
- Gearing below 50 percent
- Dividend 30–50 percent of earnings per share



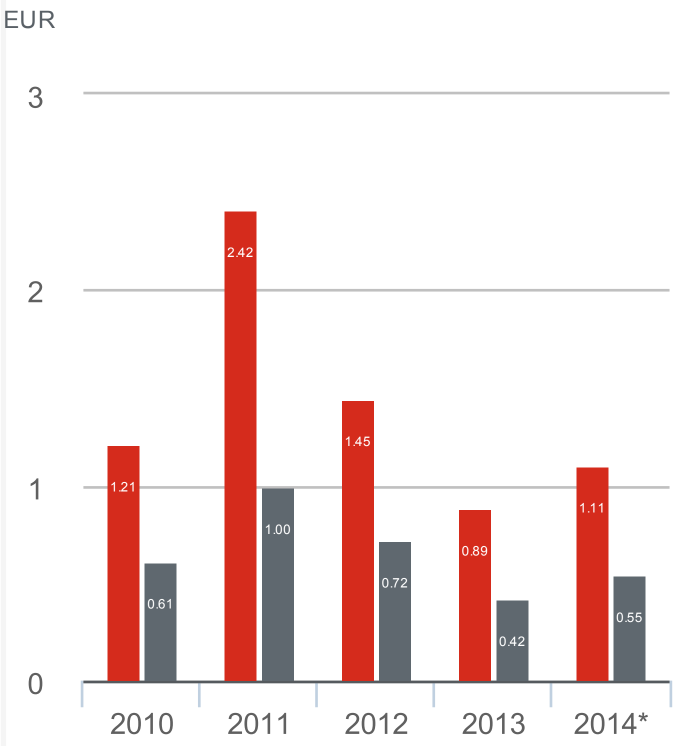
Return on capital employed 2010–2014



Gearing 2010–2014

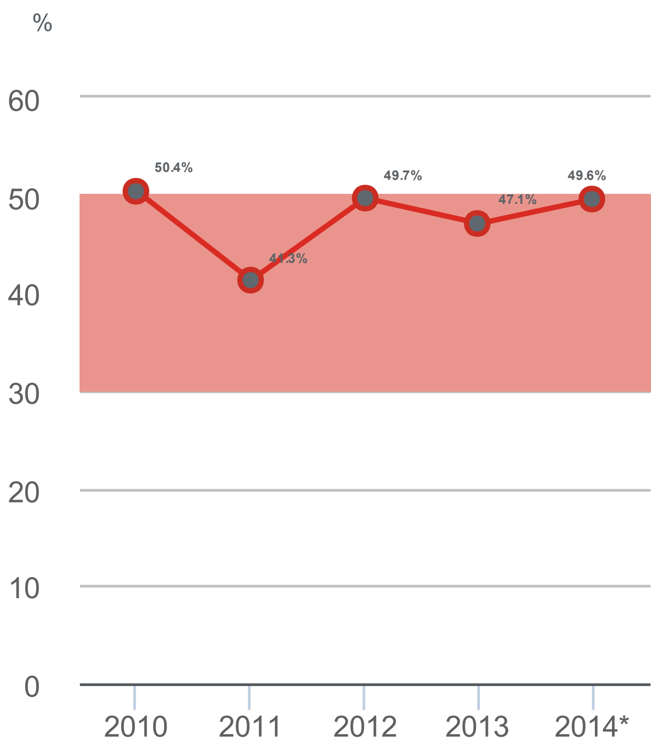


Earnings per share and dividend



EPS
Dividend per B class share
(* Board's proposal for dividend)

Dividend/EPS, class B share



Dividend/EPS target, 30–50%
Dividend/EPS, %
(* Board's proposal)

Systematic sustainability development – one step at a time

Cargotec's work to ensure and enhance sustainability in all operations can be traced back to the origins of our company. Until now, we have focused on developing our internal sustainability processes and implementing our Code of Conduct.

Today, we have a systematic approach to benchmarking, developing and leading our sustainability and sustainability reporting. We actively analyse the market and know where we stand in relation to our peers and our stakeholder's expectations. Our development work is goal-oriented and progressing. A new step in sustainability reporting will be taken in April 2015, when we publish our first Sustainability report.

Governance

Cargotec's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the company's Articles of Association and the rules and guidelines of NASDAQ OMX Helsinki Ltd. Cargotec complies without exception with the Finnish Corporate Governance Code 2010.

Cargotec issues annually the corporate governance statement and the remuneration statement. They are disclosed together with the financial statements and Board of Directors' report.

Cargotec corporate governance statement 2014 ››

Cargotec remuneration statement 2014 ››

Risk analysis and risk management in 2014

Cargotec's corporate risk review consists of continuous risk identification, and risk impact and probability assessment. For the most critical risks, Cargotec uses mitigation planning to bring risks to an acceptable level.

Strategic and support function risk reviews were conducted with the Board of Directors' Audit and Risk Management Committee in September 2014 and further with the Board of Directors in October. These risks included longer-term risks for the upcoming 3–5 years.

Our annual corporate risk review for 2014 involved all Cargotec business units and main risk categories. Operational and business risks – typically assessed with a time frame of one year – were reviewed as a part of our budget planning for 2015 in cooperation with all business units and thereafter with the Board of Directors' Audit and Risk Management Committee and further with the Board of Directors in December 2014.

Main risks identified in 2014

Trade wars, the escalating economic downturn (mainly in Europe), oil price development, and lower growth in Asia are the main market-related risks identified for Cargotec in 2014.

Strategic and business risks

Trade wars and international crises add to market risks

As tension increases between the major power blocs – the USA, the EU, China, Russia, and Japan – and protectionism grows, trade wars become more likely. International crises such as the situation in Ukraine have escalated in 2014, bringing additional risk to the unstable world economy and market uncertainty.

Protectionism, constrained financing, halted investments and reduced global demand for cargo handling equipment top our corporate risk radar for 2014. In addition, new strategic risks identified in 2014 include the possibility of Hiab losing out on opportunities in BRIC countries (Brazil, Russia, India and China).

Personnel risk

The availability of competent human resources is both an operational and strategic risk and as such part of many of Cargotec's identified main risks, and important to our execution capability. Recruiting necessary new talent and training existing personnel to meet changing business needs is a major challenge. Cargotec's main people-related risks are retaining key human resources and knowledge, as well as the availability of a competent workforce at new sites. Other significant risks include effective information and knowledge sharing, and information security, as well as the development of Cargotec's performance culture.

Risks with changes in organisational structure

The year 2014 was marked by adapting to changes that had taken place the previous year: operating in three independent business areas, creating synergies from acquisitions accomplished both in 2013 and 2014, and closing and opening new facilities. Changes in organisational structure always include risk. Change may not be as successful as planned and set goals are not always achieved, therefore creating unexpected costs and slippages in business-related estimates.

Important opportunities always include risks: digitalisation and automation

Several identified risks and risk management actions taken in 2014 involve the possibility of positive scenarios not developing as hoped, or Cargotec not being able to meet our set targets as planned. They are first and foremost opportunities for Cargotec, but as such naturally also involve risks. Digitalisation and automation are changing the future of cargo handling and impacting all Cargotec businesses. The internet of things, new sales, production and logistic methods are changing the markets and creating new kinds of customer requirements and competition. In these trends, there are additional risks of lagging behind progress despite major development efforts, and not keeping up to par with technology or changing customer needs and demands.

Operational risks

Project risks remain high

Project risk is high not only in major Kalmar sales projects, but also in other non-standard sales and development projects for all Cargotec business areas.

The extent and complexity of large projects may cause problems, especially at the implementation stage. Other project-related risks include contractual risks, risks related to employee skills, the development of new technology, and transportation risks. In projects with cutting-edge technology such as automation projects, development may turn out to be more difficult and expensive than expected and implementation may be delayed.

Business interruption risk increased in China

In China, business interruption risk has increased during the past few years as production concentrates in the Yangtze River area, and many Kalmar and MacGregor divisions rely on supply from this high flood risk area, thus creating not only an operational risk, but also a safety and hazard risk. Other risks in China include complex project contract structure in joint venture deliveries such as Rainbow-Cargotec Industries. The total risk probability and consequence have been reduced, but uncertainties still remain.

Legal risks: contract risks are rising

International restrictions and sanctions have tightened and contract risks have gained momentum in our risk assessment. Ongoing changes in offshore contracts provide a good example of this: offshores' longstanding industry practice – known as the knock-for-knock liability condition – is changing. Cargotec has addressed this risk by developing legal and contractual competence and ensuring sufficient legal support for sales.

Individual contracts are becoming larger, customers have new sales conditions, and joint venture agreements can add complexity to contracts and agreements. Contract and compliance risks may also come from assumed liabilities in mergers and acquisitions. International trade restrictions and competition and anti-bribery legislation are continually changing and thus create a risk that requires continuous follow-up and development of self-monitoring.

In addition, intellectual property rights pose risks of data theft and patent infringements, for example, and possible technically or contractually unclear cases could involve claims for compensation addressed to Cargotec.

Risks in information management

Critical information management risks include cyber security, implementing our current business system platform and other key information management risks in infrastructure and business application continuity.

Suppliers – financial stability and quality risks

Main supplier risks include the financial stability of suppliers and possible supplier quality problems that could be a risk to Cargotec's reputation. Supplier risks include delivery time and capacity and the suppliers' ability to change in tune with Cargotec's supply footprint and product offering and abide by Cargotec's procurement specifications and Code of Conduct. Finally, Cargotec's multi-assembly unit production concept also requires that suppliers are able to increase the scope of their deliveries.

Production risk low

A lack of production capacity is not a high short-term risk for Cargotec, yet this risk may increase with time. Production structure risks include arranging inbound and outbound logistics and maintaining a balance between capacity and demand, as well as retaining key capabilities and personnel. In addition, actions to improve cost structure, delivery times and quality may prove to be more demanding than expected and Cargotec also keeps a keen eye on possible supply footprint changes.

Material costs cause risks in all economic situations

A continued recession may create financial difficulties among suppliers, cause delivery challenges and in worst-case scenario, bankruptcies. Also, a continued downturn may increase aggressive pricing in the markets, which may be difficult to transfer to purchase prices.

The risk of material and component cost fluctuations is currently small, but any possible economic upturn on the horizon must be foreseen early enough, as rising material costs will not be immediately transferrable to Cargotec delivery prices. Suppliers may not invest in new capacity in time before the next upturn, which could cause delivery bottlenecks as demand picks up.

Risks involving safety, hazard and our environment

Employee, customer and third party health, safety and environmental risks are carefully considered and continuously monitored by Cargotec as top priorities in our risk evaluation and management processes. These risks are assessed separately and also considered as a part of all other risk evaluations, as safety, hazard and environmental issues may be present in nearly all our businesses.

On a global scale, Cargotec has increased the proportion of subcontracting and has incorporated a flexible multi-assembly unit production concept in its own locations. These actions have reduced the potential direct impacts of a natural catastrophe, fire or other external risk to production – but to a certain extent, transferred the business interruption risk to suppliers and subcontractors. Cargotec takes careful measures to reduce this risk with enhanced analysis of the business interruption risks to the supply chain.

Financial risks

Cargotec's existing centralised corporate treasury processes have reduced interest, currency, counterparty, operational, liquidity and refinancing risks. Nevertheless, a major recession and a global financial crisis would increase liquidity and refinancing risks. Additional identified risks include customer credit risk including bankruptcy, order cancellations and delayed payments. Suppliers may require increased advance payments. In insolvency this may lead to delivery problems and/or financial losses.

Decreased risks

Certain risks have decreased compared to last year. Hiab's turnaround risk is considerably lower due to actions taken in the profit acceleration programme. Another lowered risk is the integration of newly acquired businesses. Major negative impacts are possible but as the integration has matured, the risk is estimated to be at a considerably lower level than a year ago and in 2014 this risk was also mitigated by MacGregor's strategic programmes. Other risks that remain on our radar but which have moved from strategic to operational risks include the implementation of our common business platform and enterprise resource planning system, which is now well under way. Customer risk naturally remains, as do supply footprint risks, but these risks are now incorporated under other risk topics – for example, supply footprint is considered in Hiab's turnaround risk.

Investor information

Cargotec’s class B shares are quoted on the Large Cap list of NASDAQ OMX Helsinki Ltd under symbol CGCBV. The company also has unlisted A shares. Each class A share has one vote and each complete lot of ten class B shares has one vote in the Shareholders’ Meeting, with the provision that each shareholder is entitled to at least one vote.

Share information	Class B share
Listing	NASDAQ OMX Helsinki Ltd
Date of listing	1 June 2005
Trading currency	Euro
Sector	Industrials
Trading ticker	CGCBV
ISIN code	FI0009013429
Trading lot	1 share
Reuters ticker	CGC.HE
Bloomberg ticker	CGCBV FH

Stock option information	2010A stock option	2010B stock option
Listing	NASDAQ OMX Helsinki Ltd	NASDAQ OMX Helsinki Ltd
Date of listing	2 April 2013	1 April 2014
Trading currency	Euro	Euro
Trading ticker	CGCBVEW110	CGCBVEW210
ISIN code	FI4000061106	FI4000061114
Number of listed stock options 31 December 2014	268,222	20,496
Subscription ratio	1:1	1:1
Subscription price, EUR	18.60	29.09
Subscription period	1 April 2013–30 April 2015	1 April 2014–30 April 2016

Investor relations

Cargotec Investor Relations (IR) provides information on the company as an investment and serves Cargotec's shareholders and other capital market participants. The aim is to provide reliable and timely information regularly and on an equitable basis in support of a fair valuation of the company's shares.

Investor relations activities in 2014

During 2014, Cargotec conducted around 230 IR meetings. The interest towards Cargotec grew from 2013. The IR team, consisting of Cargotec’s President and CEO, CFO and IR Director, conducted meetings in Finland, Sweden, the UK, France, Germany, Switzerland as well as on the east coast of the USA. In addition to one-on-one meetings, several group meetings were hosted in Finland, South Korea and Japan. The IR team also gave presentations at a number of investor seminars for institutional investors in Finland and abroad. Cargotec’s Capital Markets Day, held in November in Helsinki, Finland, was attended by 45 institutional investors, analysts and bankers.

Silent period

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

Disclosure policy

Cargotec **disclosure policy** is approved by the Board of Directors and it describes Cargotec's main principles for disclosing price sensitive information to the company's stakeholders and communicating with the capital markets. Cargotec's information disclosure as a Finnish listed company is regulated by the Finnish and EU legislation as well as rules, standards and recommendations of NASDAQ OMX Helsinki Ltd, the Finnish Financial Supervision Authority and company's corporate governance principles. Cargotec adheres to all this regulation in its communications.

Market estimates

Cargotec will review, upon request, analysts' reports or models for factual accuracy on the basis of information that is public. However, Cargotec accepts no liability for the views or comments expressed by the banks, stockbrokers or analysts, or for projections made on the value of Cargotec Corporation's share, its performance or the financial performance of the company expressed in any analyses.

Financial reporting in 2015

- 10 February 2015: financial statements review 2014
- Week 7: financial statements 2014 and annual report 2014
- 28 April 2015: January–March 2015 interim report
- 21 July 2015: January–June 2015 interim report
- 21 October 2015: January–September 2015 interim report

Publication of financials

Cargotec Corporation publishes its financial reports and stock exchange and press releases in English. Financial reports and stock exchange and the most significant press releases are published also in Finnish. The reports and releases are available on the company's website at **www.cargotec.com**, where they can be ordered to be sent by e-mail. In addition, financial reports can be ordered by mail from Cargotec Corporation, Investor Relations, P.O. Box 61, FI-00501 Helsinki, Finland, by e-mail from ir(at)cargotec.com or by telephone from +358 20 777 4105.

Changes in addresses

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

Annual General Meeting 2015

Cargotec Corporation's Annual General Meeting (AGM) will be held at the Marina Congress Center, at Katajanokanlaituri 6, Helsinki, Finland on Wednesday, 18 March 2015 at 1:00 p.m. (EET). The meeting will be held in Finnish. The notice of the meeting and other meeting material will be available on the **investor pages** at the company website.

Notification of participation

Shareholders who wish to attend the meeting must notify Cargotec no later than 4 p.m. (EET) on 13 March 2015 either:

- on the website **www.cargotec.com**
- by mail: Cargotec Corporation, AGM, P.O. Box 61, FI-00501 Helsinki, Finland
- by telephone: +358 20 777 6872, Monday to Friday between 9 a.m. and 4 p.m. (EET), or
- by fax: +358 20 777 4036.

Contact us

Cargotec Corporation
Porkkalankatu 5, Helsinki, Finland
P.O. Box 61, FI-00501 Helsinki
Tel. +358 20 777 4000
Business Identity Code 1927402-8
Domicile: Helsinki, Finland

Corporate Communications

communications(at)cargotec.com

Anne Westersund
Senior Vice President, Communications and Public Affairs
Tel. +358 20 777 4460
anne.westersund(at)cargotec.com

Cargotec Investor Relations

ir(at)cargotec.com

Meeting requests

Tiina Aaltonen
Executive Assistant
Tel. +358 20 777 4105
tiina.aaltonen(at)cargotec.com

Paula Liimatta
Director, Investor Relations
Tel. +358 20 777 4084
paula.liimatta(at)cargotec.com

Eeva Sipilä
Executive Vice President, Chief Financial Officer
Tel. +358 20 777 4104
eeva.sipila(at)cargotec.com

"MacGregor provides integrated cargo and load handling solutions and services with its strong brands."

MacGregor in brief

MacGregor provides integrated cargo and load handling solutions and services for the maritime transportation and offshore industries. MacGregor serves its global customers with solutions that integrate cargo access, stowage, care and handling functions to suit a particular ship's cargo profile. This benefits the vessel's productivity, reduces environmental impact and increases service lifetime.

MacGregor's integrated solutions include strong, well-recognised brands: MacGregor, Hatlapa, Porsgrunn, Pusnes, Triplex and Woodfield.

MacGregor's offering for ships includes MacGregor hatch covers, lashing systems, cranes, RoRo cargo and passenger access equipment and self-unloading systems. The extensive winch portfolio includes MacGregor, Hatlapa and Pusnes winches. Included in portfolio are also Hatlapa and Porsgrunn steering gear as well as Hatlapa compressors. For the offshore industry, MacGregor's product portfolio includes Pusnes mooring and loading systems; a broad range of MacGregor advanced solutions for subsea load handling; MacGregor, Hatlapa and Pusnes anchor handling, towing and mooring systems; as well as Triplex deck handling systems.

For ports and terminals, MacGregor delivers linkspans, shore ramps and passenger gangways. For onshore loading customers, MacGregor offers Woodfield branded marine loading arms for transferring crude oil, refined products, liquefied petroleum gas (LPG) and liquefied natural gas (LNG).

MacGregor's worldwide lifecycle support network provides merchant and offshore customers with timely spare parts delivery, training, maintenance, repairs, upgrades and modifications that span the entire lifecycle of equipment.

MacGregor starts the year 2015 with seven operative divisions. This enables MacGregor to improve customer service, offer more comprehensive packages and boost the development of shiptype-specific solutions.

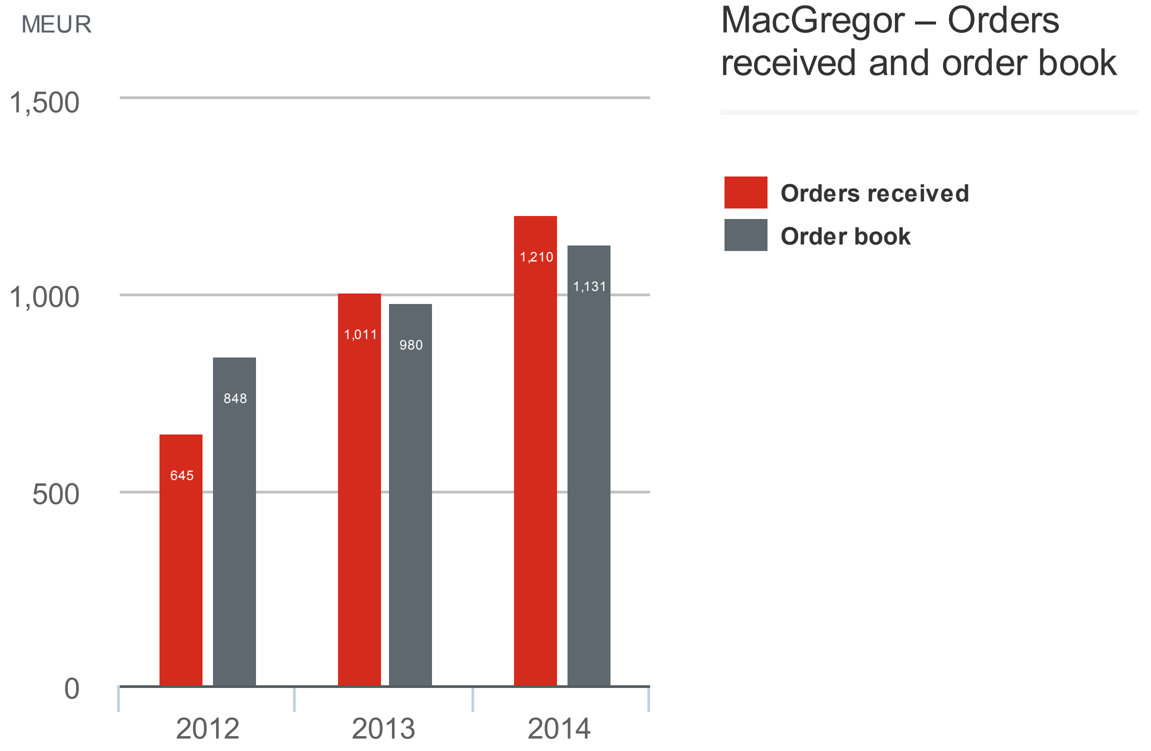
At the end of 2014, MacGregor's personnel totalled 2,737 (2013: 2,354) professionals in 33 countries, of which the largest countries are Norway, Germany, China, Sweden, Singapore and Finland.

MacGregor's business environment

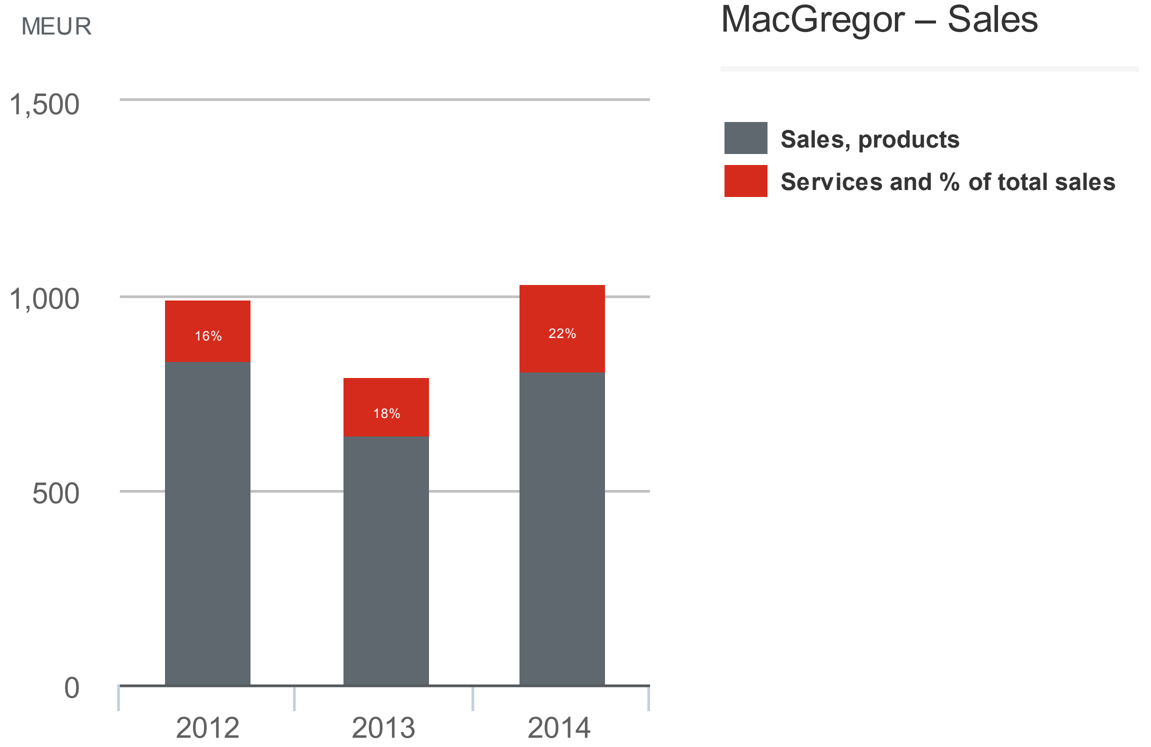
Developments in global economy and world trade have a direct impact on customers' willingness to invest in ship new-buildings, which drives demand for marine cargo handling solutions. The marine industry fundamentals, global gross domestic product growth and seaborne trade growth, are positive once the current shipping market has reached a supply-demand balance. Global energy demand and oil and gas companies' spending in exploration and production are driving demand in the offshore load handling equipment market.

The shift to deep-sea production supports an increased demand for more sophisticated support vessels with related lifting and load handling equipment. The deep-sea sector is expected to grow faster than the overall offshore market. While the current low market price of crude oil causes short-term pressure, price expectations in the medium to long term remain above the break-even point of most deep-water investments.

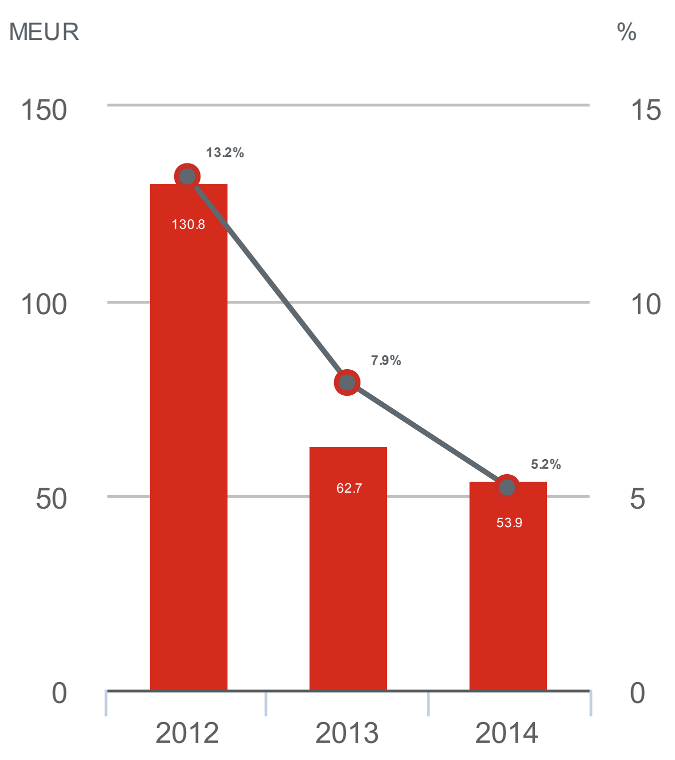
MacGregor – Orders received and order book



MacGregor – Sales



MacGregor – Operating profit excluding restructuring costs



- Operating profit excluding restructuring costs
- Operating profit margin excluding restructuring costs

> MacGregor's strategy focuses on long-term profitable growth."

MacGregor's strategy and main events

MacGregor's strategy focuses on long-term profitable growth by continuously developing new technologies, products and services. Customer-focused solutions maximise the safety, efficiency and profitability of MacGregor's customers' equipment throughout their lifetime.

The goal is to leverage the expanded portfolio and enter into new territories, as well as develop new applications. By doing so, MacGregor aims to strengthen its already strong market position in all of its businesses.

MacGregor has an ambition to work closely together with its customers to develop and provide more cost and energy efficient, as well as safer and more sustainable, marine cargo handling and offshore load handling solutions. Since MacGregor joined forces with Hatlapa, Porsgrunn, Pusnes, Triplex and Woodfield experts, MacGregor's customers worldwide are served by a stronger team with a broader combination of technologies, unique selection of products, brands and services, all for the benefit of customers worldwide.

Main events in 2014

- MacGregor closed **the acquisition of Aker Solutions** mooring and loading systems unit and Pusnes, Porsgrunn and Woodfield brands became part of MacGregor, strengthening MacGregor's market position in the offshore segment.
- MacGregor **acquired Deep Water Solutions**, which is specialised in offshore load handling applications.
- Hatlapa brand celebrated **its 95th anniversary** in November.
- MacGregor started improvement programmes for sales and services to accelerate the cross-selling and solutions sales benefit realisation.

Major orders

In 2014 MacGregor secured several orders that were enabled by the synergies between acquired units:

- **Deck equipment contract** From New Times shipyard in China for eight 58,500 dwt bulk carriers for Lemissoler Navigation.
- **Deck equipment contract** for two 76m, 9,000kW anchor handling tug supply (AHTS) vessels with the Marco Polo Shipyard in Batam, Indonesia.
- **Order from Wuhu Xinlian shipyard** to supply a full package of MacGregor anchor handling tug supply (AHTS) equipment for two ships.
- **Deck equipment contract** for Intership Navigation Co Ltd's three new 36,500 dwt Laker-class bulk carriers from New Times Shipyard, in China.
- **Order from Kleven Shipyard** in Norway to Triplex MDH 42 deck handling equipment, Triplex shark jawns and towing pins as well as Hatlapa Stern Rollers for six AHTS vessels for Maersk Supply Service.

Other main orders received during the year:

- EUR 23 million order for six active heave-compensated (AHC) subsea cranes from the **Dutch IHC Merwede**.
- **60 MacGregor cargo crane** order for 15 bulk carriers from five Chinese shipyards.
- **Electrically-operated side rolling hatch covers** with MacRack opening and closing system for ten bulk carriers from South Korea.
- Optimised cargo handling systems order worth USD 50 million from **Hyundai Heavy Industries Co Ltd.** for seven container vessels.
- **Fujian Mawei** shipbuilding in China ordered two MacGregor subsea cranes for supply vessels.
- MacGregor winches for two accommondation barges from **Nam Cheong Limited group**.
- Pusnes mooring systems order around EUR 20 million from **Shell**.
- Order from **Shanghai Zhenhua Heavy Industry Co Ltd** (ZPMC) for four offshore cranes fitted to dive support vessel (DSV) for UK-based operator Sealion Shipping.

> "Kalmar offering consists of cargo handling equipment, automation, software and services."

Kalmar in brief

Kalmar's customers include ports, terminals, distribution centres and industries. Ports and terminals are served globally, while customers in logistics and industrial applications are served in selected geographical markets, mainly the United States and Europe.

Kalmar offering consists of cargo handling equipment, automation, software and services. The Kalmar equipment portfolio includes straddle and shuttle carriers, terminal tractors, yard cranes, ship-to-shore cranes, reachstackers, empty container handlers and forklift trucks. Navis terminal operating systems (TOS), Bromma spreaders and Siwertell bulk handling systems are provided as part of the Kalmar business area.

At the end of 2014, Kalmar had 5,219 (2013: 5,269) employees in 30 countries, of which the largest countries were the United States, Malaysia, Sweden, China, Finland, Poland, Spain, India and the Netherlands.

Kalmar's business environment

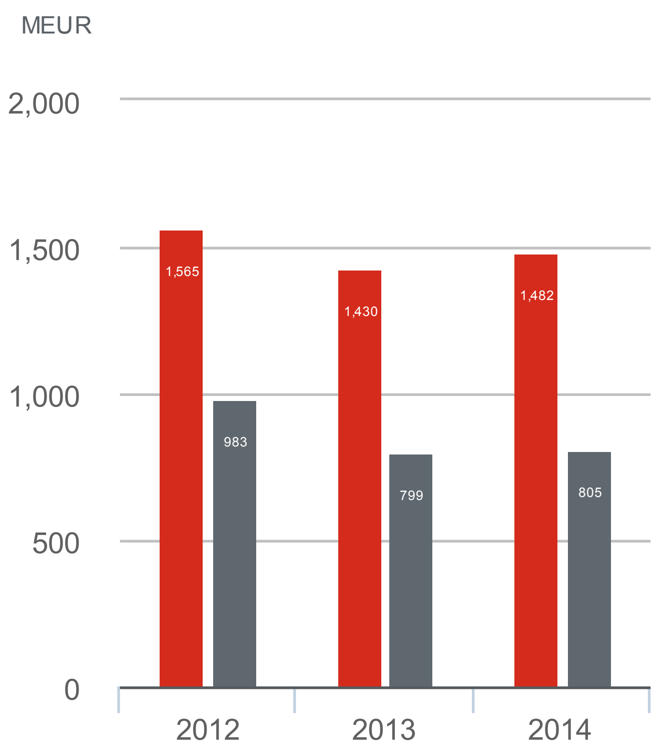
Container traffic is an important driver of around 65 percent of Kalmar's business operations, while manufacturing indices are a common market driver for industrial applications. Global container throughput is forecast by Drewry to exceed 840 MTEU (TEU = one twenty-foot equivalent unit) by 2018 (642 MTEU in 2013), growing by 5.6 percent annually on average. The fastest growing regions in terms of TEUs are Greater China, Southeast Asia and northern Asia.

Kalmar's business is also impacted by the operational pressures on container terminals. Presently, terminals find that they need to accommodate ever-larger container ships and be capable at serving them at considerably higher peaks of activity than before. These demands have resulted in a need to invest in upgrades and efficiency improvement.

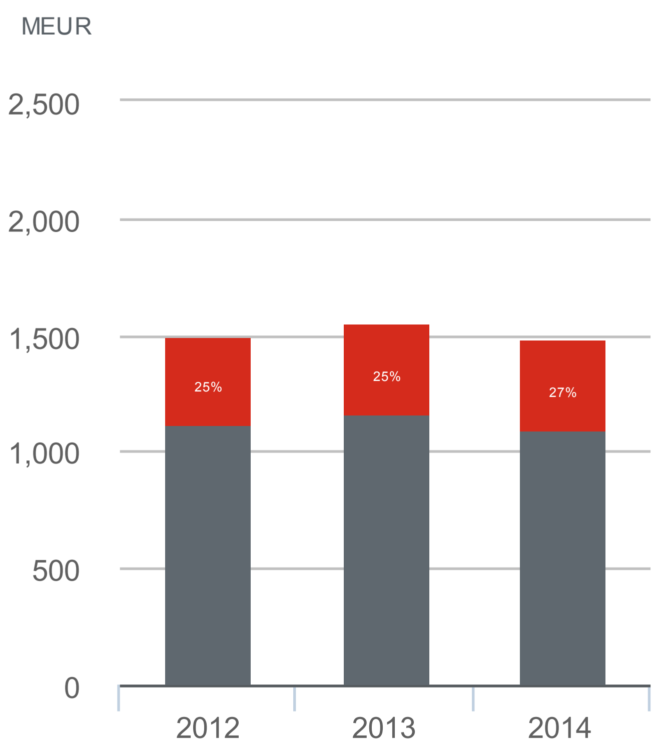
Kalmar believes that automation is the long-term answer to the industry's requirements. It will enable port and terminal operators to adapt to the structural changes in the industry, respond to the demand for increased operational efficiency, and comply with the more stringent safety and environmental regulations. Although the focus has been mainly on greenfield terminals, there is a growing interest among existing terminals to adopt different degrees of automation.

Kalmar is the clear global market leader in terminal tractors, straddle and shuttle carriers, reachstackers and empty container handlers. Navis, Bromma and Siwertell are leaders in their respective fields. In automated terminals, Kalmar's market share is estimated to be 30–50 percent and Navis' share approximately 80 percent in commercial automated terminal software.

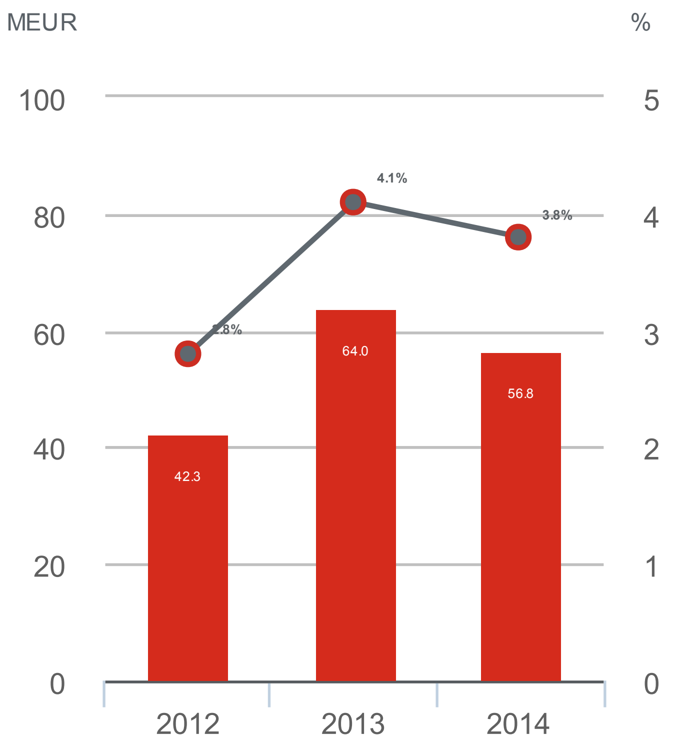
Kalmar – Orders received and order book



Kalmar – Sales



Kalmar – Operating profit excluding restructuring costs



Operating profit excluding restructuring costs

Operating profit margin excluding restructuring costs

"Kalmar implemented an extensive profit improvement programme."

Kalmar's strategy and main events

Kalmar's mission is to improve the productivity of its customers' businesses. Its vision involves being their preferred business partner. There are five key areas where Kalmar makes a real difference in what it offers to customers:

- Automation and integration
- Services
- High quality and innovative products
- Closeness to customers
- Project business capabilities

Kalmar has the world's leading automation and integration capabilities for port automation projects and intends to continue investments in this area. An essential part in project deployment is the unique digital ecosystem to build and maintain the automated terminal together with the customer. Kalmar's Technology and Competence Centre in Tampere, Finland, provides state-of-the-art facilities for field tests, prototyping, virtual simulation, emulation and system pre-integration. The industrial internet solution can be used 24/7 for testing with the customer during the project and in the maintenance phase after the delivery.

Kalmar Care service agreements, launched in 2013, were entered into with customers in all regions. Spare parts business will be one of the focus areas in 2015.

The new Kalmar electric forklift and yard tractor are examples of product development initiatives which integrate the principle of design-to-cost at optimal pricing while adding value to customers. The ramp-up of yard crane production at the joint venture Rainbow-Cargotec Industries Ltd proceeded well and the production of Kalmar G-generation forklift trucks was started in Cibolo, Texas as planned.

Main events in 2014

Kalmar implemented an extensive profit improvement programme with actions relating to supply footprint, design-to-cost, sourcing, sales and service network, and pricing. There were significant cost overruns in Q2 in the ship-to-shore crane business, but no material cost overruns in automation projects. Clear progress was seen in the operating profit in the third and fourth quarters, and Kalmar returned back to the track of its EUR 40 million run-rate profitability improvement target.

Product launches

- New **distribution tractor** which was well received by the markets in the Americas with over 500 units sold since the launch.
- New **electric forklift truck** for industrial applications – quiet and completely free from emissions.
- Launch of the fifth-generation Gloria reachstackers in **Asia-Pacific** and the **Americas** after their successful introduction in Europe in 2013.
- The world's **highest capacity industrial reachstacker**, which completed a world record lift of over 103 tons in Lidhult, Sweden.
- A **dual-fuel (liquefied natural gas and diesel) reachstacker** developed under the EU-funded Greencranes initiative.
- **Automated truck handling** which increases safety and efficiency in the terminal's landside operations, an industry first at DP World London Gateway.
- New **Kalmar SmartPort process automation** solutions adding safety in container handling.

Major orders

- Integrated automation system for **VICT's** new terminal in Melbourne, Australia including 12 automatic stacking cranes and 11 automated shuttle carriers as well as their control systems, terminal logistic system and Navis TOS.
- 12 straddle carriers for **Eurofos** in France and ten to **Medcenter Container Terminal** in Italy.
- 125 terminal tractors, 12 empty container handlers and two Gloria reachstackers for **DP World** in Dubai, United Arab Emirates.
- Nine RTGs for **Piraeus Container Terminal** in Greece and seven to **Puerto Central** in Chile.
- 18 forklift trucks to **GICEP** in Algeria and nine for the **Bergé Group** in Spain.
- Heightening of twelve RTGs for **TPS Valparaiso** in Chile and of three ship-to-shore cranes for **TCB** in Spain.
- Navis TOS for a new site at Sociedad Puerto Industrial del Aguadulce, ICTSI Colombia and a TOS upgrade for Marport in Turkey.
- Bromma spreaders for Long Beach Container Terminal in the United States and Port of Doha in Qatar, PTP and Westports in Malaysia.
- Siwertell dry bulk ship unloaders to ADM in Brazil, Daelim in the Philippines and Zhongshan in China.

"Hiab has operations and a sales and service network in more than 100 countries."

Hiab in brief

Hiab is the leading provider of on-road load handling equipment and services. Hiab offers products, services and spare parts that are used in on-road transport and delivery.

Hiab's customers range from large national or regional companies to local, small enterprises. They include transportation companies, local municipalities and national governments, fleet operators, single truck owners, rental companies and truck manufacturers. Customer's business areas comprise construction, infrastructure, distribution, forestry, landscaping and agriculture, warehousing, waste and recycling, and defence. The majority of Hiab's customers are located in Europe and North America.

With Hiab's products, the customer can move, hoist, load and unload products, equipment and materials. The product range includes HIAB loader cranes, JONSERED forestry and recycling cranes, LOGLIFT forestry cranes, MOFFETT and PRINCETON truck-mounted forklifts, MULTILIFT demountables and DEL, WALTCO and ZEPRO tail lifts.

With operations and a sales and service network in more than 100 countries, Hiab is represented in all the main markets within Europe, North and South America, as well as in Asia-Pacific.

At the end of 2014, Hiab's personnel totalled 2,572 (2013: 2,823) employees in 31 countries, of which the largest countries are Sweden, the United States, Poland, Ireland, Finland, Spain and the United Kingdom.

Hiab's business environment

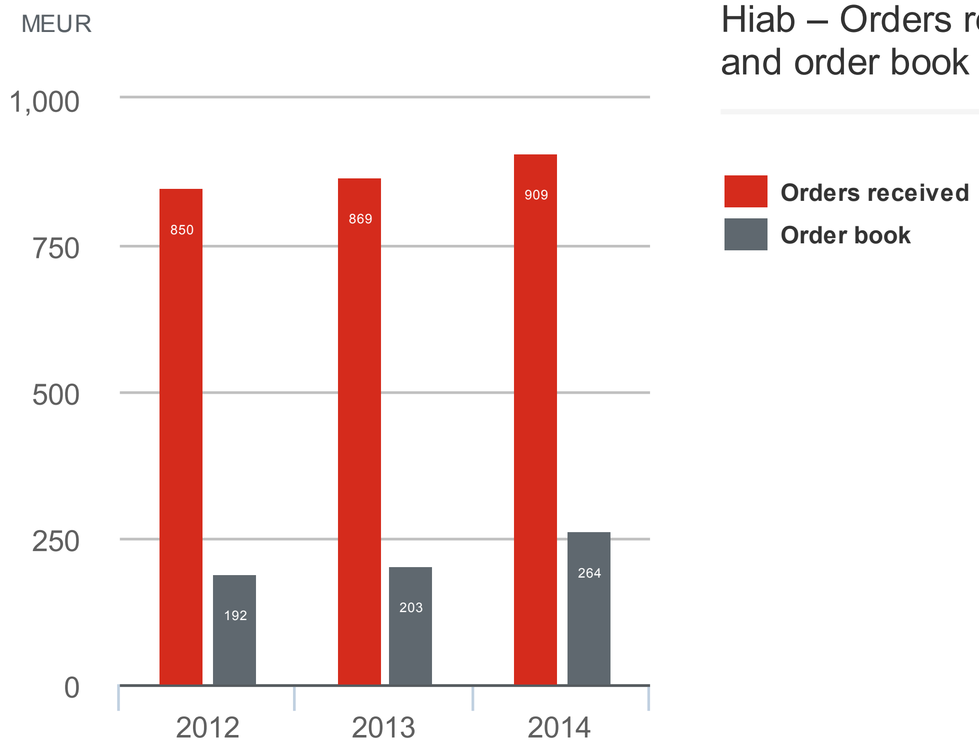
Hiab's business is characterised by a high number of individual, small orders. The lead time from order to delivery varies between two to four months.

Hiab's business fluctuates based on truck sales and construction activity. Sentiments in the distribution, warehousing and forestry businesses also affect Hiab. An increasing focus on health, safety and environmental issues among truck owners is expected to have a positive impact on Hiab's sales.

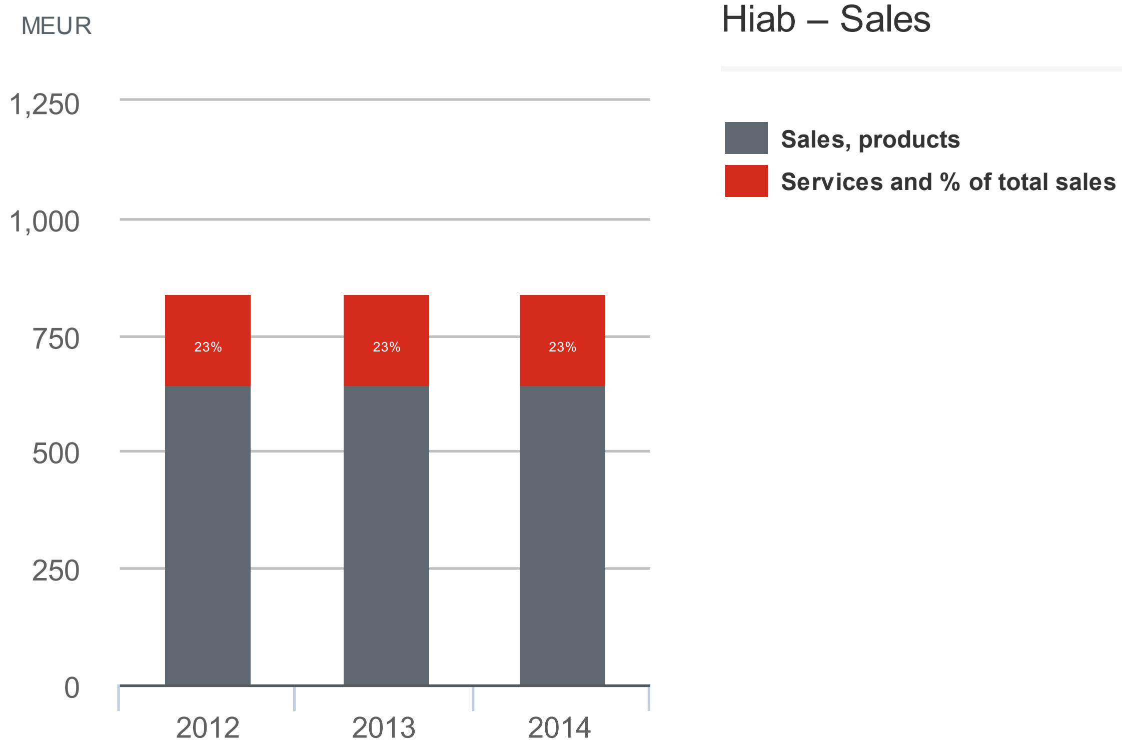
In 2014, demand for Hiab's products remained flat at a global level. The year started positively driven mainly by pre-buy effects in truck sales due to the **Euro 6 emissions regulations** in Europe and encouraging development of the construction market in North America. Economic and political uncertainty in Europe made customers cautious in the second half of 2014. In the US market, demand can be characterised as healthy throughout the year.

The growth forecast for 2015 is moderate for the primary European markets. The growth in the US market is expected to continue to be driven by the construction segment and a positive replacement of the truck fleet and solid utilisation of rental equipment. In Asia-Pacific, the market outlook is mixed.

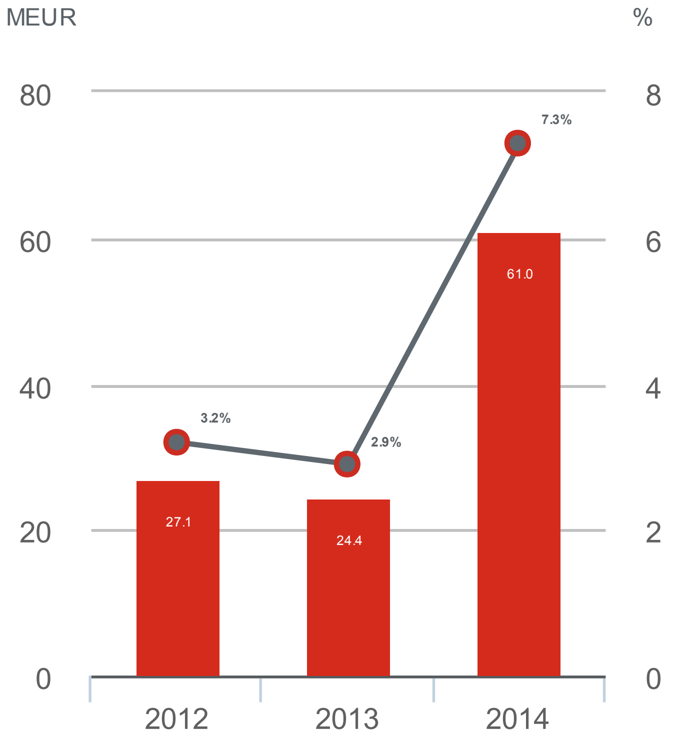
Hiab – Orders received and order book



Hiab – Sales



Hiab – Operating profit excluding restructuring costs



> **"In 2014, Hiab continued to successfully drive actions aiming at improving its profitability."**

Hiab's strategy and main events

Hiab's strategic targets are to provide the best customer satisfaction in on-road load handling, to improve profitability and to grow faster than the market.

In 2014, Hiab continued to successfully drive actions aiming at improving its profitability. The optimisation of Hiab's route to the market continued by simplifying the organisation and building key expertise around sales, services and dealer management. New dealer operating standards were introduced to harmonise the way of reaching customers. Dealerships and service workshops were outsourced and divested, for example in New Zealand and the Middle East.

Further achievements include improvements in the design-to-cost process contributing to gross margin improvement in all products and continuous work to consolidate Hiab's global supplier base to low cost countries. In price realisation and discount management a new pricing and discount structure and model were implemented. To further improve cost efficiency and flexibility in services, the parts distribution in Europe was consolidated to Metz in France.

Main events in 2014

- Roland Sundén was appointed President of Hiab.
- Hiab's operations in **Hudiksvall, Sweden** were restructured. In the future, the Hudiksvall unit will be **Hiab's main product development and test centre**.
- Sinotruk Hiab (Shandong) Equipment Co., Ltd, which is a joint venture (JV) of Hiab and China National Heavy Duty Truck Group Co., Ltd, celebrated the **official inauguration** in TaiAn Shandong province in China.
- Hiab's new multi-assembly unit (MAU) and the world's most modern factory for load handling equipment was officially opened in **Stargard Szczecinski, Poland**. Hiab also introduced a revolutionary anti-corrosion treatment process, called **nDurance™** that is being used in the new MAU Stargard.
- Hiab celebrated its **70th anniversary** in several events with customers and personnel throughout the year.

Product launches

- **HIAB X-HiPro 1058** loader crane in the heavy range segment with integrated sub frame. The crane has a capacity of 92 ton metres and an outreach up to 38 metres vertical with a jib.
- New environmentally smart **vehicle solution**, equipped with energy-efficient loader crane and hooklift using electric power take-off (ePTO).
- **HIAB S-HiPro 130** crane for waste management.
- Two new loader cranes for emerging markets: HIAB X-CL 8 and HIAB X-CL 12 with 8 and 12 tm capacities respectively and available in non-CE markets.
- Two new hooklifts: MULTILIFT XR21SL, the lightest, and strongest low-built hooklift available with 21-tonne capacity, and MULTILIFT XR18Z, an 18-tonne capacity hooklift with both sliding and tilting movement. Both products are available with optional Pro Future™ package.
- Two new ZEPRO tail lift products: a unique slider concept with flexible installation system for trucks, and a standard cantilever product for rapid clamp on installation to semi-trailer frames.

Major orders

Hiab's business is generally characterised by a high number of individual, small orders. In 2014, Hiab won two significant orders:

- An **order worth more than EUR 40 million** for demountables and loader cranes from Rheinmetall MAN Military Vehicles GmbH (RMMV) of Germany, a joint venture company of Rheinmetall AG and MAN Truck & Bus AG.
- An **order worth EUR 6.4 million** from Scania Finland to supply 172 MULTILIFT XR21Z hooklifts, 13 HIAB X188 cranes and 16 MULTILIFT CHU units to the Finnish Defence Forces.

Board of directors' report

Operating environment

The shipping market was characterised by an imbalance between supply and demand, with a weaker economic outlook delaying market balance further ahead. The number of new ship orders fell compared to 2013, particularly for bulk vessels. The market for marine cargo handling equipment remained steady, but the fall in ship orders is expected to impact on future demand for such equipment. Orders for offshore cargo handling equipment were healthy throughout the year, but market uncertainty was increased by the steep fall in oil price. Demand for services was satisfactory.

The number of containers handled in ports is estimated to have grown by around five percent in 2014. This was reflected in strong demand throughout the year for smaller container handling equipment and services in ports. Demand remained steady in Europe throughout the year, but grew in North America in line with economic growth, particularly from distribution centres. Activity also picked up in Asia towards the end of the year. Many large port automation deliveries were successfully adopted as the year-end approached, which was reflected in customers' increased interest in automated solutions. Demand for services was healthy.

Market for load handling equipment was satisfactory throughout 2014. Activity remained steady in Europe, despite significant variation in demand between countries, and economic and political instability making customers cautious during the second half. Market activity was healthy in North America, with demand picking further up towards the year-end. This was particularly evident in demand for truck-mounted forklifts and tail-lifts. Demand for services was healthy.

Orders received and order book

Orders received in 2014 grew nine percent from the comparison period and totalled EUR 3,599 (3,307) million. Compared to the comparison period, currency rate changes had a two percentage point negative impact on orders received. In MacGregor, the contribution of the two recently acquired businesses to orders received was EUR 339 (25) million. Of the orders, 34 percent were received by MacGregor, 41 percent by Kalmar, and 25 percent by Hiab. The share of orders received in Asia-Pacific was 33 (33) percent of all orders, that of EMEA's (Europe, Middle East, Africa) 42 (40) percent and Americas 25 (27) percent. Service orders grew 17 percent and accounted for 24 (22) percent of total orders.

The order book grew by 11 percent from the 2013 year-end level, and at the end of 2014 it totalled EUR 2,200 (31 Dec 2013: 1,980) million. MacGregor's order book totalled EUR 1,131 (980) million, representing 51 (50) percent, Kalmar's EUR 805 (799) million, or 37 (40) percent, and that of Hiab EUR 264 (203) million, or 12 (10) percent of the consolidated order book.

Sales

Sales in 2014 grew six percent from the comparison period and totalled EUR 3,358 (3,181) million. Compared to the comparison period, currency rate changes had a two percentage point negative impact on sales. The contribution of the acquired businesses in MacGregor to sales was EUR 232 (18) million. Sales in services grew 12 percent and amounted to EUR 814 (729) million, representing 24 (23) percent of sales. MacGregor's sales growth originated from the acquired businesses. Kalmar's sales fell by four percent, while Hiab's sales were at the comparison period's level. Share of sales in Americas grew to 27 (25) percent. EMEA represented 43 (44) percent of sales and the share of Asia-Pacific declined to 30 (31) percent. Sales in services grew in all geographical areas.

Financial result

Operating profit in 2014 clearly increased from the comparison period, totalling EUR 126.6 (92.5) million. Operating profit includes EUR 22.7 (34.0) million in restructuring costs. EUR 2.3 (2.7) million of the restructuring costs are related to MacGregor, EUR 1.5 (7.1) million to Kalmar, EUR 18.5 (24.0) million to Hiab, and EUR 0.4 (0.1) million to corporate administration and support functions. In addition, operating profit includes EUR 52 (34) million in project cost overruns in Kalmar.

Operating profit in 2014 excluding restructuring costs totalled EUR 149.3 (126.5) million, representing 4.4 (4.0) percent of sales. Excluding restructuring costs, operating profit for MacGregor amounted to EUR 53.9 (62.7) million, Kalmar EUR 56.8 (64.0) million, and Hiab EUR 61.0 (24.4) million. Hiab's operating profit clearly improved as a result of actions taken to improve profitability. Profit improvement measures also had a positive impact on Kalmar, however, operating profit was burdened by EUR 52 (34) million cost overruns in projects. MacGregor's operating profit was weakened by one-time costs related to acquisitions, lower-than-average profitability in certain third quarter deliveries and remarkably low delivery volumes in merchant ships during the first nine months of the year.

Net interest expenses for interest-bearing debt and receivables in 2014 totalled EUR 30.1 (21.9) million and net financing expenses EUR 28.4 (13.9) million. Net interest expenses and net financing expenses increased due to an increase in debt and prepayment cost of the Hatlapa capital loan originally due in October 2015. Net income in 2014 totalled EUR 72.0 (55.4) million, and earnings per share EUR 1.11 (0.89).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,652 (31 Dec 2013: 3,336) million at the end of 2014. Equity attributable to equity holders was EUR 1,209 (1,233) million, representing EUR 18.76 (19.18) per share. Property, plant and equipment on the balance sheet was EUR 303 (310) million and intangible assets were EUR 1,247 (1,085) million.

Return on equity (ROE) in 2014 increased to 5.9 (4.5) percent, and return on capital employed (ROCE) to 6.2 (5.0) percent.

Cash flow in 2014 from operating activities, before financial items and taxes, totalled EUR 204.3 (180.9) million. Net working capital decreased during the financial period, from EUR 213 million at the end of 2013 to EUR 187 million, thanks to inventory related efficiency measures in particular.

Cargotec's liquidity position is healthy. Interest-bearing net debt increased as a result of the acquisition of Aker Solution's mooring and loading systems unit completed at the end of January 2014, and at the end of the year it totalled EUR 719 (31 Dec 2013: 578) million. Interest-bearing debt amounted to EUR 932 (893) million, of which EUR 193 (300) million was current and EUR 739 (594) million non-current debt. On 31 December 2014, the average interest rate on the loan portfolio was 2.4 (3.0) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 213 (31 Dec 2013: 315) million.

In May, Cargotec signed an amendment and restatement agreement with a group of banks in order to strengthen its liquidity and financial position. This agreement extends the maturity of the EUR 300 million revolving credit facility from January 2016 to January 2019.

In May, Cargotec and Nordic Investment Bank signed an eight-year loan agreement, totalling EUR 50 million, in order to finance the acquisition finalised in MacGregor in January.

In March, Cargotec issued a senior unsecured bond of EUR 150 million. This six-year bond matures on 31 March 2020, and it carries a fixed annual interest of 3.375 percent. NASDAQ OMX Helsinki Ltd admitted the bond to public trading as of 3 April 2014.

At the end of 2014, Cargotec's total equity/total assets ratio was 35.9 (31 Dec 2013: 39.5) percent. Gearing rose from its 2013 year-end level of 46.7 percent to 59.2 percent due to the acquisition completed in MacGregor. Dividend payment in 2014 totalled EUR 27.6 (44.3) million.

More information on loans is available in Note 26 to the consolidated financial statements, Interest-bearing liabilities.

Key figures on financial performance, including comparison data, are shown under the section Key figures of the consolidated financial statements.

New products and product development

Research and product development expenditure in 2014 totalled EUR 67.3 (63.5) million, representing 2.0 (2.0) percent of sales. Research and product development investments were focused on projects aimed at improving the competitiveness and cost efficiency of products.

MacGregor

At the end of 2014, MacGregor introduced a new wireless radio remote control unit for opening and closing of certain types of hatch covers. This enhances safety by allowing greater visibility over the deck. MacGregor also introduced a new services function – productivity care – for a container ship cargo system that helps shipowners and liners to benefit from the full potential of their cargo systems from day one. MacGregor delivered a new tail start-up winch, based on its Pusnes portfolio, for the world's largest platform decommissioning and pipelaying vessel.

During 2014, MacGregor introduced a new electric starter cabinet for hydraulic hatch cover power units on bulk carriers and general cargo ships. This features an intelligent soft start function that avoids starting current peaks and reduces stresses on mechanical and hydraulic components. MacGregor also launched 'Soteria', a new alert system designed to complement MacGregor's Hatlapa and Porsgrunn range of steering gear. The system's alert display can be fully integrated on the vessel's bridge, ensuring clear and easy access to a comprehensive range of alerts. MacGregor presented a new steering control system, 'Hebe', for its Hatlapa product range, delivering operational and equipment compatibility benefits for customers. In addition, MacGregor introduced a new system enabling the safe changing of various types of hooks using existing facilities on board, and the storage of extra hooks with minimum loss of valuable deck space. MacGregor continued to develop its range of offshore winch technology, as well as its new offshore wire luffing crane. The MacGregor three-axis motion crane, which was introduced in the first quarter of 2013, won the Offshore Support Journal's Innovation of the Year award.

Kalmar

At the end of 2014, Kalmar launched its G-generation reachstackers, named Gloria, in the Americas region. The launch of these products follows their successful introduction to Asia-Pacific earlier in the year and to the European markets in 2013. During the second half, Kalmar also introduced the world's highest capacity industrial reachstacker, which completed a world record lift of over 103 tonnes in Lidhult, Sweden.

During the first half, Kalmar presented Automated Truck Handling at the TOC Europe trade exhibition. As the first solution of its kind in the world, this has already been implemented in the landside operations of the DP World London Gateway terminal. This solution increases safety and efficiency by allowing the crane to automatically adjust the position of the container for perfect grounding onto the trailer. Another showcased solution was the Kalmar automated rubber-tyred gantry (RTG) crane technology, which is being implemented at the Port of Oslo in Norway, making Oslo the world's first RTG terminal to deploy this sophisticated combination of automated positioning technology and process automation. In addition, Kalmar launched a new electric forklift for industrial applications, with features that significantly reduce the cost of ownership whilst improving safety and environmental performance. The electric truck is performs as well as powerful diesel trucks, while being quiet and completely free of emissions. Kalmar also introduced a new diesel-powered forklift model, the Big Wheel, for challenging environments. For the Kalmar Gloria reachstacker range, several new features and options enhancing performance, productivity and safety were introduced.

Kalmar also presented a dual-fuel (liquefied natural gas and diesel) reachstacker created in partnership with a customer, Global Service, under the EU-funded Greencranes initiative. In addition, Kalmar introduced a new generation terminal tractor to the North American market. In the tractor's design, special attention was paid to enabling speedy and easy maintenance and servicing. This terminal tractor features top-level operability, while the redesigned cab further enhances its usability. The terminal tractor was given an excellent reception by the markets. Kalmar also expanded its SmartPort process automation portfolio with two new solutions enhancing safety.

Hiab

During 2014, Hiab introduced several new products to the market. At the end of the year, Hiab introduced two new models in the stiff boom loader crane range. These cranes for hoist applications were specially developed for the Chinese and other Asian-Pacific markets.

Introduced earlier in the year, the new heavy range loader crane meets the market's high demands on productivity and durability. The hooklift family grew with the addition of a 21-tonne capacity hooklift, which is the lightest and strongest low-built hooklift available, and an 18-tonne capacity hooklift with both a sliding and tilting movement. Both hooklifts can be enhanced with an optional Pro Future™ package. Two new products were launched in the tail lift family. Also, two new loader cranes were introduced for the emerging markets. Based on their versatility, high performance, reliability and easy operation, these cranes fulfil customers' requirements. In addition, Hiab introduced a new crane specifically designed for waste handling. The crane mounts on top of a vehicle, freeing the maximum amount of space for the stowage of waste. This makes the collection of household waste in congested cities faster, safer, cheaper and more environmentally friendly than before.

Hiab has developed an environmentally smart vehicle solution for load handling in collaboration with Volvo Truck Center Sweden AB. The truck uses an electro-hydraulic system or electric power take-off installed alongside a traditional engine power take-off. In addition, Hiab introduced nDurance™, a revolutionary and environmentally sound pre-treatment and paint process based on nanotechnology and e-coating. This offers unique, three-layer protection against corrosion and harsh working environments. The process is being used in Hiab's multi-assembly unit in Poland.

Capital expenditure

Capital expenditure in 2014, excluding acquisitions and customer financing, totalled EUR 37.7 (69.0) million. Investments in customer financing were EUR 41.6 (39.3) million. Depreciation, amortisation and impairment amounted to EUR 81.2 (76.7) million.

As part of the development of its manufacturing footprint, Hiab sold its paint shop operation in Hudiksvall, Sweden to IBE Spectrum AB during the second quarter. As a result, 16 employees were transferred to IBE Spectrum AB. Manufacturing operations in Hudiksvall were ceased at the end of the year. At the same time, in 2015, Hiab will expand its R&D activities in Hudiksvall and invest close to EUR 2 million in its product development and test centre. The aim is to further broaden and deepen Hiab's ability to develop and test technologies, materials and concepts as well as components and products, by expanding its product development operations and extending the existing test centre.

In June 2012, Cargotec announced plans to invest in its multi-assembly unit (MAU) in Stargard Szczecinski, Northern Poland. In 2014, the value of this investment in a new painting and assembly area was around EUR 7 million. Assembly of forestry and recycling cranes began in Stargard at the end of 2014 and that of loader cranes was expanded during the year. Hiab celebrated the official opening of the MAU in September. The new painting and assembly area was fully operational at the end of 2014.

Acquisitions and divestments

During the second half, Hiab sold its sales companies Hiab Middle East LLC and Hiab S.A de C.V. to its dealers in the Middle East and Mexico. Following these transactions, 19 employees in the Middle East and 70 in Mexico were transferred to the dealers.

In June, Cargotec made an agreement to sell its engineering centre in India and entered into a long-term partnership with Citec. This transaction included the transfer of Cargotec's engineering business and its 110 employees from Cargotec to Citec. The deal was closed during the third quarter.

During the first quarter, Hiab sold 60 percent of Cargotec Engineering Italy S.r.l, in Italy. This transaction had no material effect on Cargotec's result. In addition, MacGregor acquired the Norwegian privately-owned Deep Water Solutions AS, specialising in lifting applications that utilise electric multi-drive technology. The company employed four people.

The acquisition of the mooring and loading systems unit from Aker Solutions was completed in January. The unit has been consolidated into MacGregor's results as of 1 February 2014.

Personnel

Cargotec employed 10,703 (31 Dec 2013: 10,610) people at the end of 2014. MacGregor employed 2,737 (2,354) people, Kalmar 5,219 (5,269), Hiab 2,572 (2,823) and corporate administration and support functions 176 (164). The average number of employees in 2014 was 10,838 (10,210). MacGregor’s number of employees increased as a result of the completed acquisition at the beginning of the year. Hiab’s number of employees declined due to restructuring of its manufacturing and sales network. Part-time personnel represented 2 (31 Dec 2013: 2) percent of employees. 17 (16) percent of personnel were female and 83 (84) percent male.

At 2014 year-end, 13 (31 Dec 2013: 15) percent of the employees were located in Sweden, 8 (8) percent in Finland and 37 (35) percent in the rest of Europe. Asia-Pacific personnel represented 25 (25) percent, North and South American 14 (14) percent, and the rest of the world 2 (3) percent of total employees.

In February, Cargotec announced plans to restructure Hiab’s operations in Hudiksvall, Sweden, and began personnel cooperation negotiations. The negotiations were completed in May, leading to a reduction in personnel of 134 employees. In addition, 16 employees were transferred to IBE Spectrum AB, to whom Hiab sold its paint shop operation in Hudiksvall earlier in May. The restructuring measures are expected to result in annual cost savings of approximately EUR 11 million, which will take full effect from the year 2016. In April–December, EUR 15 million was booked in restructuring costs for these measures.

Measures announced in October 2013, targeting efficiency improvement and cost reduction in Hiab, were completed during the first half. These measures resulted in a reduction of 220 employees. In relation to these measures, Hiab booked EUR 9 million in restructuring costs, of which EUR 1 million in January–September 2014.

Salaries and remunerations to employees totalled EUR 506 (460) million in 2014.

During 2014, Cargotec introduced a cloud-based system, based on which all of our employee data is contained in one platform. This opens up the possibility of new ways to build performance culture.

At the end of 2014, an Employee Survey was conducted in Cargotec Corporation. The Compass 2014 – Employee Survey consisted of questions about Cargotec and its business areas. These questions were divided under five themes covering vision and strategy, organisation, leadership, individual, culture, values and way of working. The response rate was good at 75 percent. Analysis of the results together with employees will begin during the first half of 2015.

MacGregor listing in Asia

In July, Cargotec decided to reverse earlier plans to separately list its MacGregor business. Cargotec’s Board of Directors expects that shareholder value will be best created by fully focusing on the integration of acquired businesses into MacGregor and by delivering profitable growth within the new MacGregor as part of the overall Cargotec portfolio.

Executive Board

Roland Sundén was appointed President of the Hiab business area as of 1 May 2014. Eric Nielsen, President of MacGregor business area, resigned from Cargotec on 12 June 2014. President and CEO Mika Vehviläinen is acting as interim President of MacGregor. At the end of 2014, Cargotec's Executive Board included President and CEO Mika Vehviläinen; Executive Vice President and Chief Financial Officer Eeva Sipilä; Senior Vice President, Human Resources, Mikko Pelkonen; Senior Vice President, Strategy, Mikael Laine; and business area presidents Olli Isotalo (Kalmar) and Roland Sundén (Hiab). Senior Vice President, General Counsel Outi Aaltonen acts as Secretary to the Executive Board.

Sustainability

Cargotec's greatest impacts on sustainable development arise from customers using its products and solutions. Cargotec can manage these impacts only to a certain extent, as the use of its products and solutions has a much greater impact on sustainable development than its own operations.

For Cargotec, providing sustainable solutions is the most efficient means of supporting sustainable development. The future of the cargo handling industry relies on smart sustainability and digitalisation. Energy is the largest single cost item for most of Cargotec's customers. Markets define the need for new solutions and the transition from traditional fuel-powered equipment to the newest hybrid, automated and electric solutions is progressing slowly.

In 2013, Cargotec launched an anti-corruption policy to support the understanding of the content of its Code of Conduct. In order to further support the implementation of ethical compliance guidelines, an e-learning course was launched in 2014; the Code of Conduct e-learning was compulsory for Cargotec employees during 2014.

Until now, Cargotec has focused on developing its internal sustainability processes and implementing its Code of Conduct. A new step in sustainability reporting will be taken in April 2015, when Cargotec publishes its first Sustainability Report.

Internal control and risk management

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, that its risk management is adequate and appropriate, and that financial and any other information produced is reliable. Cargotec's internal control is based on its values and code of conduct. With respect to the financial reporting process, these are supported by Cargotec's policies and guidelines, as well as its internal financial reporting process and communication. Cargotec's internal control policy, which is approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. Similarly to other Cargotec operations, responsibility for internal control is divided into three tiers. The line management is principally responsible for internal control. This is backed up by corporate support functions, which define instructions applicable across the company and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers function effectively.

Cargotec's Corporate Audit is an independent and objective assurance and consulting activity that operates separately from the operative organisation and reports to the Board Audit and Risk Management Committee and, administratively, to the President and CEO. Corporate Audit takes account of the major risks identified in the company's risk map when developing the audit plan and monitors the risk mitigation of selected risks. It regularly reports on its findings and audit activities to the company management and to the Board's Audit and Risk Management Committee.

In Cargotec, risk management forms part of internal control operations. Approved by the Board of Directors and based on Cargotec's values, the risk management policy specifies the objectives and principles of the risk management, as well as the responsibilities involved. The President and CEO and the Executive Board are responsible for the methods, implementation and supervision of risk management, and report on these to the Board of Directors. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and which are in charge of identifying, managing and reporting risks. Financial risks are centrally managed by the Corporate Treasury, which draws up financial risk reports for corporate management and the Board of Directors on a regular basis.

In 2014, strategic and support function risk reviews were conducted with the Board of Directors' Audit and Risk

Management Committee and further with the Board of Directors. These risks included longer-term risks for the upcoming 3–5 years. The annual corporate risk review for 2014 involved all Cargotec business units and main risk categories. Trade wars, the escalating economic downturn mainly in Europe, oil price development, and lower growth in Asia, as well as risks related to personnel, changes in organisational structure, digitalisation and automation were the main strategic and business risks identified for Cargotec in 2014. Operational risks were related to large projects, business development in China, compliance (legal) issues, information management, suppliers, production, material cost fluctuations and financial risks. During the year, especially Kalmar's project management were developed by clarifying responsibilities, introducing tools supporting project management as well as creating more consistent way of working in order to secure risk management in the coming projects. Employee, customer and third party health, safety and environmental risks are carefully considered and continuously monitored by the company.

The roll-out of a common enterprise resource planning (ERP) system for Hiab and Kalmar's sales and service network continued, moving on from Europe and Asia to the United States. Hiab and Kalmar's common frontline ERP covers around 60 percent of business areas. This common system and process is improving the transparency and internal controls of the reporting process. At MacGregor, development concentrated on the integration of the two acquired companies. In addition, the company focused on developing a group-wide business control environment, which will be continued in the coming years.

More information on financial risks is available in Note 3 to the consolidated financial statements, Financial risk management.

Reporting segments

MacGregor

Orders for 2014 grew 20 percent and totalled EUR 1,210 (1,011) million. Orders for cargo handling equipment and services for offshore vessels and bulk ships accounted for 70 percent of orders received. The contribution of the acquired businesses to orders received was EUR 339 (25) million. In addition, based on its new combined offering, MacGregor received new orders totalling EUR 32 million in 2014.

Order book grew 15 percent from the 2013 year-end, totalling EUR 1,131 (31 Dec 2013: 980) million at the end of 2014. 70 percent of the order book is merchant ship-related. Offshore support vessel-related orders comprised 30 percent of the order book.

Sales in 2014 grew 30 percent from the comparison period to EUR 1,034 (794) million. The contribution of the acquisitions to sales was EUR 232 (18) million. Sales for services totalled EUR 224 (147) million, representing 22 (18) percent of sales.

Operating profit for 2014 amounted to EUR 51.7 (60.0) million. Operating profit includes EUR 2.3 (2.7) million in restructuring costs and EUR 10.0 (0.6) million in amortisation and depreciation of fixed assets related to business acquisitions, as well as one-time costs of EUR 1.2 million related to the fair value measurement of acquired assets in business acquisitions and acquisition-related one-time costs of EUR 2.0 (4.5) million. Operating profit excluding restructuring costs totalled EUR 53.9 (62.7) million, representing 5.2 (7.9) percent of sales. Operating profit margin excluding restructuring costs and amortisation and depreciation of fixed assets related to business acquisitions was 6.2 (8.0) percent. Operating profit was weakened by one-time costs related to acquisitions, lower-than-average profitability in certain third quarter deliveries and remarkably low delivery volumes in merchant ships during the first nine months of the year. As a result of the unfavourable development in profitability and a weaker market, a reorganisation programme seeking improvements in sales, services and procurements through a more customer-oriented organisation was launched in the business area.

Kalmar

Orders received in 2014 grew four percent from the comparison period and totalled EUR 1,482 (1,430) million. Demand for terminal tractors and forklift trucks was brisk.

At the end of 2014, the order book was at 2013 year-end level, EUR 805 (31 Dec 2013: 799) million.

Sales for 2014 declined four percent from 2013 and were EUR 1,487 (1,550) million. Sales for services grew to EUR 395 (386) million, or 27 (25) percent of sales.

Operating profit for 2014 declined from the comparison period and totalled EUR 55.3 (56.9) million. Operating profit includes EUR 1.5 (7.1) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 56.8 (64.0) million, representing 3.8 (4.1) percent of sales. Profit improvement measures had a positive impact on the development of operating profit, however, it was burdened by EUR 52 (34) million cost overruns in projects.

Hiab

In 2014, orders received increased five percent from 2013, and totalled EUR 909 (869) million. In 2014, Hiab received a major order, worth over EUR 40 million, for demountables and loader cranes from Rheinmetall MAN Military Vehicles GmbH of Germany. In addition, Hiab received an order worth over EUR 6 million for hooklifts, loader cranes and demountables from the Finnish Defence Forces, as well as an extensive order for loader cranes and the related services from a leading UK-based building material supplier. Otherwise orders consisted of small, individual orders typical of the business. The order book grew 30 percent from 2013 year-end, totalling EUR 264 (31 Dec 2013: 203) million at the end of 2014.

Sales in 2014 were at the 2013 level and amounted to EUR 840 (841) million. Sales for services totalled EUR 196 (197) million, or 23 (23) percent of sales.

Operating profit for 2014 clearly improved from the comparison period and totalled EUR 42.5 (0.4) million as a result of measures taken to improve efficiency. Operating profit includes EUR 18.5 (24.0) million in restructuring costs, of which majority was related to the closure of manufacturing operations in Hudiksvall, Sweden. Operating profit, excluding restructuring costs, totalled EUR 61.0 (24.4) million, representing 7.3 (2.9) percent of sales. Operating profit clearly improved as a result of actions taken to improve profitability.

Decisions taken at Cargotec Corporation’s Annual General Meeting

Cargotec Corporation’s Annual General Meeting (AGM), held on 18 March 2014, approved the 2013 financial statements and consolidated financial statements, discharging the President and CEO and members of the Board of Directors from liability for the accounting period 1 January–31 December 2013. The Annual General Meeting approved a dividend of EUR 0.41 for each class A share and a dividend of EUR 0.42 for each class B share. The dividend payment date was 28 March 2014.

The AGM authorised the Board to decide on the repurchase of Cargotec's shares. The authorisation shall remain in effect for a period of 18 months from the resolution by the AGM. The AGM also authorised the Board to decide on the issuance of shares, as well as the issuance of options and other special rights entitling to shares. The authorisation remains in effect for a period of five years following the date of the decision of the AGM. More detailed information on the authorisations was published in a stock exchange release on the date of the AGM, 18 March 2014.

The number of ordinary members of the Board of Directors was confirmed at seven. Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Antti Lagerroos, Teuvo Salminen and Anja Silvennoinen were re-elected to the Board of Directors. The meeting decided to keep the yearly remuneration for the Board of Directors unchanged as follows: a yearly remuneration of EUR 80,000 will be paid to the Chairman of the Board, EUR 55,000 to the Vice Chairman, EUR 55,000 to the Chairman of the Audit and Risk Management Committee, and EUR 40,000 to the other Board members. In addition, it was decided that members receive EUR 1,000 for attendance at board and committee meetings. The meeting decided that 30 percent of the yearly remuneration will be paid in Cargotec's class B shares and the rest in cash.

The Annual General Meeting elected authorised public accountants Jouko Malinen and PricewaterhouseCoopers Ltd as auditors. The auditors' fees were decided to be paid according to invoice approved by the company.

Organisation of the Board of Directors

On 18 March 2014, the Board of Directors elected Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected as Vice Chairman. Outi Aaltonen, Senior Vice President, General Counsel, continues as Secretary to the Board.

From among its members, the Board of Directors elected Ilkka Herlin, Teuvo Salminen (chairman) and Anja Silvennoinen as members of the Audit and Risk Management Committee. Board members Tapio Hakakari, Ilkka Herlin (chairman), Peter Immonen and Antti Lagerroos were elected to the Nomination and Compensation Committee.

The Board of Directors decided to continue the practice that members are to keep the Cargotec shares they have obtained in remuneration under their ownership for at least two years from the date they obtained them. The shares will be purchased at market price on a quarterly basis.

Shares and trading

Share capital, own shares and share issue

Cargotec Corporation’s share capital totalled EUR 64,304,880 at the end of 2014. The number of class B shares was 54,911,209, while the number of class A shares totalled 9,526,089. In 2014, a total of 122,704 new Cargotec class B shares were subscribed for with stock options 2010A and 2010B. The entire subscription price of EUR 2,289,218 was credited to the reserve for invested non-restricted equity, meaning that Cargotec's share capital remained unchanged.

On 31 December 2014, class B shares accounted for 85.2 (85.2) percent of the total number of shares and 36.6 (36.5) percent of votes. Class A shares accounted for 14.8 (14.8) percent of the total number of shares and 63.4 (63.5) percent of votes. The total number of votes attached to all shares was 15,014,329 (15,002,887). At the end of 2014, Cargotec Corporation had 28,031 (21,638) registered shareholders. There were 10,023,740 (10,565,425) nominee-registered shares, representing 15.56 (16.43) percent of the total number of shares, which corresponds to 6.68 (7.04) percent of all votes.

On 12 March 2014, Cargotec repurchased 26,684 of its own class B shares based on the authorisation given by the 2013 AGM. The total purchase price was EUR 867,737. Based on the authorisation granted by the 2014 AGM, on 18 March 2014 the Board of Directors decided on a directed share issue as a reward payment under a share-based incentive programme. On 31 March 2014, these shares were transferred without consideration to 20 persons participating in the incentive programme, who fulfilled the earnings criteria. Following the share transfer, Cargotec does not hold any own shares.

For more detailed description on amount of shares, shareholders, market capitalisation and trading, see the Shares and shareholders section in the consolidated financial statements.

Share-based incentive programmes

Share-based incentive programme 2014

In February 2014, Cargotec’s Board of Directors approved a new long-term incentive programme for key personnel at Cargotec. The number of participants is 70 persons, including Cargotec's President and CEO and members of the Executive Board. The programme’s first phase included specific financial performance targets for the year 2014 (business area or corporate operating profit and working capital). The second phase consists of an additional earnings multiplier, based on Cargotec's market value (including both class A and class B shares) at the end of a three-year performance period in 2016.

The potential reward will be delivered in Cargotec class B shares at the beginning of 2017. If the targets are fully met for the maximum number of participants, the cost of the programme for the three-year period will be approximately EUR 12 million. If the financial performance threshold levels are not met, there will be no incentive payment.

As part of overall compensation, additional restricted share grants can be allocated for a selected few key employees during 2014–2016. If the financial performance threshold levels are met for the maximum number of participants, the cost of the programme for the three-year period will be approximately EUR 3 million. If the financial performance threshold levels are not met, there will not be any incentive payment.

Recognition of the programme began in the second quarter of 2014. Based on the first phase of the programme, 53 participants will be rewarded.

Share-based incentive programme 2010

In March 2010, the Board of Directors decided to establish a share-based incentive programme for Cargotec executives. The programme included three earnings periods, each lasting three calendar years, which commenced in 2010, 2011 and 2012. Because the minimum earnings criteria for the earnings periods were not fulfilled, there will be no payout based on the programme.

For more detailed description on the share-based incentive programmes, see Note 25 Share-based payments, in the consolidated financial statements.

Option programme

The 2010 AGM confirmed that stock options will be issued to key personnel at Cargotec and its subsidiaries. The programme included 2010A, 2010B and 2010C stock options, with 400,000 stock options in each series. For share subscription to commence, the required attainment of targets is determined by the Board of Directors.

2010A stock options were listed on the main list of NASDAQ OMX Helsinki Ltd on 2 April 2013. Each stock option entitles its holder to subscribe for one new class B share in Cargotec between 1 April 2013 and 30 April 2015. The share subscription price at the end of 2014 was EUR 18.60 per share and the number of listed 2010A stock options was 268,222.

On 1 April 2014, a total of 21,136 2010B stock options were listed on the main list of NASDAQ OMX Helsinki Ltd, entitling holders to subscribe for 21,136 Cargotec class B shares between 1 April 2014 and 30 April 2016. The share subscription price at the end of 2014 was EUR 29.09 and the number of listed 2010B stock options was 20,496.

In March 2014, the Board decided to cancel a total of 378,864 2010B stock options and a total of 400,000 2010C stock options held by the company, as the earnings criteria for these stock options were not fulfilled.

For more detailed description of the option programme, see Note 25 Share-based payments, in the consolidated financial statements.

Market capitalisation and trading

At the end of 2014, the total market value of class B shares was EUR 1,403 (1,484) million. The year-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 1,647 (1,743) million.

The class B share closed at EUR 25.55 (27.09) on the last trading day of December on NASDAQ OMX Helsinki Ltd. The volume-weighted average share price for the financial period was EUR 27.65 (24.49), the highest quotation being EUR 34.67 (29.69) and the lowest EUR 20.57 (19.35). In 2014, a total of 54 (41) million class B shares were traded on NASDAQ OMX Helsinki Ltd, corresponding to a turnover of EUR 1,486 (1,009) million. In addition, according to Fidessa, a total of 61 (31) million class B shares were traded in several alternative market places, such as BATS Chi-X CXE and Turquoise, corresponding to a turnover of EUR 1,743 (759) million.

Loans, liabilities and commitments to related parties

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's related parties on 31 December 2014.

Board of Directors and the President and CEO

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

Events after the financial period

In early February 2015, Hiab decided to further develop its operating structure into a model of five operative and more integrated business lines (Loader Cranes, Forestry Cranes, Demountables, Truck Mounted Forklifts and Tail lifts) with profitability and cash flow responsibility in order to accelerate growth. Each of the five business lines will focus on its market positioning, offering, product development and supply chain operations. Sales and Markets, Sourcing, and Technology and Quality Development will be executed by common global functions to build on the competence and synergies already existing.

Short-term risks and uncertainties

Developments in both global economy and cargo flows have a direct impact on Cargotec's operating environment and customers' willingness to make investments. The global political climate, volatility in currency markets, or risks relating to the financial sector may add to the uncertainty in our operating environment. Increased difficulty in obtaining financing could weaken customers' liquidity and reduce investments. In geographical terms, uncertainty for economic development exists especially in Europe and China.

The recent steep fall in oil price is increasing uncertainty in the global economy, particularly in the offshore market, which may impact on the outlook for the offshore cargo handling equipment market in turn. The increased need in the oil sector to ensure a sufficient return on investments is delaying decision-making and may reduce investments. However, deep-sea oil production is expected to continue to grow at a faster rate than the overall offshore market.

Uncertainty in the global economy is reflected in the supply and demand balance in the merchant ship market, and is reducing customers' desire to invest in new ship capacity. In the short-term, this increases uncertainty for demand for MacGregor's marine cargo handling equipment.

Kalmar is in the final stages of delivering the major port projects sold in 2011–2012. Although Kalmar has, according to prudency principle and based on management estimates, provided for costs still arising from these projects including possibile claims for delays, Kalmar could still receive compensation claims exceeding these provisions from its customers. The financial outcome of these claims will be subject to negotiations between the customer and supply chain parties.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2014 was EUR 1,066,527,112.98 of which net income for the period was EUR 261,050,287.99. The Board of Directors proposes to the AGM convening on 18 March 2015, that of the distributable profit, a dividend of EUR 0.54 for each of the 9,526,089 class A shares and EUR 0.55 for each of the 54,911,209 class B shares be paid, totalling EUR 35,345,253.01. The remaining distributable equity, EUR 1,031,181,859.97 will be retained and carried forward.

No significant changes have occurred in the Cargotec's financial position after the end of the financial year. Liquidity is healthy and the proposed distribution of dividend poses no risk on the company's financial standing.

Outlook for 2015

Cargotec's 2015 sales are expected to grow from 2014 (EUR 3,358 million). Operating profit excluding restructuring costs for 2015 is expected to improve from 2014 (EUR 149.3 million).

Annual General Meeting 2015

The Annual General Meeting of Cargotec Corporation will be held at the Marina Congress Center in Helsinki on Wednesday, 18 March 2015 at 1.00 p.m. EET.

Helsinki, 9 February 2015

Cargotec Corporation
Board of Directors

Consolidated financial statements (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2014	%	1 Jan–31 Dec 2013	%
Sales	4, 6	**3,357.8**		**3,181.0**	
Cost of goods sold		-2,723.3		-2,598.3	
Gross profit		**634.5**	**18.9**	**582.8**	**18.3**
Other operating income	7	48.1		44.0	
Selling and marketing expenses		-190.5		-182.0	
Research and development expenses		-69.3		-58.8	
Administration expenses		-228.4		-201.5	
Restructuring costs	8	-22.7		-34.0	
Other operating expenses	7	-50.5		-57.7	
Share of associated companies' and joint ventures' net income	17	5.3		-0.2	
Operating profit	4, 8, 9, 10	**126.6**	**3.8**	**92.5**	**2.9**
Financing income	11	8.4		10.7	
Financing expenses	11	-36.8		-24.6	
Income before taxes		**98.2**	**2.9**	**78.7**	**2.5**
Income taxes	12	-26.1		-23.3	
Net income for the period		**72.0**	**2.1**	**55.4**	**1.7**
Net income for the period attributable to:					
Equity holders of the parent		71.4		54.8	
Non-controlling interest		0.6		0.6	
Total		**72.0**		**55.4**	
Earnings per share for profit attributable to the equity holders of the parent:	13				
Basic earnings per share, EUR		1.11		0.89	
Diluted earnings per share, EUR		1.11		0.89	

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net income for the period		72.0	55.4
Items that will not be reclassified to statement of income:			
Defined benefit plan actuarial gains (+) / losses (-)	27	-10.1	6.1
Taxes relating to items that will not be reclassified to statement of income	12	1.8	-1.4
Total		**-8.3**	**4.7**
Items that may be reclassified subsequently to statement of income:			
Gains (+) / losses (-) on cash flow hedges		-45.1	-0.5
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		10.4	-9.7
Translation differences		-54.8	-75.4
Taxes relating to items that may be reclassified subsequently to statement of income	12	26.6	14.3
Total		**-62.9**	**-71.3**
Comprehensive income for the period		**0.8**	**-11.2**
Comprehensive income for the period attributable to:			
Equity holders of the parent		0.0	-11.7
Non-controlling interest		0.8	0.5
Total		**0.8**	**-11.2**

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

Consolidated balance sheet

MEUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Goodwill	14	962.9	865.5
Other intangible assets	15	284.4	219.0
Property, plant and equipment	16	302.9	310.1
Investments in associated companies and joint ventures	17	104.8	92.8
Available-for-sale investments	18, 21	3.8	3.8
Loans receivable and other interest-bearing assets *	21	3.4	4.9
Deferred tax assets	19	178.0	138.9
Derivative assets	21, 30	15.5	0.4
Other non-interest-bearing assets	21, 22	5.8	4.7
Total non-current assets		**1,861.5**	**1,640.2**
Current assets			
Inventories	20	690.5	630.9
Loans receivable and other interest-bearing assets *	21	4.4	3.7
Income tax receivables		24.5	46.1
Derivative assets	21, 30	20.5	18.1
Accounts receivable and other non-interest-bearing assets	21, 22	845.4	690.5
Cash and cash equivalents *	21, 23	205.4	306.2
Total current assets		**1,790.8**	**1,695.5**
Total assets		**3,652.3**	**3,335.7**

* Included in interest-bearing net debt.

MEUR	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Translation differences		26.7	64.1
Fair value reserves		-20.1	5.7
Reserve for invested non-restricted equity		74.9	73.5
Retained earnings		965.0	927.8
Total equity attributable to the equity holders of the parent	24, 25	**1,208.8**	**1,233.3**
Non-controlling interest		5.0	6.2
Total equity		**1,213.8**	**1,239.4**
Non-current liabilities			
Loans *	21, 26	753.2	585.3
Deferred tax liabilities	19	77.8	55.5
Pension obligations	27	71.6	61.1
Provisions	28	24.0	37.9
Derivative liabilities	21, 30	0.2	3.2
Other non-interest-bearing liabilities	21, 29	34.7	27.8
Total non-current liabilities		**961.5**	**770.9**
Current liabilities			
Current portion of long-term loans *	21, 26	7.1	94.3
Other interest-bearing liabilities *	21, 26	186.1	205.2
Provisions	28	80.9	66.6
Advances received		271.3	196.8
Income tax payables		12.8	14.0
Derivative liabilities	21, 30	64.6	20.2
Accounts payable and other non-interest-bearing liabilities	21, 29	854.1	728.1
Total current liabilities		**1,476.9**	**1,325.3**
Total equity and liabilities		**3,652.3**	**3,335.7**

* Included in interest-bearing net debt. In addition, the calculation of the interest-bearing net debt includes the hedging of currency risk relating to the USD 205 (31 Dec 2013: 300) million Private Placement bond, totalling on 31 December 2014, EUR -14.6 (31 Dec 2013: 8.2) million.

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

Consolidated statement of changes in equity

		Attributable to the equity holders of the parent								
MEUR	Note	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2013		64.3	98.0	127.2	13.7	-	911.2	1,214.5	4.1	1,218.5
Net income for the period							54.8	54.8	0.6	55.4
Cash flow hedges					-8.1			-8.1		-8.1
Translation differences				-63.1				-63.1	-0.1	-63.3
Defined benefit plan actuarial gains (+) / losses (-)							4.7	4.7		4.7
Comprehensive income for the period *				**-63.1**	**-8.1**		**59.6**	**-11.7**	**0.5**	**-11.2**
Dividends paid	24						-44.1	-44.1	-0.2	-44.3
Proceeds from sale of treasury shares						73.3		73.3		73.3
Stock options exercised						0.2		0.2		0.2
Share-based incentives *	25						1.1	1.1		1.1
Transactions with owners of the company						**73.5**	**-43.0**	**30.4**	**-0.2**	**30.3**
Transactions with non-controlling interests								-	1.9	1.9
Changes in ownership interest in subsidiaries								**-**	**1.9**	**1.9**
Equity 31 Dec 2013		**64.3**	**98.0**	**64.1**	**5.7**	**73.5**	**927.8**	**1,233.3**	**6.2**	**1,239.4**
Equity 1 Jan 2014		64.3	98.0	64.1	5.7	73.5	927.8	1,233.3	6.2	1,239.4
Net income for the period							71.4	71.4	0.6	72.0
Cash flow hedges					-25.7			-25.7		-25.7
Translation differences				-37.4				-37.4	0.2	-37.2
Defined benefit plan actuarial gains (+) / losses (-)							-8.3	-8.3		-8.3
Comprehensive income for the period *				**-37.4**	**-25.7**		**63.1**	**0.0**	**0.8**	**0.8**
Dividends paid	24						-26.9	-26.9	-0.7	-27.6
Acquisition of treasury shares						-0.9		-0.9		-0.9
Stock options exercised						2.3		2.3		2.3
Share-based incentives *	25						1.1	1.1		1.1
Transactions with owners of the company						**1.4**	**-25.8**	**-24.4**	**-0.7**	**-25.1**
Transactions with non-controlling interests								-	-1.3	-1.3
Changes in ownership interest in subsidiaries								**-**	**-1.3**	**-1.3**
Equity 31 Dec 2014		**64.3**	**98.0**	**26.7**	**-20.1**	**74.9**	**965.0**	**1,208.8**	**5.0**	**1,213.8**

* Net of tax.

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

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net income for the period		72.0	55.4
Depreciation, amortisation and impairments	10	81.2	76.7
Financing items	11	28.4	13.9
Taxes	12	26.1	23.3
Change in receivables		-118.3	-5.4
Change in payables		161.5	-101.8
Change in inventories		-34.9	120.6
Other adjustments		-11.8	-1.8
Cash flow from operations		**204.3**	**180.9**
Interest received		3.9	1.7
Interest paid		-32.5	-22.5
Other financial items		-45.4	26.2
Income taxes paid		-20.0	-97.2
Cash flow from operating activities		**110.2**	**89.1**
Acquisitions, net of cash acquired	5	-187.3	-70.5
Divestments, net of cash sold	5	4.6	0.2
Investments to associated companies and joint ventures	17	-3.4	-4.5
Investments to intangible assets *	15	-13.4	-17.5
Investments to property, plant and equipment *	16	-65.9	-90.9
Proceeds from sales of fixed assets	16	34.0	62.2
Cash flow from investing activities, other items		1.6	4.1
Cash flow from investing activities		**-229.8**	**-117.0**
Stock options exercised	25	2.3	0.2
Proceeds from sale of treasury shares		-	73.3
Acquisition of treasury shares		-0.9	-
Proceeds from long-term borrowings		300.0	200.0
Repayments of long-term borrowings		-230.7	-39.0
Proceeds from short-term borrowings		42.2	36.8
Repayments of short-term borrowings		-70.7	-64.1
Dividends paid	24	-27.6	-44.3
Cash flow from financing activities		**14.7**	**163.0**
Change in cash		**-104.9**	**135.2**
Cash, cash equivalents and bank overdrafts 1 Jan	23	303.3	183.9
Effect of exchange rate changes		5.0	-15.8
Cash, cash equivalents and bank overdrafts 31 Dec	**23**	**203.4**	**303.3**
Bank overdrafts 31 Dec	23	2.0	3.0
Cash and cash equivalents 31 Dec		**205.4**	**306.2**

* Investments to intangible assets and property, plant and equipment include EUR 0.1 (2013: 0.2) million capitalised interests in 2014.

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

Notes to the consolidated financial statements (IFRS)

Contents

1. Accounting principles for the consolidated financial statements

General information

Cargotec Corporation is a limited liability company domiciled in Helsinki, Finland. The registered address is Porkkalankatu 5, 00180 Helsinki, Finland. Cargotec Corporation and its subsidiaries form the Cargotec Group (later referred to as Cargotec or company). Cargotec Corporation B shares are listed on the NASDAQ OMX Helsinki since 1 June 2005.

Cargotec is a provider of cargo handling solutions whose brands Hiab, Kalmar and MacGregor, are global market leaders in their fields and the solutions are used on land and at sea – wherever cargo is on the move. Extensive services close to customers ensure the continuous usability of equipment. Cargotec's on-road load handling solutions are used for loading and unloading vehicles. In terminals, ports, heavy industry and distribution centres Cargotec's container, heavy load and bulk handling equipment, automation and operating solutions are used. Cargotec's marine cargo handling, offshore load handling and mooring solutions, and auxiliary equipment are used in merchant ships and offshore industries.

These consolidated financial statements were approved for publishing by the Board of Directors on 9.2.2015. Pursuant to the Finnish Limited-Liability Companies Act the shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after their publication. The Annual General Meeting also has the right to amend the financial statements. A copy of the financial statements is available on the Internet at www.cargotec.com or from the address Cargotec Corporation, Investor relations, P.O.Box 61, 00501 Helsinki, Finland.

Accounting principles and new accounting standards

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2014 have been used in preparation of the financial statements.

The consolidated financial statements are prepared under the historical cost convention except for certain classes of financial instruments, cash-settled components of share-based payments, and funds invested in post-employment defined benefit plans that are measured at fair value.

The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company. Financial information is presented in millions of euros and business transactions are based on historical cost convention unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum total.

Starting from 1 January 2014, Cargotec has adopted the following new standards and amendments:

IFRS 10 Consolidated financial statements. IFRS 10 includes the principles for determination of control that is the determining factor when deciding whether an entity should be incorporated within the consolidated financial statements. Upon adoption of the standard group has reassessed the control conclusion for its investees without impact on the consolidated financial statements.

IFRS 11 Joint arrangements. In the accounting of joint arrangements IFRS 11 focuses on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. In accordance with IFRS 11, joint operations are consolidated on a line-by-line basis, and joint ventures in accordance with the equity method. Upon adoption of IFRS 11 group has reassessed its investees with respect to new standard requirements and classified its investments in joint arrangements in accordance with the new standard without material impact to the consolidated financial statements.

IFRS 12 Disclosures of interests in other entities. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including associates, joint arrangements, structured entities and other off-balance sheet vehicles. The new standard is expanding the notes the group provides for its interests in other entities. The new standard has changed the presented disclosures.

IAS 28 Associates and joint ventures (revised). Following the issue of IFRS 11 the revised IAS 28 includes the requirements for joint ventures, as well as associates, to be accounted with the equity method. The revised standard had no impact on the consolidated financial statements.

Amendment to IAS 32 Financial instruments: Presentation. The amendment provides clarification on the application of presentation requirements for offsetting financial assets and financial liabilities on the balance sheet and gives more related application guidance. The amended standard is to be applied retrospectively. The amendment had no impact on the consolidated financial statements.

Amendment to IFRSs 10, 11 and 12. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments removed the requirement to present comparative information for periods before IFRS 12 is first applied.

Amendment to IAS 36 Impairment of assets. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendment had no impact on the consolidated financial statements.

Amendment to IAS 39 Financial Instruments: Recognition and Measurement. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria. The amendment had no impact on the consolidated financial statements.

Consolidation principles

The consolidated financial statements include the parent company Cargotec Corporation and the subsidiaries, in which the parent exercises control as well as joint ventures and associated companies. Control is achieved when Cargotec is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries have been listed in note 34, Subsidiaries.

Subsidiaries are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The possible contingent consideration is recognised at fair value at the acquisition date and it is measured at fair value at the end of each reporting period, when it is classified as a financial liability. The change in fair value is recognised in the statement of income. Contingent consideration classified as equity is not revalued.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The share of non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date of control, and divested subsidiaries until the date control ceases.

If the business combination is achieved in stages, the previously held equity interest is revalued at fair value at the acquisition date. Any gains or losses arising from remeasurement are recognised in profit and loss. Acquisition-related costs are expensed as incurred. Transactions with non-controlling interests that do not result in a change of control are treated as equity transactions. In acquiring non-controlling interests' shares in subsidiaries, the difference between any consideration paid and the share of net assets acquired in the subsidiary is recorded in equity. Gains and losses realised on disposals to non-controlling interests are also recorded in equity. Distribution of net income for the period to the equity holders of the parent company and to non-controlling interests is presented in the statement of income. Equity attributable to non-controlling interest is disclosed as a separate item in the balance sheet.

All intercompany transactions, receivables, liabilities, unrealised profits and distribution of profits within Cargotec are eliminated in the consolidated financial statements. Accounting principles of subsidiaries have been changed where necessary to ensure consistency with the principles adopted by Cargotec Corporation.

Investments in associated companies over which Cargotec exercises significant influence, but not control or joint control, and joint ventures in which Cargotec exercises joint control and has a right to joint venture's net assets with the other owners, are accounted for in the consolidated financial statements under the equity method. Investments in associated companies and joint ventures are initially recognised on balance sheet at the acquisition cost that includes the goodwill identified on acquisition as well as the costs for acquiring or establishing the associated company or joint venture.

Cargotec's share of the associated company's or joint venture's profit for the financial period are shown as a separate item before the operating result in the consolidated statement of income. The results of associated companies and joint ventures are equity accounted for based on their most recent financial statements. The carrying amount of investments in associated companies and joint ventures is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. If Cargotec's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are only reported if Cargotec is committed to fulfilling the obligations of the associated company or joint venture.

Business transactions between the group and associated company or joint venture are recognised in the group's financial statements only to the extent of unrelated investor's interest in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred. Accounting principles of the associates and joint ventures have been changed were necessary to ensure consistency with the principles adopted by Cargotec Corporation.

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Open foreign currency-denominated receivables and liabilities at the end of the financial period, both intercompany and external, are translated using the exchange rate of the balance sheet date. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Exchange rate differences on derivative instruments designated as cash flow hedges of future cash flows are recorded in the statement of comprehensive income, until transferred to the statement of income simultaneously with the underlying cash flow. Exchange rate differences on other hedges relating to business operations are recorded in other operating income and expenses. Foreign exchange gains and losses associated with financing are included in financial income and expenses.

Foreign subsidiaries

Items of each subsidiary included in the consolidated financial statements are reported using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The statements of income and cash flow of subsidiaries whose functional currency is other than the euro are translated into euros using the average exchange rate of the financial period. Balance sheet items, with the exception of net income for the financial period, are translated into euros with the balance sheet date exchange rate. Translation differences caused by different exchange rates are recognised through the statement of comprehensive income in the cumulative translation differences in equity. Some intercompany loan agreements form a part of net investment as their settlement is neither planned nor probable in the foreseeable future, and thus the exchange rate gains and losses of these contracts are also recognised as translation differences in 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. Translation differences arising are recognised in equity.

Translation differences from acquisition cost eliminations and post-acquisition profits and losses of subsidiaries, associated companies and joint ventures outside the euro area are recognised in the statement of comprehensive income. When a foreign entity or part of it is disposed, accumulated translation differences previously recognised in other comprehensive income are reclassified to the statement of income as a part of the gain or loss on sale.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Cargotec together with the

President and CEO. Operating segments are not aggregated to build the reporting segments.

Cargotec has three reporting segments, MacGregor, Kalmar and Hiab.

Revenue recognition

Sales include revenues from goods and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. The revenue recognition criteria are usually applied separately to each transaction. Although included within a single agreement, an entity may contract to deliver multiple elements, for example equipment, software and services. If the agreement contains separately identifiable components, the fair value of the total price for the agreement is allocated to each component and the revenue recognition criteria is then separately determined for each component of the agreement. Revenues from goods sold are recorded after the significant risks and rewards have been transferred to the buyer and the company no longer has authority or control over the goods. Usually this means the moment when the goods sold or leased under finance lease have been handed over to the customer in accordance with the agreed contractual terms and, if relevant, customer has accepted the product. Sales against which trade-ins are accepted are recorded at contract price. Any difference between the agreed trade-in price and its recorded value in inventory is recognised in cost of goods sold to adjust the sales margin.

Revenue from separately identified construction contracts is recorded as sales under the percentage of completion method when the outcome of the project can be estimated reliably. The percentage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by completion of a certain physical milestone (milestone method). If the conditions for percentage of completion method are not met, costs are recognised as incurred and revenues to the extent that corresponding costs are expected to be recovered. Expected contract losses are recognised as an expense immediately.

Revenue from service contracts is recognised as sales under the percentage of completion method when the outcome of the project can be estimated reliably. The percentage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by reference to the amount of service work performed from the expected total amount of service work to be performed. With small service contracts, the percentage of completion is not assessed on a contract level based on the costs incurred and amount of work performed but based on an estimate how costs are incurred and services performed over the contract period. When the services are delivered constantly over time or require undefined number of acts, the revenue is recognised on a straight-line basis over the contract period. When the conditions for percentage of completion method are not met, costs are recognised as incurred and revenues to the extent that corresponding costs are expected to be recovered. Possible contract losses are recognised as an expense immediately.

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

Revenue from software licence fees is recognised upon delivery when standard software is delivered. When the sold software requires significant modification and customisation, revenue is recognised by reference to stage of completion when the outcome can be measured reliably. Maintenance revenue from licence agreements is recognised on a straight-line basis over the maintenance period.

Government grants

An unconditional government grant is recognised in the statement of income when the grant becomes receivable. Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and Cargotec will comply with the conditions associated with the grant, and are then recognised in the statement of income on a systematic basis over the period during which the costs related to grant are incurred.

Income taxes

Tax expenses in the statement of income include taxes on the taxable income of the companies for the period, tax adjustments for previous financial periods and the changes in deferred taxes. The statement of comprehensive income includes taxes on items presented in the statement of comprehensive income. Deferred tax assets or liabilities are calculated based on temporary differences between financial reporting and the taxation calculated with effective prevailing tax rates. Temporary differences arise for example from defined benefit plans, provisions, elimination of intercompany inventory profits, depreciation differences on fixed assets, tax losses carried forward and fair value adjustments of assets and liabilities of acquired companies. Deferred tax liabilities are recognised in full and deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, fair value of previously owned interest and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income. Goodwill is not amortised but tested for impairment at least annually. The impairment testing is described in detail in the section Impairments. Goodwill is recognised at cost, decreased by potential impairment. Impairment losses are recognised in the statement of income.

Other intangible assets

Other intangible assets include patents, trademarks, licences, software, capitalised development costs, technologies, acquired order book and customer relationships. These assets are recognised on balance sheet at their original cost less cumulative amortisations and impairment losses, if any, except for intangible assets acquired in a business combination which are valued at fair value at acquisition date.

Intangible assets with definite useful lives are amortised on a straight-line basis over their useful lives as follows:

- Capitalised development costs 3–10 years
- Trademarks 3–15 years
- Customer relationships 5–15 years
- Patents and licences 5–10 years

The assets' useful lives are reviewed, and adjusted when necessary, at each balance sheet date. Trademarks with indefinite useful lives or intangible assets under development are not amortised, but they are tested for impairment at least annually. The impairment testing is described in detail in the section Impairments.

Research and development costs

Research and development costs are primarily expensed when incurred. However, development costs are capitalised when certain criteria related to economic and technical feasibility are met, and it is expected that the product will generate future economic benefits. Capitalised development costs include mainly materials, supplies and direct labour costs. Earlier expensed development costs are not capitalised later. Capitalised development costs are included as part of an intangible assets and are amortised on a straight-line basis over their useful economic life. Unfinished development projects are tested for impairment annually.

Property, plant and equipment

Property, plant and equipment are recognised on balance sheet at cost less accumulated depreciations and impairment losses, if any. Depreciation is recognised on a straight-line basis to write off the cost less the estimated residual value over the estimated economic useful life of assets as follows:

- Buildings 5–40 years
- Machinery and equipment 3–10 years
- Land and water areas are not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted when necessary, at each balance sheet date. The cost of major renovations is included either in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be distinguished for ordinary maintenance and repair costs. Gains and losses on sales of property, plant and equipment are included in the operating profit.

Financing costs

Financing costs are charged to the statement of income during the financial period in which they incur, with the exception that the borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of the asset in question.

Impairments

The book values of property, plant and equipment, intangible assets and other assets are reviewed for potential impairment at each balance sheet date. Should any indication arise, the asset is tested for impairment. An impairment test determines the recoverable amount of an asset. The recoverable amount is the fair value less costs to sell or the higher cash flow-based value in use. If the recoverable amount of a single asset cannot be reliably determined, the impairment is considered at the level of cash generating unit (CGU), which is mainly independent from the other units, and whose cash flows are separately identifiable and independent from cash flows of the other units.

An impairment loss is charged to the statement of income when the carrying amount exceeds the recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however, not to an extent higher than the carrying amount that would have been determined if no impairment loss had been recognised in prior years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment when any indication of impairment exists, however, at least annually. Goodwill is allocated to the cash-generating units (CGU) of the company for the purpose of impairment testing. The allocation is made to those cash generating units or group of units that are expected to benefit from the business combination in which they arose, identified according to the operating segments. The testing of other intangible assets with indefinite useful life is either performed as part of a CGU or separately if the asset generates independent cash flows. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future net cash flows are discounted to their present value based on the weighted average pre-tax cost of capital. The weighted average cost of capital reflects the current market view of the time value of money and risks related to the unit to be tested.

An impairment loss is charged to the statement of income when the carrying amount of CGU exceeds the recoverable amount. Impairment loss is first allocated to goodwill and then to other assets on a pro rata basis. Impairment losses recognised for goodwill in the statement of income are not reversed.

Leases, Cargotec as lessee

Cargotec has rented property, plant and equipment. Lease agreements in which the lessor bears the ownership risks and rewards are classified as operating leases. The lease obligations related to operating leases are not recognised on balance sheet and the related lease expenses are charged to the statement of income on a straight-line basis over the lease period.

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

Leases, Cargotec as lessor

Cargotec rents out equipment under operating leases with varying terms and renewal rights. In operating leases the risks and rewards incidental to ownership of an asset remain with the lessor. The leased asset is recognised in the balance sheet according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation of the leased asset is consistent with the normal depreciation policy of similar assets.

In a finance lease the risks and rewards of ownership are transferred to the lessee. The sales profit is recognised similarly to profit from an outright sale. Finance lease receivables are recognised in balance sheet at present value.

The financial charge relating to the finance lease contract is recognised in the statement of income over the lease term so as to achieve a constant interest rate on outstanding balance.

Customer finance

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

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

Inventories

Inventories are measured at the lower of cost and estimated net realisable value. Cost is primarily determined using the weighted average method. The cost of inventory includes purchase cost as well as transportation and processing costs. The cost of self-manufactured finished goods and work in progress includes raw materials, direct labour, other direct costs and a proportion of both indirect costs related to manufacturing and overheads. An allowance is recorded for obsolete items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs necessary to make the sale.

Construction contracts

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads that are attributable to contract activity in general.

Construction contracts in progress are presented as part of accounts receivable and other non-interest bearing assets in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as a liability in the balance sheet as part of accounts payable and other non-interest-bearing liabilities. Customer advances are presented as a liability in the balance sheet.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction instead of normal use and a sale is considered highly probable. Non-current assets held for sale are measured immediately before reclassification in accordance with the normal measurement principles after which they are measured at the lower of carrying amount and fair value less cost to sell. Impairment losses or gains are recognised in the statement of income. No depreciation or amortisation is recognised regarding the non-current assets held for sale.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables at amortised cost, or available-for-sale financial assets. Financial assets are classified at the initial recognition in accordance with the features and planned use of the asset. Financial assets are presented as non-current when their maturity exceeds one year.

Financial assets recognised at fair value through profit or loss include derivative instruments on which hedge accounting is not applied. The transaction costs and subsequent fair value changes of financial assets recognised at fair value through profit or loss are recognised directly in the statement of income.

Loans and receivables at amortised cost mainly include accounts receivable, and cash and cash equivalents that are not quoted in an active market and that are not kept for trading purposes. Loans receivable are measured initially at fair value plus transaction costs and subsequently, at amortised cost using the effective interest method. An impairment loss is recognised in the statement of income if the book value of the loan receivable is higher than the estimated recoverable amount.

Accounts receivable are recorded at original invoiced amount less an estimated valuation allowance for impairment. Impairment is recognised in the statement of income under selling, general and administrative expenses and is based on periodic reviews of potential non-recovery of receivables by taking into consideration individual customer credit risk and changes in payment terms. Bad debts are written off when official announcement of liquidation or bankruptcy is received confirming that the receivable will not be collected.

Financial assets available-for-sale mainly consist of shares not quoted in an active market and which are carried at cost, as the fair value of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition cost. Available-for-sale assets also include other investments that are initially recognised at fair value plus transaction costs and subsequently at fair value through statement of comprehensive income. If there is objective evidence that the fair value has decreased, an impairment loss is recognised in the statement of income. Impairment on investments in shares cannot be reversed.

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

A financial asset is derecognised when the contractual rights to cash flow from the asset expire or are transferred, and when material risks and rewards of ownership have been transferred to another party.

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified as financial liabilities recognised at amortised cost and liabilities recognised at fair value through profit or loss. Financial liabilities are presented as non-current when their maturity exceeds one year.

Financial liabilities recorded at fair value through profit or loss consists of derivative instruments on which hedge accounting is not applied. The transaction costs and subsequent fair value changes of financial liabilities recognised at fair value through profit or loss are recognised directly in the statement of income.

Financial liabilities recognised at amortised cost include mainly interest-bearing liabilities and trade payables. Financial liabilities recognised at amortised cost are initially recognised at fair value, net of any transaction costs incurred. Subsequently, the liabilities are measured at amortised cost. Interest and transaction costs are accrued and recorded in the statement of income over the period of the loan payable using the effective interest rate method.

Purchases and sales of derivative instruments are recognised on the trade date while transactions with the other financial liabilities are recognised on settlement date.

Derivative financial instruments and hedge accounting

Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and are subsequently measured at fair value on each balance sheet date. Derivatives are classified at the inception either as hedges of binding agreements and future cash flows, in which case cash flow hedge accounting is applied to them, or as derivatives at fair value through profit or loss, when the preconditions for hedge accounting are not fully met. The applied hedging instruments are mainly foreign currency forward contracts and cross-currency and interest rate swaps.

Fair values of foreign currency forward contracts are based on quoted market rates at the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as the present value of the estimated future cash flows. Derivative instruments are presented as non-current when their maturity exceeds one year.

Cash flow hedge accounting is mainly applied to hedges of operative cash flows. In addition, cash flow hedge accounting is applied to hedges of certain foreign currency denominated borrowings. To qualify for hedge accounting, the company documents the hedge relationship of the derivative instruments and the underlying items, group's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least in every interim and annual closing, the company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying cash flow.

Changes in the fair value of effective cash flow hedges are recognised in the fair value reserve of the statement of comprehensive income. However, only the exchange rate difference of foreign currency forward agreements is recognised in other comprehensive income whereas the changes in forward points are recognised as financial income or expense in the statement of income. Cumulative gain or loss on the hedge deferred to reserves is recognised in the statement of income as adjustment to the underlying cash flow when the underlying cash flow is recognised. The effective portion of foreign currency forwards hedging sales and purchases is recognised in sales and cost of goods sold, respectively. If the hedged cash flow is no longer expected to materialise, the deferred gain or loss is immediately recognised in the statement of income. If the hedging instrument is sold, expires, is revoked or exercised, or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument remains to be recognised in the fair value reserve and is recycled to the statement of income when the underlying operative item materialises. If effectiveness testing results in ineffectiveness, the ineffective portion of the hedges is recognised immediately in the statement of income.

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

Dividends

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

Pension obligations

Cargotec operates various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity with no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate.

A defined benefit plan is a pension plan under which the group itself has the obligation to pay retirement benefits and bears the risk of change in the value of plan liability and assets. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less fair value of plan assets. The defined benefit obligation regarding each significant plan is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds with approximating terms to maturity and that are denominated in the currency, in which the benefits are expected to be paid. The applied discount rates are determined in each country by an external actuary. If an asset is recognised in the balance sheet based on the calculation, the recognition is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses related to remeasurements of defined benefit plan and the effect of the asset ceiling, if any, are recognised directly in the statement of comprehensive income. Interest and all other expenses related to defined benefit plans are recognised directly in the statement of income.

If a plan is changed or curtailed, the portion of the changed benefit related to past service by the employees, or the gain or loss on curtailment, is recognised directly in the statement of income when the plan amendment or curtailment occurs.

Provisions

Provisions are recognised when Cargotec has a current legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are accounted for using the best estimate for the costs required to settle the obligation on the balance sheet date. In case the time value of money is significant the provision is stated at present value.

Provisions for warranties cover the estimated costs to repair or replace products still under warranty on the balance sheet date. Provision for warranty is calculated based on historical experience of levels of repairs and replacements.

Provisions for product claims consist of expected costs arising from settling customer claims for which the value, probability and realisation can be estimated.

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

A restructuring provision is recorded when Cargotec has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. A restructuring plan shall include the following information; business which is affected, the main units and personnel affected by the restructuring, as well as the costs to be incurred and the timetable of the plan. A restructuring provision and other restructuring related expenses are booked to the function costs, to which they by nature belong. However, should there be a significant restructuring plan, the provision and other restructuring related expenses are recognised in other operating expenses. Restructuring costs for a Cargotec-wide programme are presented separately in the statement of income.

Treasury shares

When the parent company or its subsidiaries purchase shares of Cargotec Corporation, the consideration paid and directly attributable costs are recognised as a deduction in equity. When such shares are sold, the consideration received, net of directly attributable transaction costs and income tax effect, is included in equity.

Share-based payments

Cargotec Corporation has share-based incentive plans which include incentives paid as shares, options or in cash. The benefits granted in accordance with the incentive plan are valued at fair value at the grant date and are expensed on a straight-line basis over the vesting period. The fair value of the equity-settled incentives is the market value at the grant date. The fair value of the options is determined using the Black-Scholes option pricing model. These share-based payments are booked as an increase in equity. The cash settlements are valued at fair value at each closing until the settlement date and recognised as a liability.

The expensed amount of the benefits is based on the group’s estimate of the amount of benefits to be paid in shares or options at the end of the vesting period. Market conditions and non-vesting conditions are considered in determining the fair value of the benefit. Instead, the non-market criteria, like profitability or increase in sales, are not considered in measuring the fair value of the benefit but taken into account when estimating the final amount of benefits. The estimate is updated at every closing and changes in estimates are recorded through the statement of income.

When the option rights are used for subscription of the shares, the consideration received, net of transaction costs, is credited to the reserve for invested non-restricted equity. Possible transaction costs are deducted from the consideration received.

Adoption of new or amended IFRS standards and interpretations

In 2015, Cargotec will adopt the following new and amended standards and interpretations by the IASB:

IFRIC 21 Levies. This interpretation relates to IAS 37, Provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised.

Amendment to IAS 19 Employee benefits. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided.

Annual improvements cycles 2010–2012 and 2011–2013 including various amendments and clarifications to IFRSs.These amendments are not expected to have material impacts on the consolidated financial statements.

The following standards, interpretations and amendments will be applied in 2016 or later:

IFRS 15 Revenue from contracts with customers* (effective from 1 January 2017). IFRS 15 replaces existing revenue recognition guidance in IAS 18 Revenue, IAS 11 Construction contracts, and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

IFRS 9 Financial Instruments* and subsequent amendments (effective from 1 January 2018). IFRS 9 will replace the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements.

Amendment to IFRS 11 Joint arrangements*. The amendment provides new guidance on how to account for the acquisition of an interest in a joint venture that constitutes a business. The amendments require that in such a situation an investor should apply the principles of business combination in accounting for the acquired interest.

Amendment to IAS 1 Presentation of Financial Statements*. This amendment adds a number of generic principles to be applied in preparation of financial statements.

Amendment to IAS 16 Property, plant and equipment and IAS 38 Intangible assets*. This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate.

Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures*. These amendments provide guidance to situations where assets are sold or contributed between an investor and its associate or joint venture.

Annual improvements cycle 2012–2014* including various amendments and clarifications to IFRSs.

Management is in the process of assessing the impact of the above mentioned standards and amendments on the consolidated financial statements.

*The mentioned standards, interpretations or amendments have not yet been endorsed in the EU.

2. Estimates and judgements requiring management estimation

When preparing the consolidated financial statements, management makes estimates and assumptions which have an impact on reported assets and liabilities, presentation of the contingent assets and liabilities in notes and reported income and expenses of the financial year. In addition, management judgement may be required in applying the accounting principles.

These assumptions, estimates and judgements are based on management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which can be considered feasible. The actual amounts may differ significantly from the estimates used in the financial statements. Cargotec follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognised in the financial period the estimate or assumption is changed. The most important items in the consolidated statements, which require management's estimates and which may include uncertainty, comprise the following:

Impairment testing

Intangible assets and property, plant and equipment are tested for impairment always, when there is any indication of impairment. In assessing impairment both external and internal sources of information are considered. External sources include a significant decline in market value that is not the result of the passage of time, normal use of the assets or increase in interest rate. Internal sources of information include evidence of obsolescence of, or physical damage to, an asset. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised as an expense immediately, and the carrying amount is reduced to the asset's recoverable amount.

Goodwill and other intangible assets with indefinite life are tested at least annually. For impairment testing, goodwill and other intangible assets with indefinite life are allocated to cash generating units (CGU). The recoverable amounts of cash generating units are based on value-in-use calculations. These calculations require the use of estimates. On 31 December 2014, Cargotec had goodwill amounting to EUR 962.9 (31 Dec 2013: 865.5) million and other intangible assets with indefinite life totalling EUR 41.1 (31 Dec 2013: 41.0) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in note 14, Goodwill.

Taxes

Determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax asset to be recognised requires management judgement. On 31 December 2014, Cargotec had EUR 65.3 (31 Dec 2013: 43.3) million deferred tax assets resulting from tax losses carried forward.

Cargotec is subject to income tax in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Cargotec recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. More information regarding taxes is presented in note 12, Income taxes and in note 19 Deferred tax assets and liabilities.

Business combinations

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of assets acquired is recognised as goodwill according to the accounting principles. The measurement of fair value of the assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on repurchase value, expected cash flows or estimated sales price requires management judgement and assumptions. Management trusts the estimates and assumptions to be sufficiently reliable for determining fair values. More information on the measurement of fair value of the assets acquired through business combinations is presented in note 5, Acquisitions and disposals.

Defined benefit plans

The present value of pension obligations depends on a number of factors determined on an actuarial basis using a number of financial and demographic assumptions and changes in these assumptions will impact the carrying amount of pension obligations. The key financial assumption used in determining the net cost (income) for pensions is the discount rate. The appropriate discount rate is determined at the end of each year and is used in determining the present value of estimated cash outflows to settle the pension obligation. In determining the appropriate discount rate, Cargotec considers the yields of high-quality corporate or government bonds, depending on the country, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions related to pension obligations include financial assumptions such as estimated increases in salaries and pensions, and demographic assumptions such as mortality rates. Additional information on these assumptions and uncertainties related to them is disclosed in note 27, Employee benefits.

Revenue recognition

Percentage of completion method is applied to separately identified construction contracts and service contracts. Application of percentage of completion method requires either an estimate of the actual costs incurred in proportion of the estimated total costs or an estimate of construction contract's physical stage of completion. Additionally, if the estimate of the final outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change has come to attention and can be estimated. The expected loss from the construction contract is expensed immediately. In 2014, approximately 10.2 (2013: 11.5) percent of sales were recognised based on the percentage of completion of the construction contracts. Additional information is disclosed in note 6, Long-term construction contracts.

Provisions

A provision is recognised when Cargotec has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. A provision may be recognised only when the amount can be reliably estimated. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The actual costs may differ from the estimated costs. The most significant provisions are warranty provisions, which include the cost of repairing or replacing products during the warranty period. Restructuring provision is recognised when Cargotec has prepared a detailed restructuring plan and published it. On 31 December 2014, provisions totalled EUR 105.0 (31 Dec 2013: 104.5) million, of which EUR 12.1 (31 Dec 2013: 18.2) million were restructuring provisions. Additional information is disclosed in note 28, Provisions.

Inventories

Cargotec recognises an allowance for obsolete items at the end of the reporting period based on best knowledge. The estimate is based on a systematic and continuous control over the inventory. The nature, state, age structure and volumes based on estimated need are taken into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet on 31 December 2014 totalled EUR 88.3 (31 Dec 2013: 73.7) million. Additional information is disclosed in note 20, Inventories.

Accounts receivable

Cargotec recognises impairments on accounts receivable at the end of the reporting period based on the best knowledge when there is objective evidence that Cargotec will not be able to collect all amounts due. Estimates are based on systematic and continuous follow-up as part of the credit risk control. The amount of impairment in the balance sheet on 31 December 2014 totalled EUR 21.9 (31 Dec 2013: 25.3) million. Additional information on impairment on accounts receivable is disclosed in note 22, Accounts receivable and other non-interest-bearing assets.

3. Financial risk management

Organisation of finance function and financial risk management

Cargotec finance function and financial risk management are conducted according to the Treasury Policy, approved by the Board of Directors. Organization of responsibilities and principles of financial risk management, monitoring and reporting are defined in the Treasury Policy. Treasury Committee, appointed by the Board, is responsible for Treasury Policy compliance and for organising and monitoring treasury functions. Detailed guidelines for financing functions in accordance with Treasury Policy are defined in Treasury Instructions, approved by the Treasury Committee.

The objectives of treasury management are to secure sufficient funding for business operations, avoiding financial constraint at all times, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (currency, interest rate, liquidity and funding, credit and operational risks) and to provide management with information on the financial position and risk exposures of Cargotec and its business units.

Cargotec Treasury is responsible for funding at corporate level, for managing liquidity and financial risks, for providing efficient set up of financing operations and for monitoring business unit financial positions. Cargotec Treasury reports on these issues monthly. The business units are responsible for hedging their financial risks according to the Treasury Policy and instructions from Cargotec Treasury.

Currency risk

Cargotec operates in more than 100 countries and is, due to global operations, exposed to risks arising from foreign exchange rate fluctuations. A significant proportion of Cargotec sales and costs are generated in foreign currencies, mostly in US dollars and Swedish krona.

The objective of currency risk management is to hedge operations against exchange rate fluctuations, thus allowing time for the business units to react and adapt to changes in exchange rates. Foreign currency positions, which include contractual cash flows, related to sales, purchases and financing, are fully hedged. Other highly probable cash flows may be hedged, if deemed necessary by Cargotec Treasury and the business unit. The business units report their risk exposures to Cargotec Treasury and hedge the positions via intercompany forward contracts. In countries, in which hedging is restricted, foreign currency denominated loans and deposits may be used as hedging instruments.

Cash flow hedge accounting is widely applied to qualifying hedges. Under Cargotec hedge accounting model, the portion of fair value change related to changes in spot rates is recognised in the hedge reserve under equity, until the cumulative profit or loss is recorded in the statement of income simultaneously with the underlying cash flow. The portion of fair value change related to interest rate is excluded from hedge accounting and recognised directly in profit or loss. Hedge accounting is started when a qualifying risk exposure is identified and hedged and terminated when the hedged item impacts profit or loss. Hedge accounting is not applied in cases where its impact on the consolidated statement of income is deemed insignificant by Cargotec Treasury.

Cash flow hedge accounting is applied to cash flows of the USD 205 million (2013: USD 300 million) Private Placement corporate bonds, funded in February 2007 and maturing in years 2017 to 2019.The cash flows of the bonds are converted into euro flows through long-term cross-currency swaps. As a result of the hedging, Cargotec effectively holds EUR 154.2 million (2013: 225.7 million) long-term fixed rate debt.

Cargotec is exposed to foreign currency risk arising from both on- and off-balance sheet items. The net balance sheet exposure in the table below represents the foreign currency risk arising from the on-balance sheet financial instruments, and the net exposure illustrates the outstanding effective foreign currency risk as monitored by Cargotec Treasury.

31 Dec 2014 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-75.6	93.9	-11.4	-13.0	-2.9	-12.2	21.2
Hedges	93.8	-453.7	53.8	13.8	153.8	119.4	19.1
Balance sheet exposure	**18.2**	**-359.8**	**42.4**	**0.8**	**150.9**	**107.1**	**40.3**
Order backlog + purchases	8.8	361.0	-56.4	-19.5	-145.9	-113.4	-37.4
Net exposure	**27.0**	**1.2**	**-14.0**	**-18.7**	**5.0**	**-6.3**	**2.9**

31 Dec 2013 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-135.4	79.1	7.4	9.0	3.4	-3.9	40.5
Hedges	199.3	-347.6	70.9	12.7	56.3	40.4	-32.1
Balance sheet exposure	**63.9**	**-268.5**	**78.3**	**21.7**	**59.7**	**36.5**	**8.4**
Order backlog + purchases	-98.3	280.1	-81.0	-22.9	-49.9	-28.7	0.8
Net exposure	**-34.5**	**11.6**	**-2.7**	**-1.2**	**9.9**	**7.7**	**9.2**

The foreign currency exposures in the table above include the most important operational currencies of Cargotec's business units. In this presentation, amounts are presented on a gross basis including foreign currency amounts and counter values in local currencies.

Cargotec's business units constantly monitor exposures and report their exposures on a monthly basis and the overall exposures are monitored by the Group Treasury. If material exposures are identified they are always hedged and thus management knows that there are no material exposures in any currency pair.

Cargotec has operations in Russia. Most of the business of the local company is conducted in EUR so that both sales and purchases are made in EUR. Some spare parts are sold in RUB from Finland and Sweden, but the amounts are immaterial for the group. At the year-end Cargotec has no internal and external loans or external derivatives in RUB.

Foreign exchange rate fluctuations have an effect on the consolidated income and equity. The statement of income sensitivity arises from foreign currency denominated financial assets and liabilities in the balance sheet, and from the hedges to which hedge accounting is not applied. The sensitivity of equity arises from derivatives under cash flow hedge accounting, as exchange rate differences are recognised in the cash flow hedge reserve in other comprehensive income. A foreign exchange rate impact on the hedge reserve is expected to be offset by the corresponding impact on the underlying cash flow and the statement of income as the cash flows materialise. Majority of the hedges and underlying cash flows mature within two years, except for the interest flows of the US dollar denominated corporate bonds, and their respective hedges, which materialise within five years.

If US dollar had strengthened/weakened 10 percent against euro, effect on the pre-tax profit would have been EUR 0.8 million positive/negative (31 Dec 2013: EUR 0.5 million negative/positive), and on other comprehensive income EUR 3.3 (31 Dec 2013: EUR 13.9) million negative/positive.

If Swedish krona had strengthened/weakened 10 percent against euro, effect on the pre-tax profit would have been EUR 0.7 million negative/positive (31 Dec 2013: EUR 0.1 million positive/negative), and on other comprehensive income EUR 2.0 (31 Dec 2013: 6.7) million positive/negative.

If Swedish krona had strengthened/weakened 10 percent against US dollar, effect on the pre-tax profit would have been EUR 0.7 million negative/positive (31 Dec 2013: EUR 0.3 million negative/positive), and on other comprehensive income EUR 3.7 (31 Dec 2013: EUR 20.4) million positive/negative.

Investments in non-euro-area subsidiaries cause translation differences, recognised in consolidated equity (translation risk). In addition to equity shares, Cargotec holds intercompany loan contracts accounted for as net investments. Exchange rate gains and losses arising from these loans are recorded as translation differences. The objective of translation position management is to hedge the capital structure so as to balance the effect of foreign exchange rate fluctuations on debt and equity. For the moment, no hedging requirements have emerged due to the capital structure.

Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair values of interest-bearing receivables, loans payable and derivative instruments. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the statements of income, balance sheet and cash flow. To manage the interest rate risk, the duration of the financial portfolio is maintained within the limits set by the Treasury Committee, by balancing between fixed and floating rate debt and by derivative instruments.

On 31 December 2014, Cargotec consolidated interest-bearing debt totalled EUR 946.4 (31 Dec 2013: 884.9) million, of which EUR 317.8 (31 Dec 2013: 217.3) million consisted of fixed rate corporate bonds, EUR 5.8 (31 Dec 2013: 23.0) million of other long-term fixed rate loans, EUR 4.7 (31 Dec 2013: 13.6) million of finance lease liabilities and the rest, EUR 618.1 (31 Dec 2013: 592.4) million of floating rate loans, short term loans and bank overdrafts. On 31 December 2014, the average duration of interest-bearing debt, including hedges of loans, was 18 (31 Dec 2013: 12) months.

The EUR 213.3 (31 Dec 2013: 314.8) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 5.3 (31 Dec 2013: 6.5) million and customer finance related finance lease receivables EUR 2.6 (31 Dec 2013: 3.6) million. The average duration of the interest bearing assets was less than one month (31 Dec 2013: less than one month).

Following the sensitivity analysis, per one percentage point increase/decrease in interest rates, the effect on consolidated net interests would be EUR 2.6 million (31 Dec 2013: 2.2) million negative/positive. The statement of income sensitivity is due to variable rate loans, short term loans, deposits and bank accounts and bank overdrafts. The sensitivity is calculated as annual effect assuming the balance sheet remains unchanged.

With respect to all currency forward contracts, the fair value changes related to fluctuations in interest rates are recognised directly in financial income and expenses and hence changes in market rates may affect financial result also via currency hedging. In sensitivity analysis, these effects are not accounted for, since the effect of one percent change in interest levels is not significant, assuming similar change in all currency pairs and that the current currency position remains.

In addition, Cargotec held EUR 168.8 million cross-currency and interest rate swaps with fixed interest payments for both currencies and thus a similar change in interest rate level of EUR and USD has no impact on pre-tax profit or on other comprehensive income.

Interest fixing periods

31 Dec 2014 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	213.3	-	-	-	-	213.3
Capital loans	-	-	-	-	-	-
Non-current loans from financial institutions	-431.9	-	-0.2	-5.7	-	-437.7
Corporate bonds	-	-	-	-98.7	-219.1	-317.8
Finance lease liabilities	-0.6	-0.6	-1.6	-0.7	-1.2	-4.7
Commercial papers	-130.9	-17.3	-	-	-	-148.2
Current interest-bearing liabilities *	-37.9	-	-	-	-	-37.9
Net	**-388.0**	**-17.9**	**-1.8**	**-105.1**	**-220.3**	**-733.1**

31 Dec 2013 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	314.8	-	-	-	-	314.8
Capital loans	-	-	-38.6	-	-	-38.6
Non-current loans from financial institutions	-395.4	-8.3	-	-	-6.4	-410.1
Corporate bonds	-68.9	-	-	-	-148.4	-217.3
Finance lease liabilities	-2.2	-2.1	-4.4	-1.7	-3.2	-13.6
Commercial papers	-133.0	-	-	-	-	-133.0
Current interest-bearing liabilities *	-68.4	-3.8	-	-	-	-72.2
Net	**-353.1**	**-14.3**	**-43.0**	**-1.7**	**-158.0**	**-570.1**

* Including bank overdrafts.

On 31 December 2014, the interest fixing period for corporate bonds ranged between 3 and 6 years.

Other market risks

In addition to the risks related to the treasury function, Cargotec is exposed to price and supply risks mainly relating to raw material and component purchases. The business units are responsible for identifying these risks and determining the required hedging measures. These risks are managed by thorough supplier selection process and long-term relationship with strategic suppliers.

Liquidity and funding risks

The objective of liquidity management is to maintain an optimal amount of liquidity to fund the business operations of the Corporation at all times while minimising interest and bank costs and avoiding financial distress (liquidity risk).

Liquidity risk is managed by retaining long-term liquidity reserves, exceeding short-term liquidity requirement. On 31 December 2014, the liquidity reserves, including cash and cash equivalents and long-term unused credit facilities, totalled EUR 505.4 (31 Dec 2013: 606.2) million. Short-term liquidity requirement includes the repayments of short- and long-term debt within the next 12 months, as well as strategic liquidity requirement, defined by Treasury Committee, which covers the operative funding demand within the following 12 months. On 31 December 2014, repayments of short- and long-term interest-bearing liabilities due in the following 12 months totalled EUR 193.2 (31 Dec 2013: 299.5) million.

On 31 December 2014, Cargotec held undrawn EUR 300 (31 Dec 2013: 300 maturing 2016) million long-term Revolving Credit Facility maturing in 2019. According to the facility agreement, Cargotec has a right to withdraw funds on three days’ notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short-term bank overdraft facilities of EUR 157.1 (31 Dec 2013: 133.0) million and a EUR 150 (31 Dec 2013: 150) million domestic Commercial Paper facility. On 31 December 2014, EUR 148.2 (31 Dec 2013: 133.3) million was in use.

The objective of funding risk management is to avoid an untenably high proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities, as well as retaining flexible credit facility agreements. Cargotec loan agreements include a covenant restricting the corporate capital structure. According to the covenant, Cargotec's gearing must be retained below 125 percent. On 31 December 2014, gearing was 59.2 (31 Dec 2013: 46.7) percent. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

The following tables represent maturity analysis of financial liabilities and derivatives. The figures are non-discounted contractual cash flows. Cargotec Treasury reports cash flows and liquidity position monthly to the Board of Directors.

Maturities of financial liabilities

31 Dec 2014 MEUR	2015	2016	2017	2018	2019	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,282.8	-7.4	-	-	-	-	-3,290.3
Currency forward contracts, inflow	3,239.7	7.1	-	-	-	-	3,246.8
Cross-currency and interest rate swaps, outflow	-7.3	-7.2	-97.5	-3.0	-67.0	-	-182.1
Cross-currency and interest rate swaps, inflow	8.1	8.2	105.0	4.1	72.1	-	197.4
Derivatives, net	**-42.3**	**0.6**	**7.4**	**1.0**	**5.1**	**-**	**-28.2**
Accounts payable and other non-interest bearing liabilities	-421.7	-15.9	-8.1	-6.8	-3.3	-0.6	-456.4
Loans from financial institutions, repayments	-43.6	-202.7	-4.3	-82.1	-42.1	-100.8	-475.6
Loans from financial institutions, finance charges	-8.9	-6.4	-4.1	-3.4	-1.9	-2.3	-27.0
Commercial papers, repayments	-148.2	-	-	-	-	-	-148.2
Commercial papers, interest charges	-0.8	-	-	-	-	-	-0.8
Capital loans, repayments	-	-	-	-	-	-	-
Capital loans, finance charges	-	-	-	-	-	-	-
Corporate bonds, repayments	-	-	-98.7	-	-70.0	-149.1	-317.8
Corporate bonds, finance charges	-14.6	-14.6	-11.8	-9.0	-7.1	-5.1	-62.1
Finance leases, repayments	-1.3	-1.5	-0.7	-0.5	-0.3	-0.4	-4.7
Finance leases, finance charges	-0.2	-0.1	-0.1	-	-	-	-0.4
Total	**-681.7**	**-240.5**	**-120.3**	**-100.8**	**-119.7**	**-258.2**	**-1,521.3**

31 Dec 2013 MEUR	2014	2015	2016	2017	2018	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,547.6	-7.4	-3.0	-	-	-	-3,558.1
Currency forward contracts, inflow	3,549.7	7.6	3.2	-	-	-	3,560.5
Cross-currency and interest rate swaps, outflow	-82.0	-7.3	-7.2	-97.5	-3.0	-67.0	-264.0
Cross-currency and interest rate swaps, inflow	79.1	8.4	8.4	92.9	3.5	63.4	255.7
Derivatives, net	**-0.7**	**1.2**	**1.3**	**-4.6**	**0.5**	**-3.6**	**-5.9**
Accounts payable and other non-interest bearing liabilities	-296.9	-11.6	-6.3	-5.0	-4.1	-0.8	-324.7
Loans from financial institutions, repayments	-93.3	-6.5	-203.2	-4.2	-71.0	-104.0	-482.3
Loans from financial institutions, finance charges	-8.4	-6.8	-5.7	-3.0	-3.0	-2.7	-29.6
Commercial papers, repayments	-133.0	-	-	-	-	-	-133.0
Commercial papers, interest charges	-0.5	-	-	-	-	-	-0.5
Capital loans, repayments	-	-36.2	-2.4	-	-	-	-38.6
Capital loans, finance charges	-4.9	-4.9	-	-	-	-	-9.8
Corporate bonds, repayments	-68.9	-	-	-86.9	-	-61.5	-217.3
Corporate bonds, finance charges	-10.2	-8.4	-8.4	-5.9	-3.5	-1.8	-38.1
Finance leases, repayments	-4.3	-4.4	-1.7	-1.5	-1.1	-0.6	-13.6
Finance leases, finance charges	-0.4	-0.2	-0.2	-0.2	-0.1	0.0	-1.1
Total	**-621.5**	**-77.9**	**-226.5**	**-111.2**	**-82.4**	**-175.1**	**-1,294.6**

Corporate bonds have maturities ranging from 2017 to 2020 and loans from financial institutions have maturities ranging from 2015 to 2022.

Credit and counterparty risks

The business units are responsible for managing the operational credit risks. On account of the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risks are managed through contractual clauses including advance payments, bank guarantees or other guarantees, and by monitoring the creditworthiness of customers. Credit risks relating to major contracts are shared with financial institutions, insurance companies or export guarantee institutions, when feasible. More information on accounts receivable is presented in note 22, Accounts receivable and other non-interest-bearing receivables.

Cargotec holds no significant amounts of external loan receivables. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee. Derivative contracts are entered into under ISDA agreement with several counterparties. More information on counterparty risk related to derivative contracts is presented in note 21, Financial instruments by category. The Treasury Committee sets counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and may reject a counterparty on an immediate notice. Only large financial institutions with high credit rating are accepted as counterparties. The maximum credit risk relating to cash and cash equivalents corresponds to their carrying amount. According to the management assessment no significant credit losses are anticipated on the investments of liquidity reserves.

Operational risks of the treasury functions

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

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

Capital structure management

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

Total capital is calculated as the sum of equity and net debt. Gearing, calculated as the ratio of net debt to equity, is the key figure monitored for capital structure management. Net debt is calculated as net of interest-bearing liabilities and assets, including cash and cash equivalents. Cargotec's target is to retain gearing below 50 percent. The elements of gearing are presented in the table below.

MEUR	31 Dec 2014	31 Dec 2013
Interest-bearing liabilities *	931.8	893.1
Interest-bearing loan receivables	-7.9	-8.5
Cash and cash equivalents	-205.4	-306.3
Interest-bearing net debt	**718.6**	**578.3**
Equity	1,213.8	1,239.4
Gearing, %	**59.2**	**46.7**

* The hedging of US Private Placement corporate bonds to eliminate the effect of exchange rate changes is included in interest bearing liabilities for calculation of gearing.

4. Segment information

Cargotec has three operating segments; MacGregor, Kalmar and Hiab. The operating segments are based on the management reports prepared for the Board of Directors and the President and CEO. These reports are prepared in accordance with IFRS. Operating segments have not been aggregated to build the reportable segments. Management considers the business from a product perspective and assesses the performance of the segment based on operating profit. The transfer pricing between segments is based on market prices.

MacGregor segment delivers marine cargo flow solutions used in general cargo, bulk, container and RoRo vessels, tankers, bulk terminals and offshore industry. Kalmar segment's container and heavy load handling equipment and services are used in terminals, ports, heavy industry and distribution centres. Hiab segment's on-road load handling solutions are used for loading and unloading vehicles

4.1. Operating segments

Segment results

Sales of the operating segments comprise products and services sales. The financial performance of the operating segments is measured through operating profit (excluding restructuring costs) and operating profit according to IFRS. Financing income and expenses, taxes and certain corporate administration cost are not allocated to the operating segments. During the financial years 1 Jan−31 Dec 2014 and 1 Jan−31 Dec 2013 Cargotec did not have individual significant customers according to definition of IFRS 8.

1 Jan–31 Dec 2014 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Services	224.1	394.5	195.7	814.4	-	814.4
Products	809.5	1,091.1	642.8	2,543.4	-	2,543.4
External sales total	1,033.6	1,485.6	838.6	3,357.8	-	3,357.8
Internal sales	0.5	0.9	1.4	2.7	-2.7	-
Total sales	**1,034.1**	**1,486.5**	**839.9**	**3,360.5**	**-2.7**	**3,357.8**
Depreciation and amortisation	19.6	43.5	10.0	73.1	7.0	80.0
Impairment charges	0.8	0.0	-0.1	0.7	0.4	1.2
Share of associated companies' and joint ventures' net income	0.9	4.7	-1.3	4.3	1.1	5.3
Operating profit excluding restructuring costs	**53.9**	**56.8**	**61.0**	**171.7**	**-22.4**	**149.3**
% of sales	5.2%	3.8%	7.3%	-	-	4.4%
Restructuring costs	2.3	1.5	18.5	22.3	0.4	22.7
Operating profit	**51.7**	**55.3**	**42.5**	**149.4**	**-22.8**	**126.6**
% of sales	5.0%	3.7%	5.1%	-	-	3.8%
Financing items	-	-	-	-	-	-28.4
Income before taxes	**-**	**-**	**-**	**-**	**-**	**98.2**

1 Jan–31 Dec 2013 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Services	146.7	385.6	230.8	763.0	-	763.0
Products	646.9	1,162.8	608.3	2,418.0	-	2,418.0
External sales total	793.6	1,548.3	839.1	3,181.0	-	3,181.0
Internal sales	0.5	1.2	1.4	3.2	-3.2	-
Total sales	**794.1**	**1,549.5**	**840.6**	**3,184.2**	**-3.2**	**3,181.0**
Depreciation and amortisation	6.1	42.1	12.6	60.8	7.3	68.2
Impairment charges	0.0	0.2	8.4	8.6	0.0	8.5
Share of associated companies' and joint ventures' net income	0.0	-1.4	-0.2	-1.7	1.4	-0.2
Operating profit excluding restructuring costs	**62.7**	**64.0**	**24.4**	**151.1**	**-24.6**	**126.5**
% of sales	7.9%	4.1%	2.9%	-	-	4.0%
Restructuring costs	2.7	7.1	24.0	33.8	0.1	34.0
Operating profit	**60.0**	**56.9**	**0.4**	**117.3**	**-24.8**	**92.5**
% of sales	7.6%	3.7%	0.1%	-	-	2.9%
Financing items	-	-	-	-	-	-13.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**78.7**

Segment assets and liabilities

Segments' assets and liabilities comprise all business assets and liabilities that are used by the segment or can be reasonably allocated to the segment. Unallocated assets comprise loans and other interest-bearing receivables, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests and derivatives designated as hedges of future treasury transactions. Unallocated liabilities comprise loans and other interest-bearing liabilities, income tax payables, deferred tax liabilities, accrued interests and derivatives designated as hedges of future treasury transactions.

31 Dec 2014 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets	1,162.1	1,310.0	569.5	3,041.5	75.7	3,117.2
Investments in associated companies and joint ventures	1.9	37.0	6.8	45.7	-	104.8
Unallocated assets, interest-bearing	-	-	-	-	213.3	213.3
Other unallocated assets	-	-	-	-	217.1	217.1
Total assets	**1,164.0**	**1,346.9**	**576.3**	**3,087.3**	**506.0**	**3,652.3**
Non-interest-bearing liabilities	610.9	567.2	183.4	1,361.4	15.1	1,376.4
Unallocated liabilities, interest-bearing *	-	-	-	-	931.8	931.8
Other unallocated liabilities	-	-	-	-	130.2	130.2
Total liabilities	**610.9**	**567.2**	**183.4**	**1,361.4**	**1,077.1**	**2,438.5**
Operative assets employed	553.2	779.7	392.9	1,725.9	60.6	1,845.5
Capital expenditure	6.3	55.2	10.7	72.1	7.2	79.3

31 Dec 2013 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets	803.4	1,266.2	605.4	2,674.9	67.8	2,742.7
Investments in associated companies and joint ventures	1.7	28.2	5.6	35.5	-	92.8
Unallocated assets, interest-bearing	-	-	-	-	314.8	314.8
Other unallocated assets	-	-	-	-	185.3	185.3
Total assets	**805.1**	**1,294.3**	**611.0**	**2,710.4**	**567.9**	**3,335.7**
Non-interest-bearing liabilities	409.2	507.7	182.8	1,099.7	19.2	1,118.8
Unallocated liabilities, interest-bearing *	-	-	-	-	893.1	893.1
Other unallocated liabilities	-	-	-	-	84.3	84.3
Total liabilities	**409.2**	**507.7**	**182.8**	**1,099.7**	**996.6**	**2,096.2**
Operative assets employed	395.9	786.6	428.2	1,610.7	48.7	1,716.7
Capital expenditure	5.3	61.2	30.1	96.5	11.8	108.4

* The unallocated interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 205 (31 Dec 2013: 300) million Private Placement bond, totalling on 31 December 2014, EUR -14.6 (31 Dec 2013: 8.2) million.

Orders

MEUR	Orders received 1 Jan–31 Dec 2014	1 Jan–31 Dec 2013	Order book 31 Dec 2014	31 Dec 2013
MacGregor	1,209.6	1,011.0	1,131.2	979.8
Kalmar	1,482.3	1,429.8	804.9	798.6
Hiab	908.6	869.0	264.1	202.9
Eliminations	-1.2	-3.2	0.0	-1.6
Total	**3,599.2**	**3,306.6**	**2,200.2**	**1,979.8**

Number of employees

	Average 1 Jan–31 Dec 2014	1 Jan–31 Dec 2013	At the end of year 31 Dec 2014	31 Dec 2013
MacGregor	2,702	1,832	2,737	2,354
Kalmar	5,273	5,288	5,219	5,269
Hiab	2,694	2,932	2,572	2,823
Corporate administration and support functions	168	157	176	164
Total	**10,838**	**10,210**	**10,703**	**10,610**

4.2. Information divided by geographical area

Sales are reported by customer location, while assets and capital expenditure are reported by the location of the assets. The geographical areas are based on the main market areas.

Sales

1 Jan–31 Dec 2014 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	2.5	20.4	27.8	50.7	0.0	50.7
Other EMEA (Europe, Middle East, Africa)	309.8	677.4	399.6	1,386.9	-0.6	1,386.3
China	310.0	80.7	13.6	404.3	-0.4	403.9
South Korea	182.7	16.3	20.8	219.9	0.0	219.9
Other Asia-Pacific	141.1	188.8	60.5	390.4	-1.5	388.9
USA	53.9	353.7	253.2	660.8	0.0	660.8
Other Americas	33.9	149.1	64.4	247.4	-0.2	247.2
Total	**1,034.1**	**1,486.5**	**839.9**	**3,360.5**	**-2.7**	**3,357.8**

1 Jan–31 Dec 2013 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	-2.8	23.9	28.8	49.9	0.0	49.9
Other EMEA (Europe, Middle East, Africa)	207.0	718.9	410.5	1,336.4	-0.9	1,335.4
China	206.1	83.4	13.6	303.1	-0.3	302.9
South Korea	190.9	15.3	21.8	228.1	0.0	228.1
Other Asia-Pacific	125.5	288.4	59.5	473.4	-1.6	471.8
USA	26.3	297.0	231.3	554.5	-0.3	554.3
Other Americas	41.1	122.6	75.0	238.8	0.0	238.7
Total	**794.1**	**1,549.5**	**840.6**	**3,184.2**	**-3.2**	**3,181.0**

Non-current assets and goodwill*

MEUR	31 Dec 2014	31 Dec 2013
Finland	104.9	83.3
Other EMEA (Europe, Middle East, Africa)	433.4	373.9
Asia-Pacific	43.5	58.6
Americas	110.3	106.2
Goodwill	962.9	865.5
Total	**1,655.0**	**1,487.4**

* Excluding financial instruments and deferred tax assets. Goodwill has not been allocated to geographical areas.

Capital expenditure

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Finland	8.2	13.7
Other EMEA (Europe, Middle East, Africa)	58.4	70.8
Asia-Pacific	3.8	8.6
Americas	8.9	15.2
Total	**79.3**	**108.4**

Number of employees

	31 Dec 2014	31 Dec 2013
Finland	877	880
Other EMEA (Europe, Middle East, Africa)	5,623	5,552
Asia-Pacific	2,675	2,649
Americas	1,528	1,530
Total	**10,703**	**10,610**

5. Acquisitions and disposals

Acquisitions 2014

Mooring and loading systems

MacGregor acquired on 30 January 2014 the mooring and loading systems unit ("MLS") from Aker Solutions for total consideration of EUR 188.3 million. MLS delivers under its main brands Pusnes, Porsgrunn and Woodfield mooring equipment, loading and offloading systems, deck machinery, steering gears and related maintenance services for the global offshore and shipping markets. The acquisition strengthens MacGregor's product portfolio and market position by raising MacGregor as the market leader in offshore equipment. The main locations of MLS are in Norway, United Kingdom and Korea. As a result of the acquisition, approximately 370 persons were transferred to Cargotec.

The goodwill generated in the acquisition arises mostly from personnel, expected synergy benefits and market position that are achieved via enhanced product portfolio and service network. Goodwill recognised at acquisition is not tax-deductible. The table below summarises the consideration transferred, assets acquired and liabilities assumed at their acquisition date fair values.

Acquired net assets and goodwill, MEUR	
Intangible assets	76.8
Property, plant and equipment	5.2
Inventories	8.8
Deferred tax assets	0.7
Accounts receivable and other non-interest-bearing assets	43.0
Cash and cash equivalents	8.9
Deferred tax liabilities	-22.8
Interest-bearing liabilities	-0.1
Accounts payable and other non-interest-bearing liabilities	-37.8
Net assets	**82.8**
Purchase price, paid in cash	188.3
Total consideration	**188.3**
Non-controlling interest	0.0
Goodwill	**105.5**
Purchase price, paid in cash	188.3
Cash and cash equivalents acquired	-8.9
Cash flow impact	**179.4**

The fair value measurement of acquired assets resulted in identification of intangible assets related to customer relationships, brands, technology and orderbook. The fair value of the acquired intangible assets was EUR 76.8 million at acquisition date. The acquired property, plant and equipment mainly consists of properties in Norway, United Kingdom and Korea.

The acquired assets include accounts receivable and receivables from construction contracts amounting to the gross value of EUR 38.0 million and the fair value of EUR 37.4 million. The fair value of receivables reflects the increased credit risk related to certain receivables and the expectations regarding the amount the entity is expecting to collect. The outstanding receivables relate to sales of equipment and services performed. The acquired receivables do not include lease income.

The goodwill resulting from the acquisition has been allocated to MacGregor segment for impairment testing. The deal consideration was fully paid in cash. The cost of acquisition does not include conditional components.

MLS has contributed EUR 111.3 million to Cargotec's sales and EUR 1.8 million to net income since the acquisition date. Transaction costs of EUR 1.8 million in 2014 and EUR 0.6 million in 2013 related to the acquisition have been included in the operating profit of MacGregor segment and in other operating expenses in the consolidated statement of income. In addition, the cumulative operating profit for 2014 includes EUR 6.2 million in amortisation and depreciation of fixed assets and additional one-time costs of EUR 1.2 million related to the fair value measurement of acquired assets.

Had the business been acquired on 1 January 2014, the contribution of MLS to Cargotec's 2014 sales and net income, including the consolidation period, would have been EUR 119.8 million and EUR 1.6 million respectively. The pro forma profit for the year includes one-off items, and depreciation and amortisation related to measurements recognised at acquisition amounting to approximately EUR 8.0 million.

Deep Water Solutions

MacGregor acquired on 21 February 2014 a Norwegian company Deep Water Solutions AS for the consideration of EUR 0.7 million. The acquired entity is specialised in offshore load-handling applications and the acquisition is strengthening MacGregor's business within this area. Four persons transferred to Cargotec as part of the acquisition. Acquisition cost includes a cash consideration of EUR 0.5 million paid at the acquisition date and a contingent consideration with maximum value of EUR 0.2 million based on certain sales milestones during 2014. The fair value measurement of acquired assets resulted an identification of technology-related intangible assets amounting to EUR 0.5 million and a goodwill of EUR 0.7 million. Acquisition-related costs were insignificant. The acquired operations have been merged as part of MacGregor Norway.

Disposals 2014

During the first quarter, Hiab sold its 60 percent shareholding in Cargotec Engineering Italy S.r.l. operating in Italy. During the third quarter, Hiab sold its 49 percent shareholding in Hiab Middle East LLC operating in United Arab Emirates. During the last quarter, Hiab sold its 75 percent shareholdings in Hiab S.A. de C.V. and Servicios Hiab S.A. de C.V. operating in Mexico. Transactions had no material impact on Cargotec's result.

Acquisitions 2013

Hatlapa

MacGregor acquired on 31 October 2013 a privately-owned Hatlapa Group ("Hatlapa") by purchasing the full share capitals of Hatlapa's German, Singaporean and Cypriot parent entities for EUR 111.7 million. Hatlapa has subsidiaries in seven countries. Hatlapa delivers, under its main brands Hatlapa and Triplex, compressors, steering gears, deck equipment and related maintenance services for merchant ships and offshore industry. The acquisition strengthened MacGregor's product portfolio and market position by raising MacGregor as the global market leader in winches. As a result of the acquisition, approximately 585 persons, mostly in Germany and Norway, transferred to Cargotec.

The goodwill generated in the acquisition arose mostly from personnel, expected synergy benefits and market position that are achieved via enhanced product portfolio and service network. Approximately 15 percent of the goodwill is tax-deductible. The table below summarises the consideration transferred, assets acquired and liabilities assumed at their acquisition date fair values.

Acquired net assets and goodwill, MEUR	
Intangible assets	45.4
Property, plant and equipment	28.9
Investments	0.7
Inventory	35.2
Deferred tax assets	4.1
Accounts receivable and other non-interest-bearing assets	30.7
Cash and cash equivalents	5.9
Deferred tax liabilities	-4.9
Interest-bearing liabilities	-59.0
Accounts payable and other non-interest-bearing liabilities	-37.5
Net assets	**49.5**
Purchase price, paid in cash	71.5
Issued debt	40.1
Total consideration	**111.7**
Non-controlling interest	1.8
Goodwill	**64.0**
Purchase price, paid in cash	71.5
Cash and cash equivalents acquired	-4.6
Cash flow impact	**66.9**

The fair value measurement of acquired assets resulted in identification of intangible assets related to customer relationships, brands and technology. The fair value of the acquired intangible assets was EUR 45.4 million at acquisition date. The acquired property, plant and equipment of EUR 28.9 million consists mostly of production facilities in Germany, Norway and Korea.

The acquired assets include accounts receivable with gross value of EUR 29.6 million and fair value of EUR 26.7 million. The fair value of accounts receivable reflects the increased credit risk related to certain receivables and the expectations regarding the amount the entity is expecting to collect. The outstanding accounts receivable relate to sales of equipment and services performed. The acquired account receivable do not include lease income or revenue from construction contracts.

The goodwill of EUR 64.0 million that resulted from the acquisition has been allocated to MacGregor segment for impairment testing. The debt portion of the consideration transferred consists of a convertible capital loan issued to sellers. The fair value of the capital loan at the date of acquisition was SGD 67.8 million (EUR 40.1 million). A more detailed description of the capital loan has been provided in note 26, Interest-bearing liabilities. The cost of acquisition does not include conditional components. Transaction costs of EUR 4.0 million related to the acquisition are included in the operating profit of MacGregor segment and in other operating expenses in the consolidated statement of income.

The non-controlling interest recognised at acquisition of Hatlapa's Korean subsidiary amount to EUR 1.8 million and has been recognised based on the relative ownership of the entity's net assets.

Certain subsidiaries of the acquired entities have non-controlling interests that are entitled to sell their shares to Cargotec upon meeting certain conditions. As a result of these conditions, a liability of EUR 3.1 million has been recognised at acquisition date. Put options related to the liability of EUR 0.6 million become exercisable in 2014 and put options related to the liability of EUR 2.4 million become exercisable in 2016.

Hatlapa contributed EUR 18.2 million to Cargotec's sales and EUR -3.7 million to net income since the acquisition date. The acquisition related one-off items included in the net income amount to approximately EUR -3.5 million. Had the business been acquired on 1 January 2013, the increase in Cargotec's 2013 sales and net income, including the consolidation period, would have been EUR about 109.6 million and EUR -15.5 million respectively. The pro forma loss for the year includes one-off items and depreciation and amortisation related to measurements recognised at acquisition amounting to approximately EUR -9.2 million.

Mareiport

Kalmar acquired in May 2013 70 percent ownerships in Spanish crane refurbishment and maintenance service companies Mareiport S.A. and Protecciones Superficiales y Aplicaciones S.L. As a result of the acquisition, Cargotec's ownership in the companies increased to 100 percent. The acquired entities have been consolidated in the Kalmar segment as of the beginning of May. The acquisition is a strategic step for Kalmar to become a major global crane refurbishment and services provider. As a result of the acquisition, approximately 250 persons transferred to Cargotec.

The goodwill generated by the acquisition is based on personnel and expected synergy benefits. Goodwill is not tax-deductible. In the fair value measurement, order book and trademark have been identified as acquired intangible assets. The table below presents the consideration paid, the fair value of assets acquired and liabilities assumed at the time of acquisition.

Acquired net assets and goodwill, MEUR	
Intangible assets	1.2
Property, plant and equipment	2.6
Inventory	0.3
Accounts receivable and other non-interest-bearing assets	4.2
Financial assets	3.9
Deferred tax liability	-0.7
Interest-bearing liabilities	-0.3
Accounts payable and other non-interest-bearing liabilities	-3.3
Net assets	**7.9**
Purchase price, to be settled in cash	7.9
Contingent consideration	2.5
Fair value of previous ownership interest	4.8
Total consideration	**15.2**
Goodwill	**7.2**
Purchase price, settled in cash	5.9
Cash and cash equivalents acquired	-2.5
Cash flow impact	**3.4**

Out of the purchase price EUR 4.0 million was paid upon the acquisition and the remaining EUR 3.9 million was agreed to be paid within the 12 months from the acquisition date. From the remaining amount EUR 1.9 million was paid later during 2013. Additionally, Cargotec is committed to pay as a contingent consideration a maximum of EUR 2.5 million depending on the acquired entities' earnings before interest and taxes (EBIT) in 2013. Conditions for payment have been met in full and the consideration will be paid mostly during 2014.

The pre-existing ownership in the entities has been valued at the date of acquisition without a material change to carrying amount.

Acquisition-related transaction costs of EUR 0.1 million have been included in the operating profit of the Kalmar segment and in other operating expenses in the consolidated statement of income.

Mareiport contributed EUR 13.4 million to Cargotec's sales and EUR 0.9 million to profit. Had the business been acquired on 1 January 2013, the increase in Cargotec's 2013 sales and profit, including the consolidation period, would have been approximately EUR 19.0 million and EUR 1.6 million respectively.

Disposals 2013

During the first quarter, Hiab sold 100 percent of O'Leary's Material Handling Services Pty Ltd, in Australia. The transaction had no material effect on Cargotec's result.

6. Long-term construction contracts

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Sales in statement of income, long-term construction contracts	341.8	367.8

Information on balance sheet items of long-term construction projects in progress at 31 December

Amounts due from customers for contract work are included in accounts receivable and other non-interest-bearing assets in the balance sheet.

Amounts due to customers for contract work are included in accounts payable and other non-interest-bearing liabilities in the balance sheet.

31 Dec 2014 MEUR	Net amount of recognised costs, profits and losses	Progress billings	Net
Amount due from customers presented as an asset	-	-	129.9
Amount due to customers presented as a liability	-	-	13.5
Projects in progress total	**769.7**	**653.2**	**116.4**

31 Dec 2013 MEUR	Net amount of recognised costs, profits and losses	Progress billings	Net
Amount due from customers presented as an asset	-	-	103.6
Amount due to customers presented as a liability	-	-	27.3
Projects in progress total	**553.2**	**476.9**	**76.3**

Customer advances EUR 6.0 (31 Dec 2013: 27.2) million are included in amounts due to customers.

7. Other operating income and expenses

Other operating income

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Gain on disposal of intangible assets and property, plant and equipment	2.8	2.5
Customer finance related other income	29.1	31.8
Rental income	4.3	2.2
Income due to order cancellations	6.9	1.5
Other income	5.0	6.0
Total	**48.1**	**44.0**

Other operating expenses

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Loss on disposal of intangible assets and property, plant and equipment	0.2	2.8
Customer finance related other expenses	28.6	30.8
Expenses due to order cancellations	0.4	6.1
Business combinations related expenses	2.2	6.4
Restructuring costs *	0.6	-0.2
Other expenses	18.5	11.7
Total	**50.5**	**57.7**

* Restructuring costs are presented in more detail in note 8, Restructuring costs.

Audit fees

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Annual audit	2.6	2.4
Tax advice	1.1	0.7
Other services	1.2	2.4
Total	**4.9**	**5.5**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR -10.4 (2013: 9.7) million, of which EUR -6.6 (2013: 6.2) million in sales, EUR -4.7 (2013: -2.3) million in cost of goods sold, and the portion of ineffective hedges and released cash flow hedges related to cancelled projects, EUR 1.0 (2013: 5.8) million in other operating income and expenses.

In addition, operating profit includes EUR -1.7 (2013: -1.1) million of exchange rate differences arrising from unhedged sales and purchases, and from hedges of sales and purchases for which hedge accounting is not applied.

8. Restructuring costs

In order to adjust its operations in accordance with the new operational model and to improve profitability, Cargotec began extensive restructuring measures during the autumn 2012 and continued those during 2014. The costs arising from these measures have been presented on a separate line in the consolidated statement of income. Costs related to previous or local restructuring measures have been recognised in those function costs they by nature relate to.

Restructuring costs have been, based on their nature, recognised as an impairment to assets, as restructuring provisions in the balance sheet or as accruals. Part of the costs has been recognised on accrual basis in the statement of income and paid during the financial period.

1 Jan–31 Dec 2014 MEUR	MacGregor	Kalmar	Hiab	Other	Total
Employment termination costs	0.3	1.8	8.0	0.1	10.1
Impairment of non-current assets	0.8	-	0.3	-	1.0
Impairment of inventory	-	-	2.0	-	2.0
Other restructuring costs *	1.3	0.3	8.3	0.4	10.2
Total	**2.3**	**2.1**	**18.5**	**0.4**	**23.3**
Restructuring costs in statement of income					
Restructuring expenses	2.3	1.5	18.5	0.4	22.7
Other operating expenses	0.1	0.6	-	-	0.6
Total	**2.3**	**2.1**	**18.5**	**0.4**	**23.3**

1 Jan–31 Dec 2013 MEUR	MacGregor	Kalmar	Hiab	Other	Total
Employment termination costs	1.8	2.1	10.0	0.1	14.1
Impairment of non-current assets	-	-	8.3	-	8.3
Impairment of inventory	-	0.3	2.7	-	3.0
Other restructuring costs *	0.9	4.8	2.8	-	8.5
Total	**2.7**	**7.1**	**23.8**	**0.1**	**33.8**
Restructuring costs in statement of income					
Restructuring expenses	2.7	7.1	24.0	0.1	34.0
Other operating expenses	-	-	-0.2	-	-0.2
Total	**2.7**	**7.1**	**23.8**	**0.1**	**33.8**

* Includes i.a. contract (other than employment contract) termination costs, costs arising from transferring operations to new locations as well as gains and losses on sale of intangible assets and property, plant and equipment.

9. Personnel expenses

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Wages and salaries	504.4	458.1
Equity-settled share-based payments	1.2	1.1
Cash-settled share-based payments	0.8	0.5
Pension costs	40.4	30.7
Other statutory employer costs	89.3	90.8
Total	**636.2**	**581.2**

Pension costs are presented in more detail in note 27, Employee benefits. Information on key management compensation is presented in note 33, Related-party transactions and information on options granted as well as other share-based incentives in note 25, Share-based payments.

10. Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cost of goods sold	39.2	38.3
Sales and marketing	14.4	8.0
Research and development	10.7	5.6
Administration	14.7	14.4
Restructuring	1.0	8.3
Other	1.2	2.1
Total	**81.2**	**76.7**

Depreciation and amortisation by asset type

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Intangible assets	29.4	19.3
Buildings	8.4	7.8
Machinery & equipment	42.3	41.0
Total	**80.0**	**68.2**

Impairment charges by asset type

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Other intangible assets	0.0	8.2
Property, plant and equipment	1.2	0.3
Total	**1.2**	**8.5**

11. Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Interest income on loans receivable and cash and cash equivalents	2.9	1.8
Forward contracts interest component	2.0	6.9
Capitalised borrowing costs	0.1	0.2
Other financing income	0.8	0.2
Exchange rate differences, net	2.6	1.6
Total	**8.4**	**10.7**

Financing expenses

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Interest expenses on financial liabilities measured at amortised cost	33.0	23.7
Arrangement and commitment fees relating to interest-bearing loans	1.3	1.3
Other financing expenses	2.5	-0.4
Total	**36.8**	**24.6**

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Exchange rate differences on interest-bearing loans and receivables	32.1	13.5
Exchange rate differences on derivative instruments	-29.5	-12.0
Total	**2.6**	**1.6**

Positive result on cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 1.8 (2013: 1.8) million, has been recorded as adjustment to interest expenses on financial liabilities at amortised cost.

12. Income taxes

Taxes in statement of income

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Current year tax expense	42.4	29.9
Deferred tax expense	-11.2	-7.4
Tax expense from previous years	-5.1	0.8
Total	**26.1**	**23.3**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Income before taxes	98.2	78.7
Tax calculated at Finnish tax rate (2014: 20.0% / 2013: 24.5%)	19.6	19.3
Effect of different tax rates in foreign subsidiaries	9.8	-0.3
Tax expense from previous years	-5.1	0.8
Tax exempt income and non-deductible expenses	2.4	-2.7
Benefit arising from previously unrecognised tax losses and temporary differences	-5.3	-8.7
Unrecognised current year tax losses and temporary differences	2.2	7.0
Adjustments to previous years' deferred taxes	2.0	-1.6
Effect of changes in tax rates	0.5	9.7
Income taxes total	**26.1**	**23.3**
Effective tax rate, %	26.6	29.6

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2014			1 Jan–31 Dec 2013		
MEUR	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Cash flow hedges	-34.8	9.0	-25.7	-10.3	2.2	-8.1
Translation differences	-54.8	17.6	-37.2	-75.4	12.1	-63.3
Actuarial gains (+) / losses (-) from defined benefit plans	-10.1	1.8	-8.3	6.1	-1.4	4.8
Total other comprehensive income	**-99.7**	**28.5**	**-71.2**	**-79.5**	**12.9**	**-66.6**

13. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the company by the weighted average number of shares outstanding during the financial period. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for the effect of all potential dilutive shares. The options have a diluting effect when the exercise price with an option is lower than the market value of the company share. The diluting effect is the number of shares that the company has to issue gratuitously because the received funds from the exercised options do not cover the fair value of the shares. The fair value of the company's share is determined as the average market price of the shares during the period. Further information on the option programme is available in note 25, Share-based payments.

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net income attributable to the equity holders of the company, MEUR	71.4	54.8
Weighted average number of shares during financial period, ('000)	64,388	61,521
Basic earnings per share, EUR	**1.11**	**0.89**

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Net income attributable to the equity holders of the company, MEUR	71.4	54.8
Weighted average number of shares during financial period, ('000)	64,388	61,521
Effect of stock options, ('000)	88	87
Diluted weighted average number of shares during financial period, ('000)	64,475	61,608
Diluted earnings per share, EUR	**1.11**	**0.89**

14. Goodwill

MEUR	2014	2013
Book value 1 Jan	865.5	834.2
Translation difference	-9.6	-37.5
Companies acquired	108.7	68.7
Other changes	-1.7	0.1
Book value 31 Dec	**962.9**	**865.5**

Impairment testing of goodwill

MEUR	31 Dec 2014	31 Dec 2013
MacGregor	429.7	335.2
Kalmar	331.3	330.3
Hiab	201.9	200.0
Total	**962.9**	**865.5**

Goodwill is reviewed for potential impairment always when there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest cash generating unit level (CGU) which generates independent cash flows. These levels have been identified according to the operative business organisation to be the reported operating segments. Due to the way the operating segments are managed and organised, it is not possible to define independent cash flows for lower level product divisions.

The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. The future cash flow projections are based on the strategic plans approved by the top management and the Board of Directors. Cash flow projections cover 5 years, of which the last year is used to define the terminal value. The fifth year is defined by extrapolating it on the basis of average development in the past and during the forecasted planning horizon, taking into account the cyclical nature of the CGU's business. Cash flows beyond the forecast period are projected by using a 2 percent long-term growth rate, which is not expected to exceed the forecasted long-term growth rate of the industries.

The key assumptions made by management in the projections relate to market and profitability outlooks. Future growth estimates are based on information available by external market research institutions on market development and timing of business cycles. Additionally, market share and growth potential in both new equipment and service markets have been taken into account when defining future sales growth. Key factors affecting profitability are sales volume, competitiveness and cost efficiency. The better average profitability of service business means that its relative share of sales also has an impact on profitability. Additionally, in Kalmar and Hiab segments, as well as in MacGregor's offshore business, the utilisation rate of factories and assembly units and their cost competitiveness have a significant impact on profitability. Major restructuring measures started in 2012 in Kalmar and Hiab have reflected positively to performance and this has increased management's confidence that the still on-going actions can be assumed to have a positive impact on profitability in the coming years. Cash flow projections also reflect typical working capital build-up in upturns and release during downturns in Kalmar and Hiab segments. MacGregor's business model, mainly in merchant ship division, ties very limited working capital, but estimated timing of orders and related advances received have been taken into account in cash flow estimates.

The discount rate used in the impairment testing is weighted average pre-tax cost of capital (WACC) defined for each segment. The discount rate reflects the total cost of equity and debt and the market risks related to the segment. The WACC components are risk-free interest rate, market risk premium, comparable peer industry beta, gearing and credit spread. The discount rate used in impairment tests has been defined similarly as in 2013. The increase in the discount rate of MacGregor in 2014 is mainly caused by increase in market risk. The pre-tax discount rate (WACC) used for Kalmar was 11.5 (2013: 11.2) percent, for Hiab 9.9 (2013: 9.8) percent and for MacGregor 10.8 (2013: 10.1) percent.

As a result of the impairment tests performed no impairment loss has been recognised in 2014 or in 2013.

Sensitivity analyses of the key assumptions have been prepared as part of the impairment testing process for each CGU. The key variables used in these assessments are 2 percentage point increase in discount rate, 10 percentage decrease in sales together with a 2 percentage point decrease in operating profit margin and a combined effect of all these.

In 2014, none of the sensitivity analyses performed showed need for impairment for any of the segments. In 2013, none of the sensitivity analyses performed showed need for impairment for MacGregor segment, but for Kalmar and Hiab segment the combined and simultaneous deterioration in all of the three key variables would have decreased the fair value of the segments below the carrying value. In Kalmar, the recoverable amount in 2013 exceeded the carrying value by near EUR 500 million. The carrying amount in 2013 would have exceeded the recoverable amount if sales in terminal period had decreased by 10 percent, operating margin had decreased by 0.6 percentage points and discount rate had increased by 2 percentage points simultaneously. In Hiab, the recoverable amount in 2013 exceeded carrying value by nearly EUR 300 million. Segment's recoverable amount would have been below carrying value, if sales in terminal period had decreased by 10 percent, operating margin had decreased by 0.5 percentage points and discount rate had increased by 2 percentage points simultaneously.

15. Other intangible assets

2014 MEUR	Development costs	Trademarks	Customer relationships	Patents and licences	Intangible assets under construction	Other *	Total
Acquisition cost 1 Jan	32.6	58.6	96.3	61.8	17.3	64.8	331.4
Translation difference	-0.3	-0.7	5.3	0.4	0.3	1.4	6.3
Additions	1.1	-	-	1.8	10.6	0.0	13.4
Disposals	-1.7	0.0	-0.8	-0.4	-	-0.4	-3.2
Reclassification	20.1	-	-	-5.2	-21.1	5.6	-0.6
Companies acquired and sold	6.7	11.5	48.2	15.7	0.1	-0.3	82.0
Acquisition cost 31 Dec	**58.6**	**69.3**	**149.0**	**74.0**	**7.2**	**71.2**	**429.3**
Accumulated amortisation and impairment 1 Jan	-21.4	-4.1	-12.6	-36.4	-	-37.8	-112.3
Translation difference	0.3	-0.1	-1.3	-0.2	-	-1.7	-3.0
Amortisation during the financial period	-8.3	-1.7	-10.5	-4.7	-	-4.1	-29.4
Impairment charges	-	-	-	-	-	0.0	0.0
Disposals	1.3	0.0	0.8	0.4	-	0.1	2.6
Reclassification	-0.8	-	-	0.8	-	0.0	0.0
Companies acquired and sold	-1.9	-	-	-1.0	-	0.3	-2.7
Accumulated amortisation and impairment 31 Dec	**-30.8**	**-5.9**	**-23.7**	**-41.1**	**-**	**-43.3**	**-144.8**
Book value 1 Jan	11.2	54.5	83.7	25.3	17.3	27.0	219.0
Book value 31 Dec	27.8	63.4	125.3	32.8	7.2	27.9	284.4

2013 MEUR	Development costs	Trademarks	Customer relationships	Patents and licences	Intangible assets under construction	Other *	Total
Acquisition cost 1 Jan	27.1	48.3	75.2	52.4	18.9	56.4	278.4
Translation difference	-0.2	-0.7	-3.8	-2.1	-0.6	-3.2	-10.5
Additions	-	-	0.1	0.3	17.1	0.1	17.5
Disposals	-1.4	-	-	-1.5	-0.1	-1.5	-4.5
Reclassification	5.6	-1.3	-	0.9	-18.3	12.5	-0.6
Companies acquired and sold	1.5	12.2	24.9	11.7	0.3	0.5	51.1
Acquisition cost 31 Dec	**32.6**	**58.6**	**96.3**	**61.8**	**17.3**	**64.8**	**331.4**
Accumulated amortisation and impairment 1 Jan	-15.9	-5.3	-8.4	-22.8	-	-39.0	-91.4
Translation difference	0.1	0.2	0.5	0.6	-	3.3	4.8
Amortisation during the financial period	-5.6	-0.3	-4.7	-5.0	-	-3.6	-19.3
Impairment charges	-	0.0	-	-8.2	-	0.0	-8.2
Disposals	1.4	-	-	0.8	-	1.7	4.0
Reclassification	-	1.3	-	-0.3	-	-0.2	0.8
Companies acquired and sold	-1.5	-	-	-1.6	-	-	-3.1
Accumulated amortisation and impairment 31 Dec	**-21.4**	**-4.1**	**-12.6**	**-36.4**	**-**	**-37.8**	**-112.3**
Book value 1 Jan	11.3	43.1	66.8	29.7	18.9	17.3	187.0
Book value 31 Dec	11.2	54.5	83.7	25.3	17.3	27.0	219.0

* Other intangible assets include service agreements and other intangible assets from business combinations.

The trademarks have been valued at fair value in connection with the acquisition. Some of the trademarks have been assessed to have indefinite useful lives, including MacGregor. It is estimated that they will create cash flow for an indefinite period. The estimate is based on their position as global, market area or customer segment specific market leadership and their long history. The MacGregor trademark has been used since the 1930's and it is continuously developed. The trademarks are tested for impairment annually or more frequently if there is an indication that their current value would not be recoverable. The trademarks with indefinite useful life are tested for impairment as a part of the appropriate cash generating unit (CGU). The process is described in more detail in note 14, Goodwill. The book value of the intangible assets with of indefinite useful life amounted 31 December 2014 to EUR 41.1 (31 Dec 2013: 41.0) million.

Other trademarks have been estimated to create cash flow during their useful lives, which varies from 3 to 15 years. These trademarks are amortised on a straight-line basis over their useful lives.

16. Property, plant and equipment

2014 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	21.6	224.0	480.0	4.2	4.9	734.7
Translation difference	0.6	4.1	2.4	0.1	0.0	7.2
Additions	0.0	2.6	52.8	8.5	1.9	65.9
Disposals	-1.1	-12.0	-47.8	0.0	0.0	-60.9
Reclassification	-0.3	4.2	-0.2	-7.7	-6.7	-10.7
Companies acquired and sold	0.6	8.7	0.5	0.0	-	9.8
Acquisition cost 31 Dec	**21.4**	**231.7**	**487.7**	**5.2**	**0.1**	**746.0**
Accumulated depreciation and impairment 1 Jan	-0.9	-94.5	-329.2	-	-	-424.7
Translation difference	0.0	-1.3	-0.3	0.0	-	-1.5
Depreciation during the financial period	-0.1	-8.4	-42.3	-	-	-50.7
Impairment	-	-0.4	-0.5	-0.2	-	-1.1
Disposals	0.1	6.4	27.7	-	-	34.2
Reclassification	-	-1.9	8.0	-	-	6.1
Companies acquired and sold	-	-4.9	-0.5	-	-	-5.3
Accumulated depreciation and impairment 31 Dec	**-0.9**	**-104.9**	**-337.0**	**-0.2**	**-**	**-443.1**
Book value 1 Jan	20.7	129.5	150.8	4.2	4.9	310.1
Book value 31 Dec	20.5	126.7	150.7	5.0	0.1	302.9

2013 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	21.7	225.8	485.9	5.2	0.9	739.4
Translation difference	-0.8	-6.1	-15.1	-0.1	0.0	-22.0
Additions	0.0	20.0	59.5	5.0	6.4	90.9
Disposals	-3.5	-35.8	-48.3	-4.4	-0.6	-92.6
Reclassification	0.0	-3.1	-31.3	-1.6	-1.8	-37.9
Companies acquired and sold	4.4	23.2	29.4	-	-	57.0
Acquisition cost 31 Dec	**21.6**	**224.0**	**480.0**	**4.2**	**4.9**	**734.7**
Accumulated depreciation and impairment 1 Jan	-1.0	-90.1	-344.6	-	-	-435.7
Translation difference	0.0	2.5	11.0	-	-	13.5
Depreciation during the financial period	-	-7.8	-41.0	-	-	-48.8
Impairment	-0.1	-0.3	0.1	-	-	-0.3
Disposals	0.0	4.1	29.9	-	-	34.1
Reclassification	0.0	2.4	35.0	-	-	37.4
Companies acquired and sold	-	-5.3	-19.5	-	-	-24.8
Accumulated depreciation and impairment 31 Dec	**-0.9**	**-94.5**	**-329.2**	**-**	**-**	**-424.7**
Book value 1 Jan	20.7	135.6	141.3	5.2	0.9	303.7
Book value 31 Dec	20.7	129.5	150.8	4.2	4.9	310.1

During the year, the group had capitalised borrowing costs amounting to EUR 0.1 (2013: 0.2) million. Borrowing costs were capitalised based on the project specific interest 1.62% (2013: 1.43%).

Finance lease agreements

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

2014 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	4.9	8.3	13.2
Translation difference	0.2	-0.1	0.1
Additions	0.1	0.6	0.7
Disposals	-	-0.2	-0.2
Reclassification	-0.4	-	-0.4
Companies acquired and sold	-	-	-
Acquisition cost 31 Dec	**4.9**	**8.6**	**13.4**
Accumulated depreciation and impairment 1 Jan	-3.9	-3.0	-6.9
Translation difference	-0.2	0.1	-0.1
Depreciation during the financial period	-0.2	-1.9	-2.1
Disposals	-	0.1	0.1
Reclassification	0.3	-	0.3
Companies acquired and sold	-	-	-
Accumulated depreciation and impairment 31 Dec	**-4.1**	**-4.7**	**-8.8**
Book value 1 Jan	1.0	5.3	6.2
Book value 31 Dec	0.8	3.9	4.7

2013 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	5.4	5.2	10.6
Translation difference	-0.2	-0.2	-0.4
Additions	0.1	1.3	1.4
Disposals	-0.5	-0.8	-1.3
Reclassification	-	0.0	0.0
Companies acquired and sold	0.0	2.9	2.9
Acquisition cost 31 Dec	**4.9**	**8.3**	**13.2**
Accumulated depreciation and impairment 1 Jan	-4.2	-2.8	-7.0
Translation difference	0.1	0.1	0.2
Depreciation during the financial period	-0.3	-1.0	-1.2
Disposals	0.4	0.6	1.0
Reclassification	0.0	0.1	0.1
Companies acquired and sold	-	0.0	0.0
Accumulated depreciation and impairment 31 Dec	**-3.9**	**-3.0**	**-6.9**
Book value 1 Jan	1.2	2.3	3.6
Book value 31 Dec	1.0	5.3	6.2

Customer finance agreements

Property, plant and equipment include machinery and equipment leased out under customer finance contracts classified as operating leases as follows:

Machinery & equipment MEUR	2014	2013
Acquisition cost 1 Jan	145.9	169.2
Translation difference	1.3	-2.0
Additions	41.6	39.3
Disposals	-25.3	-26.9
Reclassification	-9.6	-33.9
Companies acquired and sold	-0.3	-
Acquisition cost 31 Dec	**153.6**	**145.9**
Accumulated depreciation and impairment 1 Jan	-65.9	-98.8
Translation difference	-0.8	1.2
Depreciation during the financial period	-20.7	-20.2
Disposals	10.6	18.4
Reclassification	5.8	33.5
Companies acquired and sold	0.3	-
Accumulated depreciation and impairment 31 Dec	**-70.8**	**-65.9**
Book value 1 Jan	79.9	70.4
Book value 31 Dec	82.8	79.9

17. Investments in associated companies and joint ventures

MEUR	Associated companies 2014	2013	Joint ventures 2014	2013	Total 2014	2013
Book value 1 Jan	59.7	62.8	33.1	30.3	92.8	93.0
Translation difference	0.1	-	3.6	-0.4	3.6	-0.4
Share of net income	1.1	1.7	4.3	-1.9	5.3	-0.2
Share of comprehensive income	1.1	1.7	4.3	-1.9	5.3	-0.2
Dividend income	-0.5	-0.6	-	-	-0.5	-0.6
Additions	1.1	0.6	2.4	5.1	3.5	5.7
Reclassification	-1.2	-4.7	1.2	-	-	-4.7
Book value 31 Dec	**60.3**	**59.7**	**44.5**	**33.1**	**104.8**	**92.8**

Equity-accounted investments in other entities

31 Dec 2014 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Shareholding (%) Group
Hymetal S.A.	France	Associated company	5.1	3.3	9.5	-0.1	-	40.0
Sanger Metal SP z.o.o.	Poland	Associated company	2.2	1.7	1.2	-0.1	-	30.0
Jumbo Logistics Ltd.	Cyprus	Associated company	0.2	0.0	0.4	0.2	-	30.0
MacGregor-Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	Associated company	0.2	0.0	0.3	0.0	-	25.0
Jiangsu Rainbow Heavy Industries Co., Limited	China	Associated company	482.3	158.3	273.7	11.6	-	9.2
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	16.5	0.6	0.5	-3.0	50.0	50.0
Rainbow-Cargotec Industries Co., Ltd.	China	Joint venture	135.8	61.3	108.9	11.2	49.0	49.0
Haida-MacGregor Jiangyin Sealing Co., Ltd.**	China	Joint venture	8.1	2.5	10.4	1.0	-	25.0

31 Dec 2013 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Shareholding (%) Group
Hymetal S.A.	France	Associated company	5.7	3.9	11.0	0.0	-	40.0
Haida-MacGregor Jiangyin Sealing Co., Ltd.**	China	Associated company	6.3	1.8	7.6	0.4	-	25.0
MacGregor-Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	Associated company	0.2	0.0	0.5	0.0	-	25.0
Jiangsu Rainbow Heavy Industries Co., Limited	China	Associated company	380.9	126.4	181.8	11.7	-	9.2
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	3.7	-	-	-	50.0	50.0
Rainbow-Cargotec Industries Co., Ltd.	China	Joint venture	90.4	34.2	17.7	-2.8	49.0	49.0

Investments in entities Jiangsu Rainbow Heavy Industries Co., Limited and Rainbow-Cargotec Industries Co., Ltd are classified as material investments due to their size. In addition, Sinotruk Hiab (Shandong) Equipment Co., Ltd is classified as a material investment due to the ultimate amount of investment in the joint venture.

Cargotec has a 49 percent holding in China Crane Investment Holdings Limited, which owns 18.75 percent of Jiangsu Rainbow Heavy Industries Co., Limited. Cargotec thereby has 9.2 percent holding in Chinese Jiangsu Rainbow Heavy Industries Co., Limited. The management has classified this ownership as an associated company because China Crane Investment Holdings Limited has the authority to elect two of eight board members in Jiangsu Rainbow Heavy Industries Co., Limited. Jiangsu Rainbow Heavy Industries Co., Limited is Cargotec's strategic partner in the joint venture Rainbow-Cargotec Industries Co., Ltd. Associated company relationship has started on 1 November 2012. The figures recognised in the consolidated statement of income in 2014 are based on a 12-month period ending in September 2014 and the figures in 2013 are based on a 9-month period ending in September 2013 because the latest financial statements have not been available.

Rainbow-Cargotec Industries Co. Ltd was established in May 2012. Cargotec's ownership in the company is 49 percent and the ownership of Cargotec's associated company Jiangsu Rainbow Heavy Industries Co. Ltd is 51 percent. Management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, parties have rights to the net assets of the arrangement in accordance with their ownership, and control over the arrangement is shared requiring decisions about relevant activities to be made unanimously. The joint venture Rainbow-Cargotec Industries Co. Ltd manufactures port and offshore cranes as a strategic partner for Kalmar and MacGregor. The parties to the joint venture are committed to provide funding for the entity, if needed, up to EUR 117 million from which the share of Cargotec is approximately EUR 57 million. At the reporting date, no funding has been needed and this commitment has not been recognised in the financial statements.

Sinotruk Hiab (Shandong) Equipment Co., Ltd. was established in November 2013. Cargotec and China National Heavy Duty Truck Group Co., Ltd both own 50 percent of the company. Management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, parties have rights to the net assets of the arrangement in accordance with their investments, and control over the arrangement is shared requiring decisions about relevant activities to be made unanimously. The joint venture has operated from 1 January 2014 as Hiab's strategic partner manufacturing and selling truck-mounted cranes. At the reporting date Cargotec has recognised 50 percent of the result of the entity in accordance with the shareholder agreement, and owns 24.3 percent of the invested capital as the initial investment process is still ongoing. In accordance with the original contract Cargotec is committed to further invest CNY 74.3 million (9.9 million euros at the reporting date exchange rate) in the joint venture over the next years that will raise Cargotec's share of the paid-in capital to 50 percent. These commitments have not been recognised in the financial statements.

* The countries of incorporation and of primary operations are the same.

** Haida-MacGregor Jiangyin Sealing Co., Ltd was reclassified from an associated company to a joint venture on adoption of IFRS 11. The change had no effect on the consolidation method or the amounts disclosed.

Summarised financial information about material associated companies and joint ventures

Summarised balance sheets at 31 Dec	Jiangsu Rainbow Heavy Industries Co., Limited		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
MEUR	2014	2013	2014	2013	2014	2013
Cash and cash equivalents	68.9	72.9	8.0	12.5	2.1	3.7
Other current assets	224.9	145.0	65.0	21.4	1.8	-
Non-current assets	188.5	163.0	62.8	56.5	12.6	-
Total assets	**482.3**	**380.9**	**135.8**	**90.4**	**16.5**	**3.7**
Current financial liabilities	16.8	2.9	-	-	-	-
Other current liabilities*	126.6	94.3	60.9	34.1	0.6	-
Non-current financial liabilities	11.1	-	-	-	-	-
Other non-current liabilities	3.8	1.5	0.3	-	-	-
Total liabilities	**158.3**	**98.6**	**61.3**	**34.1**	**0.6**	**-**
Net assets	**324.0**	**282.2**	**74.5**	**56.3**	**15.9**	**3.7**

*Accounts payable are included in other current liabilities.

Summarised statements of income	Jiangsu Rainbow Heavy Industries Co., Limited		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
MEUR	2014	2013	2014	2013	2014	2013
Sales	273.7	181.8	108.9	17.7	0.5	-
Depreciation, amortisation and impairments*			1.9	1.1	0.6	-
Financing income*			-	-	0.0	-
Financing expenses*			0.1	0.2	-	-
Income before taxes	14.6	15.7	12.4	-2.8	-3.0	-
Income taxes	3.0	4.1	1.2	-	-	-
Net income for the period	**11.6**	**11.7**	**11.2**	**-2.8**	**-3.0**	**-**
Comprehensive income for the period	**11.6**	**11.7**	**11.2**	**-2.8**	**-3.0**	**-**
Dividends received	**0.5**	**0.4**	**-**	**-**	**-**	**-**

*Information not required for associated companies.

Reconciliation of summarised information

MEUR	Jiangsu Rainbow Heavy Industries Co., Limited 2014	2013	Rainbow-Cargotec Industries Co., Ltd 2014	2013	Sinotruk Hiab (Shandong) Equipment Co., Ltd. 2014	2013
Net assets 1 Jan	282.2	282.2	56.3	60.1	3.7	-
Share of net income	11.6	11.7	11.2	-2.8	-3.0	-
Additions	-	-	-	-	15.1	3.7
Dividends	-	-5.3	-	-	-	-
Translation differences	30.2	-6.4	7.0	-1.0	0.1	-
Net assets 31 Dec	**324.0**	**282.2**	**74.5**	**56.3**	**15.9**	**3.7**
Cargotec's share of net assets	29.8	26.0	36.5	27.6	3.1	1.8
Goodwill	29.2	31.4	0.5	0.6	3.0	3.1
Book value	59.0	57.3	37.0	28.2	6.1	4.9

Jiangsu Rainbow Heavy Industries Co., Limited is listed in China at Shenzhen stock exchange. The fair value of Cargotec's 9.2 percent ownership at 31 December 2014 was EUR 49.9 (31 Dec 2013: 40.3) million.

At the reporting date Cargotec has recognised 50 percent of the result of the Sinotruk Hiab (Shandong) Equipment Co., Ltd. in accordance with the shareholder agreement, and owns 24.3 percent of the invested capital as the initial investment process is still ongoing. In accordance with the original contract Cargotec is committed to further invest CNY 74.3 million (9.9 million euros at the reporting date exchange rate) in the joint venture over the next years that will raise Cargotec's share of the paid-in capital to 50 percent. These commitments have not been recognised in the financial statements.

18. Available-for-sale investments

MEUR	2014	2013
Book value 1 Jan	3.8	4.2
Translation difference	0.0	0.0
Additions	0.0	0.0
Disposals	0.0	-0.4
Book value 31 Dec	**3.8**	**3.8**

Available-for-sale investments include shares of unlisted companies (mainly holiday, tennis, golf clubs or similar company shares). Shares are valued at acquisition price, as fair values of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition price.

19. Deferred tax assets and liabilities

Deferred tax assets

MEUR	1 Jan 2014	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2014
Tax losses carried forward	43.3	22.6	-	-0.6	0.0	65.3
Provisions	11.9	1.6	0.0	0.4	1.2	15.2
Depreciation difference	33.8	0.2	-	0.0	0.2	34.2
Pensions	5.8	-0.9	2.0	-0.2	-0.1	6.6
Elimination of intercompany profit	10.7	4.1	-	-	-	14.8
Change in fair value	0.6	0.1	8.7	-0.6	0.2	9.0
Other temporary differences	52.9	3.5	-	2.2	-1.0	57.5
Total	**159.0**	**31.1**	**10.8**	**1.2**	**0.4**	**202.4**
Offset against deferred tax liabilities *	-20.1	-4.5	0.0	0.6	-0.4	-24.4
Total, net	**138.9**	**26.6**	**10.7**	**1.7**	**0.0**	**178.0**

Deferred tax liabilities

MEUR	1 Jan 2014	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2014
Depreciation difference	4.4	2.2	0.0	0.3	0.9	7.8
Pensions	-	-0.2	-0.4	0.0	0.5	0.0
Goodwill amortisation	18.4	3.7	-	2.7	0.0	24.8
Allocation of fair value on acquisitions	7.6	-0.4	-	0.1	18.5	25.8
Research and development	1.7	-0.8	-	-	-	0.8
Change in fair value	2.9	0.2	-0.6	-0.1	-0.1	2.2
Other temporary differences	40.7	-2.4	-	-0.7	3.2	40.8
Total	**75.6**	**2.2**	**-1.0**	**2.4**	**22.9**	**102.1**
Offset against deferred tax assets *	-20.1	-4.5	0.0	0.6	-0.4	-24.4
Total, net	**55.5**	**-2.2**	**-1.1**	**2.9**	**22.5**	**77.8**

Deferred tax assets

MEUR	1 Jan 2013	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2013
Tax losses carried forward	66.4	-22.0	-	-1.4	0.3	43.3
Provisions	12.0	0.7	-	-0.7	-	11.9
Depreciation difference	3.1	31.0	-	-0.1	-0.2	33.8
Pensions	6.8	0.2	-0.8	-0.5	0.0	5.8
Elimination of intercompany profit	11.7	-1.0	-	0.0	-	10.7
Change in fair value	1.7	-	-1.3	0.0	0.2	0.6
Other temporary differences	48.7	-0.6	2.1	-1.8	4.4	52.9
Total	**150.4**	**8.2**	**0.1**	**-4.5**	**4.8**	**159.0**
Offset against deferred tax liabilities *	-20.3	-1.0	-	0.8	0.4	-20.1
Total, net	**130.1**	**7.3**	**0.1**	**-3.7**	**5.2**	**138.9**

Deferred tax liabilities

MEUR	1 Jan 2013	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2013
Depreciation difference	5.8	-1.2	-	-0.2	0.0	4.4
Pensions	-	-	-	-	-	-
Goodwill amortisation	16.5	2.7	-	-0.8	-	18.4
Allocation of fair value on acquisitions	3.1	0.0	-	-0.4	4.9	7.6
Research and development	2.1	-0.4	-	0.0	-	1.7
Change in fair value	6.2	-	-3.1	-0.2	-	2.9
Other temporary differences	51.4	-0.3	-9.6	-1.0	0.2	40.7
Total	**85.1**	**0.8**	**-12.7**	**-2.6**	**5.1**	**75.6**
Offset against deferred tax assets *	-20.3	-1.0	-	0.8	0.4	-20.1
Total, net	**64.7**	**-0.1**	**-12.7**	**-1.8**	**5.5**	**55.5**

* Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. During the financial year, Cargotec recognised further deferred tax assets from tax losses. The losses result from significant investments mainly in Kalmar segment. Starting up new business and related first project deliveries, which proved to be clearly more challenging than expected with significant cost overruns, have during the past few years pushed the Cargotec's result into a loss in two countries. In the view of the company management, the reason for tax losses was an exceptional event, which is unlikely to occur again and estimated taxable income will enable utilising the tax losses during the coming years. The company has in its estimates, following the prudency principle, taken into consideration the expiry dates of the tax losses. On 31 December 2014, Cargotec had EUR 66.7 (31 Dec 2013: 87.1) million of tax losses carried forward of which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses of EUR 11.8 (31 Dec 2013: 15.5) million will expire during the next five years and the rest, EUR 54.9 (31 Dec 2013: 71.6) million, have no expiry date or will expire after five years.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that earnings will be distributed in the near future. On 31 December 2014, Cargotec had EUR 1,309.3 (31 Dec 2013: 1,722.1) mililion of undistributed profits of which no deferred tax liabilities were recognised.

20. Inventories

MEUR	31 Dec 2014	31 Dec 2013
Raw materials and supplies	227.1	212.9
Work in progress	254.9	219.3
Finished goods	175.9	163.6
Advance payments paid for inventories	32.6	35.2
Total	**690.5**	**630.9**

Obsolescence provision of inventories to net realisable value was EUR 88.3 (31 Dec 2013: 73.7) million at the end of period.

21. Financial instruments by category

Book value by category of financial assets

31 Dec 2014 MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through the statement of income	Derivatives under hedge accounting	Total
Non-current financial assets					
Loans receivable and other interest-bearing assets	3.4	-	-	-	3.4
Available-for-sale investments	-	3.8	-	-	3.8
Derivative assets	-	-	-	15.5	15.5
Other non-interest-bearing assets	5.8	-	-	-	5.8
Total	**9.2**	**3.8**	**-**	**15.5**	**28.5**
Current financial assets					
Loans receivable and other interest-bearing assets	4.4	-	-	-	4.4
Derivative assets	-	-	20.2	0.3	20.5
Accounts receivable and other non-interest-bearing receivables	725.9	-	-	-	725.9
Cash and cash equivalents	205.4	-	-	-	205.4
Total	**935.7**	**-**	**20.2**	**0.3**	**956.3**
Total financial assets	**944.9**	**3.8**	**20.2**	**15.8**	**984.7**

31 Dec 2013 MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through the statement of income	Derivatives under hedge accounting	Total
Non-current financial assets					
Loans receivable and other interest-bearing assets	4.9	-	-	-	4.9
Available-for-sale investments	-	3.8	-	-	3.8
Derivative assets	-	-	0.4	-	0.4
Other non-interest-bearing assets	4.7	-	-	-	4.7
Total	**9.6**	**3.8**	**0.4**	**-**	**13.8**
Current financial assets					
Loans receivable and other interest-bearing assets	3.7	-	-	-	3.7
Derivative assets	-	-	13.4	4.7	18.1
Accounts receivable and other non-interest-bearing receivables	595.8	-	-	-	595.8
Cash and cash equivalents	306.2	-	-	-	306.2
Total	**905.7**	**-**	**13.4**	**4.7**	**923.8**
Total financial assets	**915.3**	**3.8**	**13.8**	**4.7**	**937.6**

Book value by category of financial liabilities

31 Dec 2014 MEUR	Financial liabilities at amortised cost	Liabilities at fair value through the statement of income	Derivatives under hedge accounting	Total
Non-current financial liabilities				
Capital loans	-	-	-	-
Interest-bearing liabilities	753.2	-	-	753.2
Derivative liabilities	-	0.2	-	0.2
Other non-interest-bearing liabilities	34.7	-	-	34.7
Total	**787.9**	**0.2**	**-**	**788.1**
Current financial liabilities				
Interest-bearing liabilities	193.2	-	-	193.2
Derivative liabilities	-	43.7	20.8	64.6
Accounts payable and other non-interest-bearing liabilities	421.7	-	-	421.7
Total	**614.9**	**43.7**	**20.8**	**679.4**
Total financial liabilities	**1,402.8**	**43.9**	**20.8**	**1,467.5**

31 Dec 2013 MEUR	Financial liabilities at amortised cost	Liabilities at fair value through the statement of income	Derivatives under hedge accounting	Total
Non-current financial liabilities				
Capital loans	38.6	-	-	38.6
Interest-bearing liabilities	546.7	-	-	546.7
Derivative liabilities	-	0.1	3.1	3.2
Other non-interest-bearing liabilities	27.8	-	-	27.8
Total	**613.1**	**0.1**	**3.1**	**616.4**
Current financial liabilities				
Interest-bearing liabilities	299.6	-	-	299.6
Derivative liabilities	-	16.9	3.4	20.2
Accounts payable and other non-interest-bearing liabilities	312.0	-	-	312.0
Total	**611.6**	**16.9**	**3.4**	**631.9**
Total financial liabilities	**1224.7**	**17.0**	**6.5**	**1248.2**

Assets and liabilities at fair value through the statement of income consist solely of currency forwards and cross-currency and interest rate swaps. In the fair value hierarchy, in accordance with IFRS 7.27, these derivative contracts are classified at level 2, i.e. valuation is based on observable inputs. Other row items are recognised at amortised cost. Information on their fair values is presented under each respective note. The derivative assets and liabilities are presented at their gross values as the offsetting criteria of IFRS is not met. Cargotec has derivative positions with several banks and related transactions are effected under ISDA agreement. The ISDA agreement allows to settle on a net basis all outstanding items within the scope of the agreement for example in the event of bankruptcy. At reporting date, the remaining counterparty risk after net settlement, as allowed by ISDA, was EUR 0.0 (31 Dec 2013: 0.6) million for Cargotec and EUR 28.7 (31 Dec 2013: 5.6) million for the counterparties.

22. Accounts receivable and other non-interest-bearing receivables

Non-current receivables

MEUR	31 Dec 2014	31 Dec 2013
Non-current non-interest-bearing assets	5.8	4.7

Current receivables

MEUR	31 Dec 2014	31 Dec 2013
Accounts receivable	583.0	479.8
Receivables from construction contracts	129.9	103.6
Deferred interests	3.5	4.5
Other deferred assets	129.1	102.5
Total	**845.4**	**690.5**

Ageing analysis of accounts receivable

MEUR	31 Dec 2014	31 Dec 2013
Not due	426.7	329.7
1–90 days overdue	131.1	127.3
91–360 days overdue	24.4	17.4
Over 360 days overdue	0.8	5.3
Total	**583.0**	**479.8**

Impairments, included into ageing analysis of accounts receivable

MEUR	31 Dec 2014	31 Dec 2013
1–90 days overdue	0.9	2.9
91–360 days overdue	8.0	9.0
Over 360 days overdue	13.1	13.4
Total	**21.9**	**25.3**

23. Cash and cash equivalents

MEUR	31 Dec 2014	31 Dec 2013
Cash at bank and on hand	200.0	296.6
Short-term deposits	5.4	9.6
Total	**205.4**	**306.2**

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2014	31 Dec 2013
Cash and cash equivalents	205.4	306.2
Bank overdrafts used	-2.0	-3.0
Cash and cash equivalents in the statement of cash flows	**203.4**	**303.3**

24. Equity

Total equity consists of share capital, share premium account, translation differences, fair value reserves, reserve for invested non-restricted equity, retained earnings and non-controlling interest. The amount exceeding the accounting par value of shares received by the company in connection with share subscriptions was recorded in share premium account if the options had been decided on under the old Limited Liability Companies Act (29 Sep 1978/734). Under the new (1.9.2006) Limited Liability Companies Act (21 Jul 2006/624), when the stock options are exercised, the amount received is recorded in the reserve for invested non-restricted equity. Changes in treasury shares owned by the company are recorded in the reserve for invested non-restricted equity. Translation differences caused by translation of foreign companies' financial statements into euro are included in translation differences. Also exchange rate gains and losses of the intercompany loan agreements that form part of a net investment are recognised in translation differences. Fair value reserve includes the changes in fair value of derivatives hedging cash flows and changes in fair value of available-for-sale financial assets. Net income for the period and share-based payments are recorded in retained earnings.

Shares and share capital

According to Cargotec's Articles of Association, the company's share capital is divided into class A and class B shares. Cargotec class B shares are quoted on the NASDAQ OMX Helsinki Ltd. Cargotec's share capital is fully paid up.

In the Shareholders' Meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote. According to the Articles of Association, class B shares earn a higher dividend in dividend distribution than class A shares. The difference between dividends paid on the two classes of shares is a minimum of one (1) cent and a maximum of two and a half (2.5) cents.

Number of shares	Class A shares	Class B shares	Total
Number of shares 1 Jan 2013	9,526,089	54,778,791	64,304,880
Stock options exercised	-	9,714	9,714
Number of shares outstanding 31 Dec 2013	**9,526,089**	**54,788,505**	**64,314,594**
Number of shares 1 Jan 2014	9,526,089	54,788,505	64,314,594
Stock options exercised	-	122,704	122,704
Number of shares outstanding 31 Dec 2014	**9,526,089**	**54,911,209**	**64,437,298**

Dividend distribution

After 31 December 2014 the following dividends were proposed by the Board of Directors to be paid: EUR 0.54 per each class A share and EUR 0.55 per outstanding class B share, a total of EUR 35,345,253.01.

25. Share-based payments

Share-based incentive programme 2014

In February 2014, the Board of Directors approved a new long-term incentive programme for the key personnel of Cargotec. The programme consists of two phases. The first phase includes business area specific financial performance targets for the year 2014 that relate to operating profit and working capital. The second phase consists of an additional earnings multiplier, which is based on the market value of the Cargotec class B share at the end of the three year performance period in 2016. The final amount of reward is a product of the reward earned during the first phase and the multiplier determined during the second phase. If the targets were fully met for the maximum number of participants, the cost of the programme for the three year period would be approximately EUR 12 million. The estimated cost of the plan at the grant date is based on the expected outcome of the financial performance targets of 2014, forfeiture rate, and the earnings multiplier at the end of 2016 that has been estimated with Black-Scholes option pricing model. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions will be delivered in Cargotec class B shares. If employment terminates before the share payment, the participant will lose the right to the share reward. The number of participants is 70 persons, including Cargotec's President and CEO, members of the Executive Board and other key executives. During the first phase of the incentive programme, the business area specific minimum earnings criterion were fulfilled for 53 participants.

As a part of total compensation, additional restricted share grants can be allocated for selected few key employees during 2014–2016. Restricted share programme consists of three annual programmes. Each annual programme includes a one-year earnings period based on financial performance targets and a following one-year lock-up period. If the financial performance threshold levels were met for the maximum number of participants, the total cost of the programme would be approximately EUR 3 million. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions is delivered in Cargotec class B shares. If the financial performance threshold levels are not met or participant's employment terminates before the end of the lock-up period, share incentive will not be paid. During 2014 restricted share grants were allocated to six persons including Cargotec's President and CEO, and members of the Executive Board, and the minimum earnings criterion set for the plan was met.

Share-based incentive programme 2013

In August 2013, the Board of Directors approved a new share-based incentive programme for key personnel of Cargotec. The programme consists of an earnings period based on the second half of 2013 financial performance and a holding period of approximately two years following the performance period. If the targets are fully met, the cost of the programme is approximately EUR 6 million. The share reward is a gross reward before deduction for the applicable taxes and tax related expenses and the net reward after these deductions will be delivered in Cargotec class B shares. The shares were delivered in spring 2014 and will be released in two tranches during year the 2015. If the employment terminates before the holding period ends, the participant will lose the right to the share reward. The minimum earnings criterion was corporate operative cash flow of EUR 127.8 million for the second half of 2013, which was fulfilled. Additionally, business area specific earnings criterion was fulfilled in one business area. The number of the participants was 43 persons, including Cargotec’s President and CEO and members of the Executive Board, of which 20 were rewarded.

Share-based incentive programme 2010

In March 2010, the Board of Directors decided to establish a new share-based incentive programme for the executives of the company. The programme includes three earnings periods, each of them lasting three calendar years, and they commenced in 2010, 2011 and 2012. The Board of Directors decides on the target group, earnings criteria and targets to be established for them, as well as on the maximum amount of the payable reward for each earnings period and for each participant. The potential payment will be paid in 2013, 2014 and 2015 partly in Cargotec's class B shares and partly in cash. A maximum total of 150,000 class B shares and a cash payment for taxes and tax-related costs arising from the rewards shall be given as reward on the basis of the entire programme. The amount of cash payment shall correspond to the registration date value of the shares to be given, in the maximum. The reward from the programme shall be paid after the end of each earnings period, by the end of April. If the reward holder's employment terminates before the payment, the participant will lose the right to the reward. In the spring of 2011, the Board of Directors decided to alter the terms of the share-based incentive programme and removed from the terms the restriction to transfer the shares within two years from after the end of the earnings period. In this way, the programme’s duration for each earnings period was shortened from five to three years. The programme covers the members of Cargotec’s Executive Board at the time of inception of each earnings period.

Earnings criteria for the earnings period 2010−2012 comprised Cargotec's operating profit margin and sales for the financial year 2012. The reward granted for this earnings period by the end of 2012 was 41,000 Cargotec class B shares. Because the earnings criteria for the earnings period were not fulfilled, no rewards were paid based on the first earnings period.

Earnings criteria for the earnings period 2011−2013 comprised Cargotec's operating profit margin and sales for the financial year 2013. The reward granted for this earnings period by the end of 2013 was 25,500 Cargotec class B shares. Because the earnings criteria for the earnings period were not fulfilled, no rewards were paid based on the second earnings period.

Earnings criteria for the earnings period 2012−2014 comprise operating profit and sales for the financial year 2014. The reward granted for this earnings period by the end of 2014 was 20,000 (31 Dec 2013: 27,000) Cargotec class B shares. Because the earnings criteria for the earnings period were not fulfilled, no rewards will be paid based on the third earnings period.

Option programme 2010

In March 2010, Cargotec Corporation's Annual General Meeting decided that stock options will be issued to the key personnel of Cargotec and its subsidiaries as part of Cargotec's rewarding and engagement system. Stock options are given free of charge. The maximum total number of stock options issued will be 1,200,000, and they entitle to subscribe for a maximum total of 1,200,000 class B shares of Cargotec, either new or treasury shares held by the company. Cargotec shall, prior to the beginning of the share subscription period, announce whether the subscription right is directed at a new share or an existing share. Of the stock options, 400,000 were marked with the symbol 2010A, 400,000 with the symbol 2010B and 400,000 with the symbol 2010C. The Board of Directors decided on the option issuance on an annual basis, in the spring of the years 2010, 2011 and 2012. The beginning of the share subscription period requires attainment of targets established for a financial performance criterion determined by the Board of Directors annually. Those stock options, for which the targets have not been attained, will expire. If the stock option holder's employment terminates in Cargotec and the last employment date is before the share subscription period has begun, the participant will lose the right to the options.

The share subscription periods with the stock options are:
- for stock option 2010A 1 April 2013−30 April 2015
- for stock option 2010B 1 April 2014−30 April 2016

From the share subscription price of the stock options, shall be deducted the amount of dividend or distributable unrestricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity. The share subscription price with the stock options are:
- for stock option 2010A the original subscription price was EUR 21.35 and the subsricption price adjusted with 2010, 2011, 2012 and 2013 dividends is EUR 18.60
- for stock option 2010B the original subscription price was EUR 31.23 and the subsricption price adjusted with 2011, 2012 and 2013 dividends is EUR 29.09

The fair value of the stock option has been determined using the Black-Scholes option pricing model. The key assumptions used to determine the fair value for the options granted are listed in the table below:

	2010B	2010A
Class B share value at grant, EUR	35.60	20.34
Original subscription price, EUR	31.23	21.35
Expected volatility, %	48.99	48.40
Vesting period at grant, years	4.93	5.12
Risk-free interest rate, %	2.56	2.12
Fair value of the option, EUR	17.42	8.82

Changes in the number of stock options outstanding

	2010B	2010A
Number of stock options outstanding 1 Jan 2013	25,456	332,000
Granted stock options	-	68,000
Forfeited stock options	-	-
Exercised stock options	-	9,714
Number of stock options outstanding 31 Dec 2013	**25,456**	**390,286**
Exercisable stock options 31 Dec 2013	-	390,286
Participants covered by the option programme 31 Dec 2013	65	-
Number of stock options outstanding 1 Jan 2014	25,456	390,286
Granted stock options	-	-
Forfeited stock options	4,320	-
Exercised stock options	640	122,064
Number of stock options outstanding 31 Dec 2014	**20,496**	**268,222**
Exercisable stock options 31 Dec 2014	20,496	268,222
Participants covered by the option programme 31 Dec 2014	-	-

The operating profit target for 2010 having been fullfilled, share subscription began in April 2013 covering all outstanding 2010A stock options issued, as per the terms and conditions of the option programme. The operating profit target for 2011 was partially fulfilled, and the share subscription began in April 2014 covering all outstanding 2010B stock options issued. The earnings criterion for 2010C stock options was operating profit for the financial year 2012. The minimum target for operating profit, EUR 230 million, was not reached and all granted stock options expired.

Information on share-based payments recognised as expense in the statement of income is presented in note 9, Personnel expenses. The liability booked for the cash settlement was EUR 0.5 (31 Dec 2013: 0.5) million.

26. Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	31 Dec 2014	31 Dec 2013
Non-current		
Capital loans	-	38.6
Loans from financial institutions	432.0	388.9
Corporate bonds	317.8	148.4
Finance lease liabilities	3.4	9.3
Total	**753.2**	**585.3**
Current portion of long-term loans		
Loans from financial institutions	5.8	21.1
Corporate bonds	-	68.9
Finance lease liabilities	1.3	4.3
Total	**7.1**	**94.3**
Current		
Loans from financial institutions	35.8	69.2
Commercial papers	148.2	133.0
Bank overdrafts used	2.0	3.0
Total	**186.1**	**205.2**
Total interest-bearing liabilities	**946.4**	**884.9**

On 31 December 2014, the average interest rate of long-term loans and corporate bonds after hedging of USD denominated corporate bonds through cross-currency and interest rate swaps into EUR, was 2.5 (31 Dec 2013: 3.3) percent. The average interest rate of short-term loans was 1.8 (31 Dec 2013: 2.0) percent.

As part of the purchase consideration related to the acquisition of Hatlapa, a SGD 61.0 million capital loan was issued to the sellers. The loan accrued an interest of 14% per annum consisting of 5% cash interest and 9% capitalised (payment-in-kind) interest. The fair value of the loan at the date of issue was SGD 67.8 million and the effective interest rate 7.8%. The loan included an option for the holders to convert the loan, in part or full, to MacGregor shares subject to initial public offering (IPO) of MacGregor. The IPO was cancelled in July 2014, and therefore the loan was repaid prematurely in October 2014.

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

Corporate bonds

31 Dec 2014	Coupon rate, %	Nominal value		Fair value, MEUR	Book value, MEUR
2007−2014	5.6	120.0	MUSD	104.3	98.7
2007−2017	5.7	85.0	MUSD	73.4	70.0
2014−2020	3.4	150.0	MEUR	149.8	149.1

31 Dec 2013	Coupon rate, %	Nominal value		Fair value, MEUR	Book value, MEUR
2007–2014	5.4	95.0	MUSD	69.4	68.9
2007–2017	5.6	120.0	MUSD	99.5	86.9
2007–2019	5.7	85.0	MUSD	73.5	61.5

Interest-bearing liabilities per currency

MEUR	31 Dec 2014	31 Dec 2013
USD*	168.6	223.2
EUR	742.3	562.7
SGD	-	38.6
CNY	28.8	56.4
Other	6.6	3.9
Total	**946.4**	**884.9**

* USD denominated Private Placement corporate bonds are hedged through cross-currency and interest rate swaps defined as cash flow hedges.

Finance lease liabilities

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

Minimum lease payments

MEUR	31 Dec 2014	31 Dec 2013
Minimum lease payments		
Less than 1 year	1.3	4.3
1–5 years	3.0	8.7
Over 5 years	0.4	0.6
Total	**4.7**	**13.6**
Future finance charges	-	-
Present value of finance lease liabilities	**4.7**	**13.6**

Present value of minimum lease payments

MEUR	31 Dec 2014	31 Dec 2013
Less than 1 year	1.3	4.3
1–5 years	3.0	8.7
Over 5 years	0.4	0.6
Present value of finance lease liabilities	**4.7**	**13.6**

27. Employee benefits

Cargotec has various employee benefit plans throughout the world. Pension arrangements are made in accordance with local regulations and practises in line with the defined contribution pension plans or defined benefit pension plans.

The defined benefit arrangements determine the amount of pension to be paid and the benefits to paid for disability and at termination of employment. The benefits in these arrangements are usually based on the length of employment and the level of final salary.

The main countries having defined benefit plans are Sweden, the United Kingdom and Norway. The most significant plans are in Sweden. Defined benefit pension plans are funded by the relevant group companies to satisfy local statutory funding requirements.

Summary of the impact of post-employment benefits in the financial statements

MEUR	2014	2013
Present value of unfunded obligations	65.8	56.1
Present value of funded obligations	43.6	35.6
Fair value of benefit plan assets	37.9	30.7
Liability in the balance sheet	**71.6**	**61.1**
Expense related to defined contribution plans	34.5	24.5
Expense related to defined benefit plans and other post-employment benefits	6.0	6.2
Expense in the statement of income	**40.5**	**30.7**
Remeasurement of defined pension benefits and other post-employment benefits	-10.1	5.5
Remeasurement in the statement of comprehensive income	**-10.1**	**5.5**

Movement in the net defined benefit obligation over the year

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2014	91.6	-30.6	61.0
Current service cost	3.5	-	3.5
Interest expense (+) / income (-)	3.8	-1.4	2.4
Past service cost	0.1	-	0.1
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-2.0	-2.0
Actuarial gain (-) / loss (+) from change in demographic assumptions	-0.3	-	-0.3
Actuarial gain (-) / loss (+) from change in financial assumptions	11.5	-	11.5
Experience adjustment gain (-) / loss (+)	0.9	-	0.9
Foreign exchange rate gains (-) / losses (+)	-2.4	-0.6	-3.0
Contributions by employer	-	-1.8	-1.8
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-4.3	1.7	-2.5
Settlements	-	-	-
Companies acquired and sold	5.2	-3.3	1.9
31 Dec 2014	**109.5**	**-37.9**	**71.6**

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2013	98.3	-30.0	68.3
Current service cost	3.9	-	3.9
Interest expense (+) / income (-)	3.3	-1.0	2.3
Past service cost	0.0	-	0.0
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	0.4	0.4
Gain (-) / loss (+) from change in demographic assumptions	0.6	-	0.6
Gain (-) / loss (+) from change in financial assumptions	-5.9	-	-5.9
Experience adjustment gain (-) / loss (+)	-0.6	-	-0.6
Foreign exchange rate gains (-) / losses (+)	-4.1	1.3	-2.8
Contributions by employer	-	-3.0	-3.0
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-4.1	1.5	-2.6
Settlements	-0.2	0.1	-0.1
Companies acquired and sold	0.5	0.0	0.5
31 Dec 2013	**91.6**	**-30.6**	**61.1**

Allocation of defined benefit liability to different member groups

MEUR	31 Dec 2014	31 Dec 2013
Active members	68.3	34.0
Inactive, entitled for benefits once retired	16.1	24.9
Inactive, pensioners	25.1	32.8
Total	**109.5**	**91.6**

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2014	65.9	21.1	10.8	11.7	109.5
2013	57.7	18.0	5.7	10.3	91.6
Fair value of plan assets:					
2014	5.7	20.1	7.9	4.2	37.9
2013	5.8	16.6	4.8	3.5	30.6

Allocation of plan assets

	2014		2013	
MEUR	Quoted	Unquoted	Quoted	Unquoted
Debt instruments	0.7	16.6	0.7	12.6
Investment funds	-	7.6	-	8.1
Qualifying insurance policies	-	5.5	-	5.2
Equity instruments	1.4	1.6	-	2.9
Other assets	1.4	3.2	-	1.0
Total plan assets	**3.6**	**34.3**	**0.7**	**29.9**

Plan assets do not include own equity instruments or other assets used by the entity.

Defined benefit plans: applied actuarial assumptions

	Sweden	United Kingdom	Norway	Other countries*
Discount rate (%)				
2014	2.8	3.3	2.4	1.9
2013	4.0	4.3	4.1	2.6
Expected rate of salary increases (%)				
2014	2.3	3.3	2.8	2.7
2013	3.0	4.1	3.8	2.7
Expected pension growth rate (%)				
2014	1.5	3.3	1.7	1.2
2013	2.0	3.6	0.6	3.0

* Weighted average

The discount rate is determined separately for each plan and where available, the discount rate is based on a yield of high quality corporate bonds that are denominated in the same currency and have length that approximates the plan duration. The discount rate in Sweden is based on Swedish housing market bonds, the discount rate in the United Kingdom is based on iBoxx quoted for sterling corporate bonds and the discount rate in Norway is based on Norwegian covered bond yields. The discount rate in all euro countries is based on iBoxx quoted for euro bonds and the discount rate in the United States is based on a yield curve provided by Mercer.

Impact of changes in relevant actuarial assumptions to defined benefit obligation

MEUR	2014	2013
Effect of a 0.5%-point increase in the principal assumption would impact the overall liability as follows:		
Discount rate	-7.8	-5.8
Expected rate of salary increases	1.2	0.6
Expected pension growth rate	2.1	0.6
Effect of a 0.5%-point decrease in the principal assumption would impact the overall liability as follows:		
Discount rate	8.8	6.6
Expected rate of salary increases	-1.0	-0.5
Expected pension growth rate	-1.9	-0.5
Effect of 1 year increase in the life expectancy	3.4	2.4
Effect of 1 year decrease in the life expectancy	-3.4	-2.4

The table above summarises the results of the sensitivity analysis prepared separately for each plan by an external actuary. The relevant actuarial variables have been identified for each plan based on actuary's assessment. The sensitivity analysis has been prepared for one variable at a time while holding all other variables constant. Regardless of the actual volatility of the given variable, for presentation purposes the analysis has been prepared by assuming a fixed change in the key variable as indicated in table. Consequently, the purpose of the analysis is not to quantify possible or expected change in the defined benefit obligation but to illustrate the sensitivity of the value of obligation to these variables, the fluctuation of which may deviate from the figures presented in practice.

The analysis above is solely assessing the pension liability's sensitivity to given variables without considering the plan assets. Although the changes in the discount rate create the most significant risk to plan based on the sensitivity analysis, in practice, the interest rate sensitivity is partly offset by the plan assets that include investments in bonds. The plan assets also include instruments such as equities and funds that in the near term may be volatile, but on the long run are expected to outperform corporate bond yields. The risks related to asset performance are significant both due to the absolute size of plan assets and due to their relative size compared to plan liability. This risk is mitigated by suitable asset allocation and balancing between risk and return. The defined benefit obligation is determined based on the current best estimate of the life expectancy. If the assumed life expectancy proves to be underestimated, also the recognised plan liability will be insufficient. Uncertainty regarding the reliability of this estimate is also a significant risk to the plan.

Maturity analysis of expected undiscounted pension benefits

MEUR	Less than 1 year	1-5 years	5-10 years	Over 10 years	Total
Pension benefits:					
2014	4.1	18.0	24.0	122.1	168.1
2013	3.9	17.9	31.5	105.9	159.3

Expected contribution to defined benefit plans during the next reporting period is EUR 1.2 million as at 31 December 2014 (31 Dec 2013: EUR 1.2 million). The weighted average duration of the defined benefit obligations was 24.6 years at the reporting date (31.12.2013: 20.9 years).

28. Provisions

2014 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	62.0	4.3	18.2	18.2	1.8	104.5
Translation difference	-0.6	0.4	-0.1	-0.3	0.0	-0.6
Increase	42.3	2.7	18.3	28.1	1.8	93.2
Companies acquired and sold	1.4	-	-	0.0	0.0	1.4
Provision used	-26.1	-0.6	-22.0	-16.6	-0.1	-65.5
Reversal of provision	-23.1	-1.7	-2.3	-0.6	-0.4	-28.1
Total provision 31 Dec	**56.0**	**5.2**	**12.1**	**28.8**	**3.0**	**105.0**

2013 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	78.8	3.4	19.6	13.7	2.1	117.6
Translation difference	-2.6	-0.3	-0.3	-0.5	-0.1	-3.8
Increase	31.7	3.7	16.7	12.8	0.3	65.2
Companies acquired and sold	1.4	-	-0.1	2.8	0.6	4.8
Provision used	-26.6	-2.3	-14.6	-6.9	-0.4	-50.8
Reversal of provision	-20.6	-0.2	-3.0	-3.9	-0.7	-28.4
Total provision 31 Dec	**62.0**	**4.3**	**18.2**	**18.2**	**1.8**	**104.5**

MEUR	31 Dec 2014	31 Dec 2013
Non-current provisions	24.0	37.9
Current provisions	80.9	66.6
Total	**105.0**	**104.5**

Provisions for warranties cover the expected expenses related to warranty claims from goods sold in the financial period or earlier with a valid warranty. Warranty periods for certain products range from one to five years.

Provisions for claims are made for claims received for which the value, probability and realisation can be estimated. Provisions are expected mainly to realise within 1−2 years.

Provisions for restructuring are based on plans approved by the management related to restructuring of operations. Provisions are expected to realise within 1−2 years. Information on restructuring costs can be found in note 8, Restructuring costs.

Provisions for loss contracts are recognised when it is probable that contract costs will exceed the estimated total contract revenue. The expected loss is recognised as an expense immediately. Provisions for loss contracts in general realise within 1−2 years.

Other provisions include various items, e.g. related to unemployment, taxes and legal disputes. More information on estimation of provisions can be found in note 2, Management estimates.

29. Accounts payable and other non-interest-bearing liabilities

Non-current liabilities

MEUR	31 Dec 2014	31 Dec 2013
Other non-interest-bearing liabilities	34.7	27.8

Current liabilities

MEUR	31 Dec 2014	31 Dec 2013
Accounts payable	403.1	287.9
Accrued interests	14.6	15.1
Share-based incentives	0.5	0.7
Accrued salaries, wages and employment costs	95.0	90.6
Advance rents, customer finance	34.0	28.8
Amount due to customers for contract work	13.5	27.3
Project costs	76.9	77.6
Other accrued expenses	216.6	200.2
Total	**854.1**	**728.1**

30. Derivatives

Fair values of derivative financial instruments

31 Dec 2014 MEUR	Positive fair value	Negative fair value	Net fair value
Currency forward contracts	20.5	64.7	-44.2
Hedge accounting	0.4	20.8	-20.4
Cross-currency and interest rate swaps	15.5	-	15.5
Total	**35.9**	**64.7**	**-28.8**
Non-current portion			
Currency forward contracts	-	0.2	-0.2
Cross-currency and interest rate swaps	15.5	-	15.5
Non-current portion	**15.5**	**0.2**	**15.3**
Current portion	**20.5**	**64.6**	**-44.1**

31 Dec 2013 MEUR	Positive fair value	Negative fair value	Net fair value
Currency forward contracts	18.5	17.8	0.6
Hedge accounting	4.7	0.8	-
Cross-currency and interest rate swaps	-	5.6	-5.6
Total	**18.5**	**23.4**	**-5.0**
Non-current portion			
Currency forward contracts	0.4	0.1	0.4
Cross-currency and interest rate swaps	-	3.1	-3.2
Non-current portion	**0.4**	**3.2**	**-2.8**
Current portion	**18.1**	**20.2**	**-2.1**

Cross currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007 and maturing in years 2017–2019. Cash flow hedge accounting is applied to these instruments. Majority of the highly probable cash flows hedged by FX forward contracts realise within 2 years.

Nominal values of derivative financial instruments

MEUR	31 Dec 2014	31 Dec 2013
Currency forward contracts	3,277.3	3,558.6
Hedge accounting	1,165.0	1,662.7
Cross-currency and interest rate swaps	168.8	217.5
Total	**3446.1**	**3776.2**

The derivatives have been recognised at gross fair values on balance sheet, as the netting agreements related to derivatives allow unconditional netting only in the occurence of credit events, but not in a normal situation. The group has not given or received collateral related to derivatives from the counterparties.

31. Commitments

MEUR	31 Dec 2014	31 Dec 2013
Guarantees	0.7	0.0
End customer financing	16.4	11.6
Operating leases	150.6	129.1
Other contingent liabilities	5.8	6.3
Total	**173.5**	**147.0**

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business EUR 622.6 (31 Dec 2013: 458.3) million.

Cargotec leases property, plant and equipment under non-cancellable operating leases. The leases have varying terms and renewal rights. It is not anticipated that any material liabilities will arise from trade finance commitments.

The future minimum lease payments under non-cancellable operating leases

MEUR	31 Dec 2014	31 Dec 2013
Less than 1 year	26.0	22.9
1–5 years	60.7	50.8
Over 5 years	64.0	55.4
Total	**150.6**	**129.1**

The aggregate operating lease expenses for the financial year totaled EUR 30.8 (2013: 17.1) million.

In addition, Cargotec has commitments related to its investments in joint ventures. These commitments are disclosed in note 17, Investments in associated companies and joint ventures.

Contingent liabilities

Some lawsuits, claims and disputes based on various grounds are pending against Cargotec around the world. Management believes that the outcome of these disputes will not have a material effect on Cargotec's financial position.

32. Group as lessor

Cargotec rents out container handling equipment under non-cancellable operating leases. The leases have varying terms and renewal rights.

The future minimum lease receivables under non-cancellable operating leases

MEUR	31 Dec 2014	31 Dec 2013
Less than 1 year	4.3	17.4
1–5 years	16.2	23.3
Over 5 years	0.5	0.4
Total	**21.1**	**41.1**

Rental income recognised in sales was EUR 8.6 (2013: 8.1) million.

33. Related-party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties include also the members of the Board of Directors and the Executive Board, including the President and CEO. Ilkka Herlin together with Wipunen varainhallinta oy (in Ilkka Herlin's control), Mariatorp Oy (in Niklas Herlin's control) and D-Sijoitus Oy (in Ilona Herlin's control) exercise through ownership in Cargotec significant influence over the company.

Transactions with associated companies and joint ventures

1 Jan–31 Dec 2014 MEUR	Associated companies	Joint ventures	Total
Sale of products	4.4	10.6	15.0
Sale of services	0.9	2.6	3.5
Purchase of products	14.0	106.8	120.8
Purchase of services	0.8	-	0.8

1 Jan–31 Dec 2013 MEUR	Associated companies	Joint ventures	Total
Sale of products	3.7	8.0	11.6
Sale of services	0.9	-	0.9
Purchase of products	21.0	0.8	21.9
Purchase of services	23.1	1.1	24.2

Balances with associated companies and joint ventures

31 Dec 2014 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	1.6	5.4	7.0
Accounts payable	0.7	3.6	4.3

31 Dec 2013 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	1.9	2.7	4.6
Accounts payable	3.2	-	3.2

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

Key management compensation

The top management comprise the Board of Directors and the Executive Board*. The remuneration paid or payable based on the work performed consists of the following:

MEUR	1 Jan−31 Dec 2014	1 Jan−31 Dec 2013 *
Wages, salaries and other short-term employee benefits	3.6	2.7
Share-based payments	0.8	0.8
Termination benefits	0.5	1.2
Post-employment benefits	-	-
Total	**4.9**	**4.8**

* The composition of Cargotec Executive Board has changed during 2013 and 2014. The remuneration of the Executive Board members that left the Board is included in the table for the period they were members.

The President and CEO and members of the Executive Board are participants in the share-based incentive programme 2014. As the financial targets for the phase one were fullfilled, the second phase consisting of an additional earnings multiplier will begin. The final amount of reward is the product of the reward earned during the first phase and the multiplier determined during the second phase. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions will be delivered in Cargotec class B shares in the beginnig of 2017. If employment terminates before the share payment, the participant will lose the right to the share reward. Additionally, restricted share grants have been allocated to the President and CEO and four members of the Executive Board. The share reward is a gross reward before deduction for the applicable taxes and tax related expenses and the net reward after these deductions will be delivered in Cargotec class B shares. As the financial targets for the phase one were fulfilled, the shares will be delivered in spring 2015 and released in 2016. If employment terminates before the holding period ends, the participant will lose the right to the share reward.

For share-based incentive programme 2013 the minimum earnings criteria, corporate operative cash flow, was fulfilled and the President and CEO and two of the Executive Board members were rewarded as per the programme terms and conditions. The share reward was a gross reward before deduction for the applicable taxes and tax related expenses and the net reward after these deductions was delivered in Cargotec class B shares in spring 2014. The President and CEO was rewarded with 3,183 Cargotec class B-shares and the Executive Board members with 2,443 Cargotec class B-shares. These shares will be released in two tranches during year 2015. If employment terminates before the holding period ends, the participant will lose the right to the share reward. The earnings criteria for share-based incentive programme 2010 earnings periods' 2010−2012, 2011−2013 and 2012−2014 were not fulfilled and hence no rewards were paid.

Based on the option programme 2010, members of the Executive Board were granted 17,500 of 2010A option rights, which were fully delivered and 16,000 of 2010B option rights, from which 1,280 was delivered. The minimum earnings criterion for stock options 2010C was not fulfilled. In addition Cargotec's Board of Directors granted in 2013 to the President and CEO Mika Vehviläinen 60,500 Cargotec 2010A stock options. He was obliged to keep the stock options and shares possibly subscribed for with the stock options for a period of one year until 1 April 2014. Cargotec's interim President and CEO Tapio Hakakari (8 October 2012−28 February 2013) was not a participant in the share-based incentive programmes or option programme. Further information on the incentive programmes is presented in note 25, Share-based payments.

The President and CEO and members of the Executive Board are entitled to a statutory pension, and their retirement age is determined in line with the statutory pension scheme. The pension cost recorded for the President and CEO's statutory pension in 2014 was EUR 0.2 (2013: 0.1) million. For Finnish nationals on the Executive Board, the statutory retirement age is 63 years in accordance with the current legislation. Members of the Executive Board have a period of notice of 6 months and are entitled to compensation for termination of employment, corresponding to 6 to 12 months' salary.

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's related party on 31 December 2014 or 2013. The loans Cargotec had granted to Moving Cargo Oy for financing the share purchases made in 2007 and 2008 related to the incentive program for the top management were paid in full during 2013 before maturity date.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Mika Vehviläinen	President and CEO (as of 1 Mar 2013) *	1,438.1	578.7
Ilkka Herlin	Chairman of the Board	97.2	92.7
Tapio Hakakari	Vice Chairman of the Board, interim President and CEO (8 Oct 2012–28 Feb 2013)	66.7	134.8 **
Jorma Eloranta	Member of the Board (as of 20 Mar 2013)	47.5	35.5
Peter Immonen	Member of the Board	50.5	49.5
Karri Kaitue	Member of the Board (until 20 Mar 2013)	-	11.5
Antti Lagerroos	Member of the Board	51.5	49.0
Teuvo Salminen	Member of the Board	68.0	60.8
Anja Silvennoinen	Member of the Board	53.0	49.0

* In addition to the base salary and fringe benefits, includes in 2014 also taxable income from share-based incentive programme 2013. Year 2013 includes a single non-recurring payment of EUR 80,000 compensating the housing benefit included in his previous contract.

** In addition to fees paid for Board membership, includes in 2013 also a separate compensation of EUR 70,040 for acting as the interim President and CEO.

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

34. Subsidiaries

31 Dec 2014	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Australia Pty Ltd	Australia		100
Cargotec Automation Solutions Australia Pty Ltd	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
MacGregor Australia Pty Ltd	Australia		100
Cargotec Austria GmbH	Austria		100
Interhydraulik Zepro GmbH	Austria		100
Cargotec Caribbean Services Ltd.	Bahamas		100
Cargotec Belgium NV	Belgium	100	100
MacGregor Belgium NV	Belgium		100
Cargotec Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
MacGREGOR (BRA) Ltda.	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Triplex Chile Ltda.	Chile		89
Cargotec Asia Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
Cargotec (Shanghai) Trading Company Limited	China		100
HATLAPA Marine Equipment Shanghai Co. Ltd.	China		100
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China		100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China		100
MacGREGOR (CHN) Ltd	China		100
MacGREGOR (HKG) Limited	China		100
MacGREGOR (Shanghai) Trading Co., Ltd.	China		100
MacGregor (Tianjin) Co., Ltd	China		100
Hiab d.o.o.	Croatia	100	100
MacGregor Croatia d.o.o.	Croatia		100
HATLAPA (EastMed) Ltd	Cyprus		70
HATLAPA Filtration Technology Ltd.	Cyprus		56
ISMS Holdings Ltd.	Cyprus		100
MacGregor Cyprus Limited	Cyprus		100
Cargotec Czech Republic s.r.o.	Czech Republic	100	100
Cargotec Denmark A/S	Denmark	100	100
Zepro Danmark A/S	Denmark		100
Cargotec Estonia AS	Estonia	100	100
Linda Properties OÜ	Estonia		45 *
MacGREGOR BLRT Baltic OÜ	Estonia		51
Cargotec Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
Forastar Oy Ab	Finland	100	100

MacGregor Finland Oy	Finland		100
Oy Sisu Ab	Finland	100	100
Cargotec France SAS	France	100	100
MacGregor France S.A.S.	France		100
Societe Immobiliere Mavivray S.a.r.l.	France		100
SRMP - Société Réunionaise de Maintenance Portuaire	France		51
Cargotec Germany GmbH	Germany		100
HATLAPA International Holding GmbH	Germany		100
HATLAPA Uetersener Maschinenfabrik GmbH et Co.	Germany		100
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
MacGREGOR Beteiligungs GmbH	Germany		100
MacGregor Germany GmbH	Germany		100
Zepro Hebebühnen GmbH	Germany		100
MacGregor Greece Ltd	Greece		100
Cargotec India Private Limited	India		100
MacGregor Marine India Private Limited	India		100
PT MacGregor Indonesia	Indonesia		100
Cargotec Engineering Ireland Ltd	Ireland		100
Cargotec Research & Development Ireland Ltd	Ireland		100
Cargotec Italia S.r.l.	Italy		100
MacGregor Italy S.r.l.	Italy		100
Cargotec Japan Ltd.	Japan		100
MacGregor Japan Ltd	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Cargotec Luxembourg S.a.r.l.	Luxembourg		100
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		70
Hiab Sdn Bhd	Malaysia		100
MacGregor Malaysia Sdn. Bhd.	Malaysia		100
Cargotec de México S.A. de C.V.	Mexico		100
MacGregor PCS Mexico S. de R.L. de C.V.	Mexico		100
Kalmar Maghreb S.A.	Morocco		100
Cargotec New Zealand Ltd	New Zealand		100
Cargotec Holding Norway AS	Norway		100
HATLAPA Marine Equipment AS	Norway		100
HATLAPA Marine Holding AS	Norway		100
Hiab Norway AS	Norway		100
Kalmar Holding Norway AS	Norway	100	100
Kalmar Norway AS	Norway		100
MacGregor Norway AS	Norway		100
MacGregor Pusnes AS	Norway		100
Solstad Technology AS	Norway		100
Triplex AS	Norway		94
Triplex Holding AS	Norway		90
Cargotec Services Panama, S.A.	Panama		100
Cargotec Poland Sp. Z.o.o.	Poland		100
MacGregor Poland Sp. z.o.o.	Poland		100
Kalmar Portugal, Unipessoal Lda	Portugal		100

MacGregor Portugal, Unipessoal Lda	Portugal		100
MacGregor Doha WLL	Qatar		49 *
Cargotec Korea Limited	Republic of Korea		100
HATLAPA Korea Co. Ltd	Republic of Korea		60
MacGregor Korea Ltd	Republic of Korea		100
MacGregor Pusnes Korea Co., Ltd.	Republic of Korea		100
Cargotec RUS LLC	Russia		100
Cargotec CHS Asia Pacific Pte. Ltd.	Singapore		100
HATLAPA Asia Pacific Pte. Ltd.	Singapore		100
ISMS Services Pte. Ltd.	Singapore		100
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore		100
MacGREGOR Plimsoll Pte Ltd	Singapore		100
MacGregor Pte Ltd	Singapore	100	100
MacGREGOR (SGP) Pte Ltd.	Singapore		100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Hiab (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Iberia, S.A.	Spain		100
Hiab Cranes, S.L.	Spain		100
Cargotec Holding Sweden AB	Sweden	100	100
Cargotec Patenter AB	Sweden		100
Cargotec Patenter HB	Sweden		100
Cargotec Sweden AB	Sweden	100	100
Cargotec Sweden Bulk Handling AB	Sweden		100
Hiab AB	Sweden		100
Koffert Sverige AB	Sweden		100
MacGregor Sweden AB	Sweden		100
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Cargotec Switzerland S.A.	Switzerland		100
Cargotec (Thailand) Co., Ltd.	Thailand		100
Cargotec Holding Netherlands B.V.	The Netherlands	100	100
Cargotec Netherlands B.V.	The Netherlands		100
MacGregor Netherlands B.V.	The Netherlands		100
MacGregor Netherlands Holding B.V.	The Netherlands		100
Bringeven Limited	UK		100
Cargotec UK Limited	UK	100	100
Del Equipment (U.K.) Limited	UK		100
Grampian Hydraulics Limited	UK		100
Hiab Limited	UK		100
Kalmar Limited	UK		100
MacGregor (GBR) Limited	UK		100
MacGregor Marine Equipment Ltd.	UK		100
MacGregor Marine Service UK Limited	UK		100
Moffett Limited	UK		100
P&C Compressor Spares Ltd	UK		100

Player and Cornish Marine Limited	UK		100
Woodfield Rochester Engineering Limited	UK		100
Woodfield Rochester Limited	UK		100
Woodfield Systems Limited	UK		100
Cargotec Ukraine, LLC	Ukraine		100
Bromma Middle East DMCC	United Arab Emirates		100
Kalmar Middle East FZCO	United Arab Emirates		100
Kalmar Middle East JLT	United Arab Emirates		100
MacGregor (ARE) Gulf LLC	United Arab Emirates		49 *
MacGregor (ARE) LLC	United Arab Emirates		49 *
Cargotec Crane and Electrical Services Inc.	USA		100
Cargotec Holding, Inc.	USA	100	100
Cargotec Port Security LLC	USA		100
Hiab USA Inc.	USA		100
Kalmar RT Center LLC	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Inc.	USA		100
MacGregor USA Inc.	USA		100
Navis LLC	USA		100
Waltco Lift Corp.	USA		100

* Cargotec has control of the company based on the shareholders' agreement and thus subsidiary is fully consolidated.

35. Events after the balance sheet date

In early February 2015, Hiab decided to further develop its operating structure into a model of five operative and more integrated business lines (Loader Cranes, Forestry Cranes, Demountables, Truck Mounted Forklifts and Tail lifts) with profitability and cash flow responsibility in order to accelerate growth. Each of the five business lines will focus on its market positioning, offering, product development and supply chain operations. Sales and Markets, Sourcing, and Technology and Quality Development will be executed by common global functions to build on the competence and synergies already existing.

Financial statements of the parent company (FAS)

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Sales		**117.5**	**88.5**
Administration expenses	2, 3, 4	-139.3	-105.1
Other operating income		0.1	0.6
Other operating expenses		-	-0.1
Operating loss		**-21.6**	**-16.1**
Financing income and expenses	5	263.9	-46.1
Profit / Loss before extraordinary items		**242.2**	**-62.2**
Extraordinary items	6	10.6	90.1
Profit before appropriations and taxes		**252.8**	**27.9**
Income taxes	7	8.3	-14.9
Profit for the period		**261.1**	**13.0**

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

Parent company balance sheet

MEUR	Note	31 Dec 2014	31 Dec 2013
ASSETS			
Non-current assets			
Intangible assets	8, 9	31.8	28.2
Tangible assets	10	0.8	0.8
Investments			
Investments in subsidiaries	11	1,936.5	1,736.8
Investments in joint ventures	11	40.0	37.6
Other investments	11	3.8	3.8
Total non-current assets		**2,012.8**	**1,807.1**
Current assets			
Non-current receivables	12, 18	625.1	629.4
Current receivables	13, 18	1,712.1	1,200.1
Cash and cash equivalents		111.3	157.2
Total current assets		**2,448.5**	**1,986.8**
Total assets		**4,461.3**	**3,793.8**

MEUR	Note	31 Dec 2014	31 Dec 2013
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Fair value reserves		0.7	2.1
Reserve for invested non-restricted equity		75.9	73.7
Retained earnings		729.6	743.5
Net income for the period		261.1	13.0
Total equity	14	**1,229.5**	**994.5**
Provisions		**0.2**	**1.0**
Liabilities			
Non-current liabilities			
Capital loan	15	-	35.0
Other non-current liabilities	15, 18	745.1	534.0
Current liabilities	16, 18	2,486.5	2,229.3
Total liabilities		**3,231.6**	**2,798.3**
Total equity and liabilities		**4,461.3**	**3,793.8**

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

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Cash flow from operating activities		
Operating loss	-21.6	-16.1
Adjustments to the operating loss for the period	5.4	5.3
Change in working capital	-4.4	-31.0
Interest paid	-40.3	-30.4
Interest received	30.2	25.7
Dividends received	365.1	36.3
Taxes paid	0.0	0.0
Derivatives	-48.4	5.9
Cash flow from operating activities	**285.9**	**-4.4**
Cash flow from investing activities		
Investments in tangible and intangible assets	-8.6	-7.2
Acquisitions of subsidiaries and other companies	-231.0	-110.6
Proceeds from sales of shares	-	0.0
Cash flow from investing activities	**-239.6**	**-117.8**
Cash flow from financing activities		
Received and paid group contributions	90.1	-6.8
Stock options exercised	2.3	0.2
Acquisition of treasury shares	-0.9	-
Proceeds from sale of treasury shares	0.5	73.5
Increase in loans receivable	-1,034.2	-632.4
Disbursement of loans receivable	549.5	321.3
Proceeds from short-term borrowings	1,669.5	819.8
Repayments of short-term borrowings	-1,416.2	-485.0
Proceeds from long-term borrowings	749.9	234.9
Repayments of long-term borrowings	-675.8	-35.7
Dividends paid	-26.9	-44.1
Cash flow from financing activities	**-92.1**	**245.7**
Change in cash and cash equivalents	-45.9	123.5
Cash and cash equivalents 1 Jan	157.2	33.7
Cash and cash equivalents 31 Dec	**111.3**	**157.2**
Change in working capital		
Change in non-interest-bearing receivables	-3.4	7.7
Change in non-interest-bearing payables	-1.0	-38.7
Change in working capital	**-4.4**	**-31.0**

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

Notes to the parent company financial statements

Contents

1. Accounting principles for the parent company financial statements

Basis of preparation
Cargotec Corporation financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

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

Revenue recognition
Sales include primarily internal service charges. The sale is recognised, when the services have been rendered.

Income taxes
Deferred tax assets and liabilities, due to temporary differences between the financial statements and tax accounting are calculated using the future period’s tax rate valid at the closing date. Total deferred tax liability is included in the balance sheet in full and deferred tax asset at the estimated probable asset value.

Tax expense in the income statement includes taxes based on taxable income for the period according to Finnish tax legislation.

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

- Intangible rights 3−10 years
- Other capitalised expenditure 5−10 years
- Buildings 25 years
- Machinery and equipment 3−5 years

Derivative instruments
Derivative instruments are initially recognised in the balance sheet at cost, which equals the fair value, and subsequently measured at fair value at each balance sheet date. Fair values of currency forward contracts are based on quoted market rates at the balance sheet date. The fair values of cross-currency and interest rate swaps are recognised as present value of estimated future cash flows. Derivative instruments maturing after 12 months are included in non-current assets and liabilities. Other derivative instruments are included in current assets and liabilities.

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

Changes in the fair value of effective cash flow hedges are recognised in equity in fair value reserve. Ineffective portion is recognised immediately in the income statement. Cumulative gain or loss on the hedge deferred to equity is recognised in the income statement as an adjustment to the underlying cash flow when the underlying cash flow is recognised. Changes in the fair value of hedging instruments relating to operative items that no longer are expected to materialise are recognised immediately in the income statement in other operating income/expenses. If the hedging instrument matures, is sold, the contract is revoked or exercised or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument is booked as a separate item in the equity and is recognised in the income statement when the underlying operative item materialises.

Changes in the fair values of hedges, for which hedge accounting is not applied, are recognised in the income statement, either in operative income and expenses, or financial income and expenses depending on the underlying exposure. Changes in all forward contract fair values due to interest rate changes are recognised in financial income and expenses.

Equity

Equity consists of share capital, share premium account, fair value reserves, reserve for invested non-restricted equity and retained earnings, minus dividends paid. The amount exceeding the accounting par value of shares received by the company in connection with share subscriptions was recorded in share premium account under the old Limited Liability Companies Act (29 Sep 1978/734). Fair value reserves consist of the cumulative change in the fair value of the derivative instruments defined as cash flow hedges. Under the new (1 Sep 2006) Limited Liability Companies Act (21 Jul 2006/624), when stock options are exercised, the amount received is recorded in reserve for invested non-restricted equity. Changes in treasury shares are recorded in reserve for invested non-restricted equity. The net income for the period is recorded in retained earnings.

Provisions

Statutory provisions are expenses to which the parent company is committed and which are not likely to generate the corresponding revenue, or losses, which are regarded as evident.

2. Personnel expenses

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Wages and salaries	13.2	10.4
Pension costs	1.6	1.7
Other statutory employer costs	0.8	0.7
Total	**15.6**	**12.8**

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

Average number of employees

	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Administrative employees	139	100

Key management compensation

Remunerations including fringe benefits paid to members of Cargotec's Board of Directors related to their Board work during the financial period totalled EUR 0,4 (2013: 0.4) million. Tapio Hakakari, Vice Chairman of the Board of Directors, acted as interim President and CEO from 8 October 2012 to 28 February 2013. The separate compensation paid for this work in 2013 was EUR 0.1 million.

The salaries and remunerations including taxable income from share-based incentive programme 2013 and fringe benefits paid to the President and CEO totalled EUR 1.4 (1 March 2013–31 Dec 2013: 0.6) million. The President and CEO is entitled to a statutory pension, of which a pension cost of EUR 0.2 (2013: 0.1) million was recorded. The statutory retirement age is 63 years in accordance with the current legislation. Key management compensation is described in more detail in note 33, Related-party transactions in the consolidated financial statements.

3. Depreciation, amortisation and impairment charges

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Planned depreciation and amortisation		
Intangible rights	0.5	0.7
Goodwill	0.4	-
Other capitalised expenditure	4.4	4.4
Buildings	0.0	0.0
Machinery and equipment	0.0	0.1
Total	**5.3**	**5.2**
Impairments		
Other capitalised expenditure	0.5	-
Total	**5.9**	**5.2**

4. Audit fees

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Annual audit	0.4	0.3
Tax advice	0.2	0.2
Other services	0.4	1.2
Total	**0.9**	**1.7**

5. Financing income and expenses

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Interest income		
From group companies	25.3	23.6
From third parties	2.5	9.2
Total	**27.8**	**32.8**
Other financing income		
From group companies	1.6	1.2
Dividend from group companies	365.1	36.3
Exchange rate differences	-17.9	-9.2
Total	**348.8**	**28.3**
Interest expenses		
From group companies	-9.6	-15.8
From third parties	-28.2	-17.3
Total	**-37.8**	**-33.1**
Other financing expenses		
From group companies	-42.7	-17.8
From third parties	-3.3	-2.6
Total	**-46.0**	**-2.6**
Reversals of impairments of investments in subsidiaries	30.0	40.0
Impairments of investments in subsidiaries	-58.9	-93.7
Total financing income and expenses	**263.9**	**-46.1**

6. Extraordinary items

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Extraordinary income		
Group contributions	10.6	90.1

7. Income taxes

MEUR	1 Jan–31 Dec 2014	1 Jan–31 Dec 2013
Current year tax expense	0.0	0.0
Change in deferred tax asset	-8.3	14.9
Total	**-8.3**	**14.9**

8. Intangible assets

MEUR	Intangible rights	Goodwill	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2014	4.3	-	39.5	1.3	45.0
Additions	-	2.2	0.5	6.7	9.4
Transfer between groups	0.3	-	5.8	-6.1	0.0
Acquisition cost 31 Dec 2014	**4.6**	**2.2**	**45.8**	**1.9**	**54.5**
Accumulated amortisation 1 Jan 2014	3.5	-	13.4	-	16.9
Amortisation during the period	0.5	0.4	4.4	-	5.3
Impairments during the period	-	-	0.5	-	0.5
Accumulated amortisation and impairments 31 Dec 2014	3.9	0.4	18.3	-	22.7
Book value on 31 Dec 2014	**0.7**	**1.7**	**27.4**	**1.9**	**31.8**
Acquisition cost 1 Jan 2013	4.1	-	27.0	6.8	37.9
Additions	-	-	-	7.1	7.1
Transfer between groups	0.2	-	12.5	-12.7	0.0
Acquisition cost 31 Dec 2013	**4.3**	**-**	**39.5**	**1.3**	**45.0**
Accumulated amortisation 1 Jan 2013	2.8	-	9.0	-	11.8
Amortisation during the period	0.7	-	4.4	-	5.1
Accumulated amortisation 31 Dec 2013	3.5	-	13.4	-	16.9
Book value 31 Dec 2013	**0.8**	**-**	**26.1**	**1.3**	**28.2**

9. Capitalised interest

MEUR	2014	2013
Undepreciated capitalised interest	0.3	0.3

Capitalised interest relate to ERP-system project and they are included in other capitalised expenditure. Capitalised interest are depreciated according to the depreciation plan for other capitalised expenditure.

10. Tangible assets

MEUR	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan 2014	0.4	0.4	1.0	0.1	1.9
Additions	-	-	0.1	-	0.1
Disposals	-	0.0	-	-	0.0
Acquisition cost on 31 Dec 2014	**0.4**	**0.4**	**1.1**	**0.1**	**2.0**
Accumulated depreciation on 1 Jan 2014	-	0.1	1.0	0.1	1.2
Depreciation during the period	-	0.0	0.0	-	0.1
Accumulated depreciation on 31 Dec 2014	-	0.1	1.0	0.1	1.2
Book value on 31 Dec 2014	**0.4**	**0.3**	**0.1**	**0.0**	**0.8**
Acquisition cost on 1 Jan 2013	0.4	0.4	0.9	0.1	1.8
Additions	-	-	0.1	-	0.1
Disposals	-	-	-	-	-
Acquisition cost on 31 Dec 2013	**0.4**	**0.4**	**1.0**	**0.1**	**1.9**
Accumulated depreciation on 1 Jan 2013	-	0.1	0.9	0.1	1.1
Depreciation during the period	-	0.0	0.1	-	0.1
Accumulated depreciation on 31 Dec 2013	-	0.1	1.0	0.1	1.2
Book value on 31 Dec 2013	**0.4**	**0.3**	**0.1**	**0.0**	**0.8**

11. Investments

MEUR	2014	2013
Investments in subsidiaries		
Acquisition cost 1 Jan	1,884.3	1,778.9
Accumulated impairments 1 Jan	-147.5	-93.8
Additions	228.6	105.4
Impairments / reversals of impairments	-28.9	-53.7
Book value 31 Dec	**1,936.5**	**1,736.8**

MEUR	2014	2013
Investments in joint ventures		
Acquisition cost 1 Jan	37.6	5.1
Additions	2.4	37.6
Book value 31 Dec	**40.0**	**37.6**

MEUR	2014	2013
Other investments		
Acquisition cost 1 Jan	3.8	3.9
Disposals	-	-0.1
Book value 31 Dec	**3.8**	**3.8**

Subsidiary companies' full name, country of domicile and parent company's shareholding are disclosed in note 34, Subsidiaries in the consolidated financial statements.

12. Non-current receivables

MEUR	31 Dec 2014	31 Dec 2013
Loans receivable from group companies	596.1	623.5
Derivative assets	15.5	-
Deferred tax asset	13.5	5.2
Loan receivables from others	0.0	0.7
Total	**625.1**	**629.4**

13. Current receivables

MEUR	31 Dec 2014	31 Dec 2013
From group companies		
Accounts receivable	11.7	8.9
Derivative assets	79.4	15.6
Loans receivable	1,566.1	1,042.9
Deferred assets	16.2	97.7
Total	**1,673.4**	**1,165.1**
From third parties		
Accounts receivable	0.2	0.1
Derivative assets	19.8	18.3
Loans receivable	0.1	0.3
Deferred assets	18.7	16.2
Total	**38.7**	**35.0**
Total current receivables	**1,712.1**	**1,200.1**

14. Equity

MEUR	2014	2013
Restricted equity		
Share capital 1 Jan	64.3	64.3
Share capital 31 Dec	**64.3**	**64.3**
Share premium account 1 Jan	98.0	98.0
Share premium account 31 Dec	**98.0**	**98.0**
Fair value reserves 1 Jan	2.1	5.4
Cash flow hedges	-1.7	-4.6
Change in deferred taxes	0.3	1.2
Fair value reserve 31 Dec	**0.7**	**2.1**
Total restricted equity	**163.0**	**164.4**
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	73.7	-
Acquisition of treasury shares	-0.9	-
Proceeds from sale of treasury shares	0.8	73.5
Stock options excercised	2.3	0.2
Reserve for invested non-restricted equity 31 Dec	**75.9**	**73.7**
Retained earnings 1 Jan	756.5	787.5
Dividens paid	-26.9	-44.1
Retained earnings 31 Dec	**729.6**	**743.5**
Profit / loss for the period	261.1	13.0
Total non-restricted equity	**1,066.5**	**830.1**
Total equity	**1,229.5**	**994.5**
Distributable equity	**1,066.5**	**830.1**

15. Non-current liabilities

MEUR	31 Dec 2014	31 Dec 2013
Capital loans	-	35.0
Corporate bonds	317.8	148.4
Loans from financial institutions	426.9	381.8
Deferred tax liability	0.2	0.5
Derivative liabilities	0.2	3.2
Total non-current liabilities	**745.1**	**534.0**

Maturity after 5 years

MEUR	31 Dec 2014	31 Dec 2013
Corporate bonds	149.1	61.6
Loans from financial institutions	100.6	103.9
Total	**249.8**	**165.5**

As part of the purchase consideration related to the acquisition of Hatlapa, a SGD 61.0 million capital loan was issued to the sellers. The loan accrued an interest of 14% per annum consisting of 5% cash interest and 9% capitalised (payment-in-kind) interest. The fair value of the loan at the date of issue was SGD 67.8 million and the effective interest rate 7.8%. The loan included an option for the holders to convert the loan, in part or full, to MacGregor shares subject to initial public offering (IPO) of MacGregor. The IPO was cancelled in July 2014, and therefore the loan was repaid prematurely in October 2014.

16. Current liabilities

MEUR	31 Dec 2014	31 Dec 2013
To group companies		
Accounts payable	0.3	5.2
Derivative liabilities	37.7	40.9
Loans from group companies	2,147.6	1,909.2
Accruals	53.8	4.9
Total	**2,239.4**	**1,960.1**
To third parties		
Corporate bonds	-	68.9
Loans from financial institutions	5.0	20.3
Commercial papers	148.2	133.0
Bank overdrafts used	0.0	0.0
Accounts payable	8.2	4.1
Derivative liabilities	64.5	20.0
Accruals	21.3	22.8
Total	**247.2**	**269.2**
Total current liabilities	**2,486.5**	**2,229.3**

Accruals

MEUR	31 Dec 2014	31 Dec 2013
Accrued salaries, wages and employment costs	4.0	2.4
Accrued interests	14.5	15.0
Other accruals	56.6	10.3
Total	**75.0**	**27.7**

17. Commitments

MEUR	31 Dec 2014	31 Dec 2013
Security for guarantees		
Guarantees given on behalf of group companies	622.6	458.3
Guarantees given on behalf of others	0.7	0.0
Total	**623.3**	**458.3**
Contingencies		
Rental commitments given on behalf of others	2.2	2.5
Leasing commitments		
Maturity within the next financial period	2.2	2.0
Maturity after next financial period	2.6	3.9
Total	**7.0**	**8.4**

18. Derivatives

Fair values of derivative financial instruments

31 Dec 2014 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	79.4	37.7	41.6
Currency forward contracts	19.8	64.6	-44.9
Cross-currency and interest rate swaps	15.5	-	15.5
Total	**114.6**	**102.3**	**12.2**

31 Dec 2013 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	15.6	40.9	-25.3
Currency forward contracts	18.3	17.7	0.6
Cross-currency and interest rate swaps	-	5.6	-5.6
Total	**33.9**	**64.2**	**-30.3**

Nominal values of derivative financial instruments

MEUR	31 Dec 2014	31 Dec 2013
Intra-group currency forward contracts	2,140.7	2,232.5
Currency forward contracts	3,255.6	3,558.6
Cross-currency and interest rate swaps	168.8	217.5
Total	**5,565.1**	**6,008.7**

Key figures

Key financial figures

Consolidated statement of income		2014	2013	2012	2011	2010
Sales	MEUR	3,358	3,181	3,327	3,139	2,575
Exports from and sales outside Finland	MEUR	3,307	3,131	3,260	3,078	2,516
Operating profit	MEUR	127	93	131	207	131
% of sales	%	3.8	2.9	3.9	6.6	5.1
Operating profit excluding restructuring costs	MEUR	149	127	158	207	142
% of sales	%	4.4	4.0	4.7	6.6	5.5
Income before taxes	MEUR	98	79	123	192	101
% of sales	%	2.9	2.5	3.7	6.1	3.9
Net income for the period	MEUR	72	55	89	149	78
% of sales	%	2.1	1.7	2.7	4.8	3.0

Other key figures		2014	2013	2012	2011	2010
Wages and salaries	MEUR	506	460	452	419	364
Depreciation, amortisation and impairment	MEUR	81	77	70	63	60
Capital expenditure in intangible assets and property, plant and equipment	MEUR	38	69	76	47	44
Capital expenditure in customer financing	MEUR	42	39	34	30	16
Capital expenditure total % of sales	%	2.4	3.4	3.3	2.4	2.3
Research and development costs	MEUR	67	63	75	60	37
% of sales	%	2.0	2.0	2.3	1.9	1.4
Equity	MEUR	1,214	1,239	1,219	1,168	1,069
Total assets	MEUR	3,652	3,336	3,298	3,124	2,916
Interest-bearing net debt [1]	MEUR	719	578	478	299	171
Return on equity	%	5.9	4.5	7.5	13.3	8.0
Return on capital employed	%	6.2	5.0	8.2	13.3	8.6
Total equity / total assets	%	35.9	39.5	40.8	42.9	42.7
Gearing [1]	%	59.2	46.7	39.2	25.6	16.0
Orders received	MEUR	3,599	3,307	3,058	3,233	2,729
Order book	MEUR	2,200	1,980	2,021	2,426	2,356
Average number of employees		10,838	10,210	10,522	10,692	9,673
Number of employees 31 Dec		10,703	10,610	10,294	10,928	9,954
Dividends	MEUR	35 [2]	27	44	61	37

[1] Including cross-currency hedging of the 205 (31 Dec 2010−31 Dec 2013: 300) million USD Private Placement corporate bonds.

[2] Board's proposal.

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods 2012 and 2011 has been restated accordingly.

Share-related key figures

		2014	2013	2012	2011	2010
Earnings per share						
Basic earnings per share	EUR	1.11	0.89	1.45	2.42	1.21
Diluted earnings per share	EUR	1.11	0.89	1.45	2.42	1.21
Equity per share	EUR	18.76	19.18	19.80	18.97	17.37
Dividend per class B share	EUR	0.55 [4]	0.42	0.72	1.00	0.61
Dividend per class A share	EUR	0.54 [4]	0.41	0.71	0.99	0.60
Dividend per earnings, class B share	%	49.6 [4]	47.1	49.7	41.3	50.4
Dividend per earnings, class A share	%	48.7 [4]	46.0	49.1	40.9	49.6
Effective dividend yield, class B share	%	2.2 [4]	1.6	3.6	4.4	1.6
Price per earnings, class B share	EUR	23.0	30.4	13.8	9.5	32.3
Development of share price, class B share						
Average share price	EUR	27.65	24.49	22.70	26.79	26.08
Highest share price	EUR	34.67	29.69	33.62	39.60	39.37
Lowest share price	EUR	20.57	19.35	15.65	16.35	19.16
Closing price at the end of period	EUR	25.55	27.09	19.95	22.98	39.03
Market capitalisation 31 Dec [1]	MEUR	1,647	1,743	1,223	1,410	2,390
Market capitalisation of class B shares 31 Dec [2]	MEUR	1,403	1,484	1,034	1,191	2,023
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	('000)	53,641	41,105	64,275	58,290	47,097
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	%	96.0	74.0	118.8	98.5	84.2
Weighted average number of class A shares [3]	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares 31 Dec [3]	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares [2]	('000)	54,861	51,995	51,819	51,819	51,819
Number of class B shares 31 Dec [2]	('000)	54,911	54,789	51,819	51,819	51,819
Diluted weighted average number of class B shares [2]	('000)	54,949	52,082	51,819	51,819	51,819

Trading information is based on NASDAQ OMX Helsinki Ltd statistics.

1 Including class A and B shares, excluding treasury shares.

2 Excluding treasury shares.

3 No dilution on class A shares.

4 Board's proposal.

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods 2012 and 2011 has been restated accordingly.

Calculation of key figures

$$\text{Return on equity (\%)} = 100 \times \frac{\text{Net income for period}}{\text{Total equity (average for period)}}$$

$$\text{Return on capital employed (\%)} = 100 \times \frac{\text{Income before taxes + interest and other financing expenses}}{\text{Total assets - non-interest-bearing debt (average for period)}}$$

$$\text{Total equity / total assets (\%)} = 100 \times \frac{\text{Total equity}}{\text{Total assets - advances received}}$$

$$\text{Gearing (\%)} = 100 \times \frac{\text{Interest-bearing debt*- interest-bearing assets}}{\text{Total equity}}$$

$$\text{Basic earnings / share} = \frac{\text{Net income attributable to the equity holders of the company}}{\text{Average number of outstanding shares during period}}$$

$$\text{Diluted earnings / share} = \frac{\text{Net income attributable to the equity holders of the company}}{\text{Average number of diluted outstanding shares during period}}$$

$$\text{Equity / share} = \frac{\text{Total equity attributable to the equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$$

$$\text{Dividend / share} = \frac{\text{Dividend for financial period}}{\text{Number of outstanding shares at the end of period}}$$

$$\text{Dividend / earnings (\%)} = 100 \times \frac{\text{Dividend for financial period / share}}{\text{Basic earnings / share}}$$

$$\text{Effective dividend yield (\%)} = 100 \times \frac{\text{Dividend / share}}{\text{Closing price for the class B share at the end of period}}$$

Price / earnings (P/E)	=		$\dfrac{\text{Closing price for the class B share at the end of period}}{\text{Basic earnings / share}}$
Average share price	=		$\dfrac{\text{EUR amount traded during period for the class B share}}{\text{Number of class B shares traded during period}}$
Market capitalisation at the end of period	=		Number of class B shares outstanding at the end of period x closing price for the class B share at the end of period + Number of class A shares outstanding at the end of period x closing day average price for the class B share
Trading volume	=		Number of class B shares traded during period
Trading volume (%)	=	100 x	$\dfrac{\text{Number of class B shares traded during period}}{\text{Average weighted number of class B shares during period}}$

* Including cross-currency hedging of the USD 205 (31 Dec 2010−31 Dec 2013: 300) million Private Placement corporate bonds.

Key exchange rates for the Euro

Closing rate	31 Dec 2014	31 Dec 2013
SEK	9.393	8.859
USD	1.214	1.379

Average rate	1–12/2014	1–12/2013
SEK	9.100	8.662
USD	1.326	1.330

Shares and shareholders

Cargotec Corporation's class B shares are quoted on the OMX Large Cap list of NASDAQ OMX Helsinki Ltd since 1 June 2005. The trading code is CGCBV. The shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd., which also maintains the official shareholder register of Cargotec Corporation.

Share-related key figures 2010−2014, EUR

	2014		2013	2012	2011	2010
Basic earnings per share	1.11		0.89	1.45	2.42	1.21
Equity per share	18.76		19.18	19.80	18.97	17.37
Dividend per class B share	0.55	*	0.42	0.72	1.00	0.61
Dividend per class A share	0.54	*	0.41	0.71	0.99	0.60
Effective dividend yield, class B share, %	2.2	*	1.6	3.6	4.4	1.6
Price per earnings, class B share	23.0		30.4	13.8	9.5	32.3
Development of share price, class B share						
Average share price	27.65		24.49	22.70	26.79	26.08
Highest share price	34.67		29.69	33.62	39.60	39.37
Lowest share price	20.57		19.35	15.65	16.35	19.16
Closing price at the end of period	25.55		27.09	19.95	22.98	39.03

* Board's proposal

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods 2012 and 2011 has been restated accordingly.

Shares and share capital

Cargotec has two classes of shares, of which class B shares are listed and class A shares are unlisted. At the Annual General Meeting, each class A share is assigned one vote, as is each block of ten class B shares, with the provision that each shareholder is entitled to at least one vote. The total number of votes attached to all shares was 15,014,329 at the end of 2014.

There were no changes in Cargotec Corporation's share capital in 2014. On 31 December 2014, share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 54,911,209 class B shares and 9,526,089 class A shares. During the financial period, the number of class B shares grew by 122,704 shares subscribed with 2010A and 2010B option rights. The entire subscription price of EUR 2,289,218 was credited to the reserve for invested non-restricted equity. As a consequence, Cargotec's share capital remained unchanged.

Dividend distribution

In dividend distribution, class B shares earn a higher dividend than class A shares. The difference between dividends paid on the two classes of shares is a minimum of one (1) cent and a maximum of two and a half (2.5) cents.

Dividend proposal

The Board of Directors proposes to the Annual General Meeting (AGM), that of the distributable profit, a dividend of EUR 0.54 for each class A shares and EUR 0.55 for each class B shares be paid for the financial year 2014.

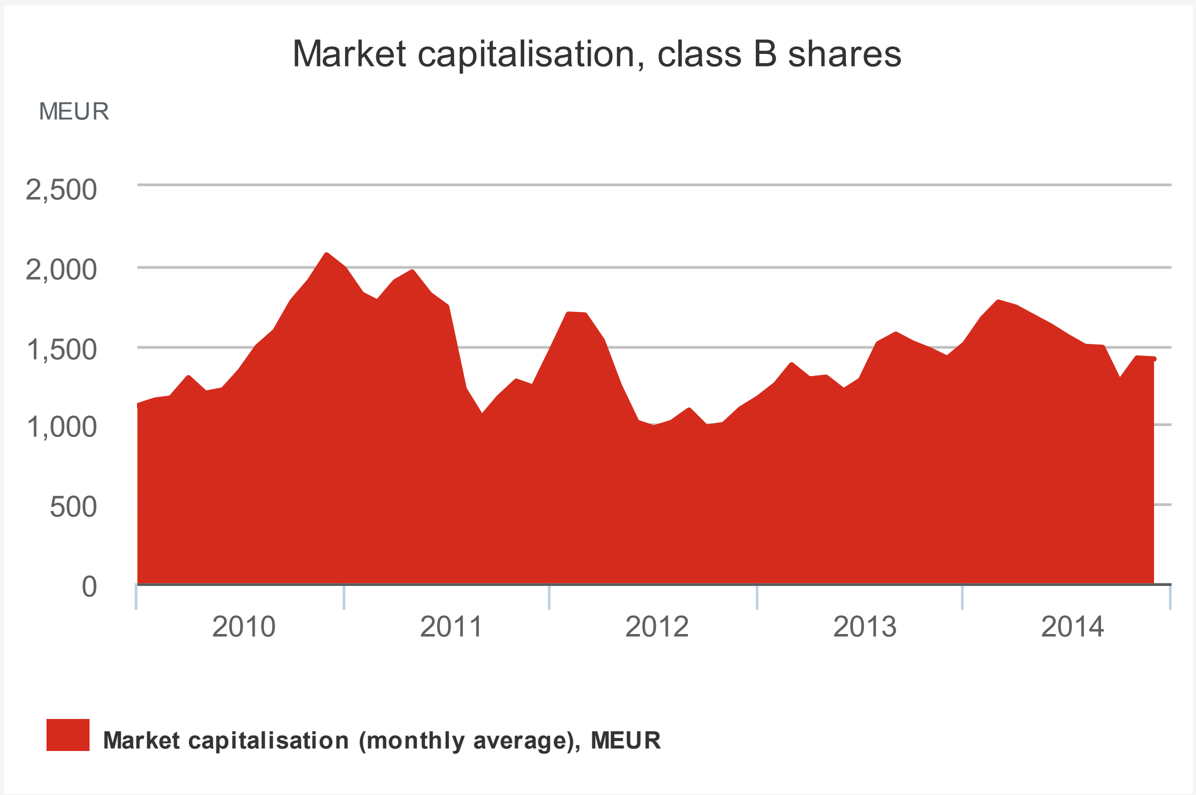
Own shares and share issue

On 12 March 2014, Cargotec repurchased 26,684 of its own class B shares based on the authorisation given by the 2013 AGM. The total purchase price was EUR 867,737. Based on the authorisation granted by the 2014 AGM, the Board of Directors decided on 18 March 2014 on a directed share issue as a reward payment under a share-based incentive programme 2013. On 31 March 2014, these shares were transferred without consideration to 20 persons participating in the incentive programme, who fulfilled the earnings criteria. Following the share transfer, Cargotec does not hold any own shares.

Share price development and trading

In 2014, Cargotec's class B share price declined six percent, from EUR 27.09 to EUR 25.55. Over the same period, the OMX Helsinki Benchmark Cap Index rose by four percent.

At the end of 2014, the total market value of class B shares, calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 1,403 (1,484) million. Cargotec's year-end market capitalisation, in which the unlisted class A shares are valued at the average price of class B shares on the last trading day of the year, was EUR 1,647 (1,743) million.

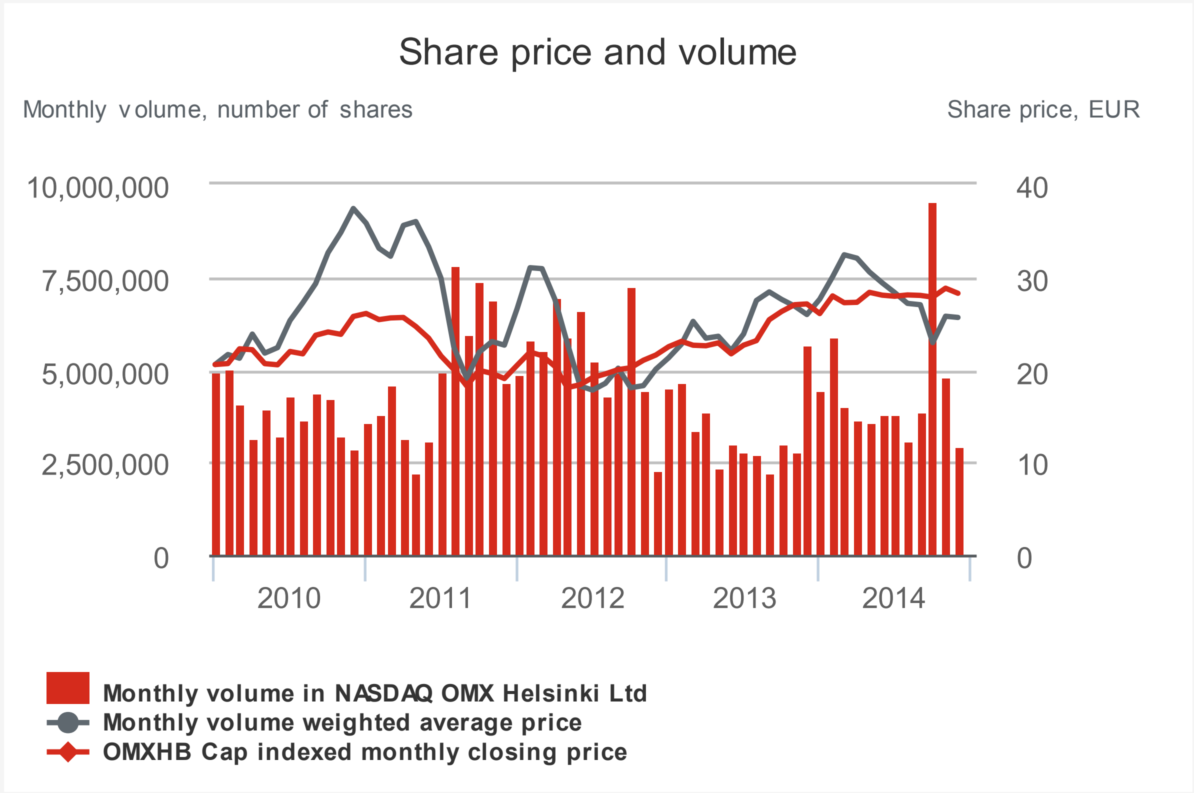


Class B share closed at EUR 25.55 (27.09) on the last trading day of 2014. The highest quotation for 2014 was EUR 34.67 (29.69) and the lowest EUR 20.57 (19.35). The volume weighted average price for the financial period was EUR 27.65 (24.49).

During 2014, a total of 54 (41) million class B shares were traded on NASDAQ OMX Helsinki Ltd, corresponding to a turnover of EUR 1,486 (1,009) million. The average daily trading volume of class B shares was 214,565 (164,421) shares or EUR 6 (4) million.

In addition to NASDAQ OMX Helsinki Ltd, according to Fidessa, a total of 61 (31) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 1,743 (759) million. Shares were mainly traded in BATS Chi-X CXE and Turquoise.

Information on the Cargotec class B share price is available on Cargotec’s website **www.cargotec.com/investors**.


Share price and volume
Monthly volume, number of shares
Share price, EUR
10,000,000
7,500,000
5,000,000
2,500,000
0
40
30
20
10
0
2010
2011
2012
2013
2014
Monthly volume in NASDAQ OMX Helsinki Ltd
Monthly volume weighted average price
OMXHB Cap indexed monthly closing price

Shareholders

At the end of 2014, Cargotec had approximately 28,000 (22,000) registered shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin was the largest owner when including shares owned directly as well as through companies in which a controlling interest is held. There were 10,023,740 (10,565,425) nominee-registered shares, representing 15.56 (16.43) percent of the total number of shares, which corresponds to 6.68 (7.04) percent of all votes.

A monthly updated list of major shareholders is available on Cargotec's website at **www.cargotec.com/investors**.

Major shareholders on 31 December 2014

	Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1	Ownership of Ilkka Herlin, total	2,940,067	5,855,735	8,795,802	13.65	3,525,640	23.48
	Wipunen varainhallinta oy	2,940,067	5,850,000	8,790,067	13.64	3,525,067	23.48
	Herlin Ilkka, direct ownership		5,735	5,735	0.01	573	0.00
2	Mariatorp Oy (in Niklas Herlin's controlling power)	2,940,067	5,000,000	7,940,067	12.32	3,440,067	22.91
3	D-sijoitus Oy (in Ilona Herlin's controlling power)	2,940,067	3,850,000	6,790,067	10.54	3,325,067	22.15
4	Toshiba Elevator And Building Systems Corporation		3,023,340	3,023,340	4.69	302,334	2.01
5	Kone Foundation	705,888	1,232,454	1,938,342	3.01	829,133	5.52
6	Varma Mutual Pension Insurance Company		1,516,098	1,516,098	2.35	151,609	1.01
7	The State Pension Fund		900,000	900,000	1.40	90,000	0.60
8	Ilmarinen Mutual Pension Insurance Company		861,953	861,953	1.34	86,195	0.57
9	Nordea Life Assurance Finland Ltd.		437,585	437,585	0.68	43,758	0.29
10	Herlin Heikki		400,000	400,000	0.62	40,000	0.27
11	Sigrid Jusélius Foundation		367,600	367,600	0.57	36,760	0.24
12	Fondita Nordic Small Cap Fund		364,000	364,000	0.56	36,400	0.24
13	Nurminen Hanna		270,268	270,268	0.42	27,026	0.18
14	Brita Maria Renlund Foundation		248,000	248,000	0.38	24,800	0.17
15	OP-Finland Small Firms Fund		229,688	229,688	0.36	22,968	0.15
16	Fennia Life Insurance Company		226,705	226,705	0.35	22,670	0.15
17	Svenska litteratursällskapet i Finland r.f.		226,380	226,380	0.35	22,638	0.15
18	SEB Finlandia Fund		220,800	220,800	0.34	22,080	0.15
19	Mandatum Life		190,277	190,277	0.30	19,027	0.13
20	Blåberg Karolina		182,745	182,745	0.28	18,274	0.12
	Total	**9,526,089**	**25,603,628**	**35,129,717**	**54.52**	**12,086,446**	**80.49**

Nominee registered		10,023,740
Other owners		19,283,841
Total number of shares issued on 31 Dec 2014		**64,437,298**

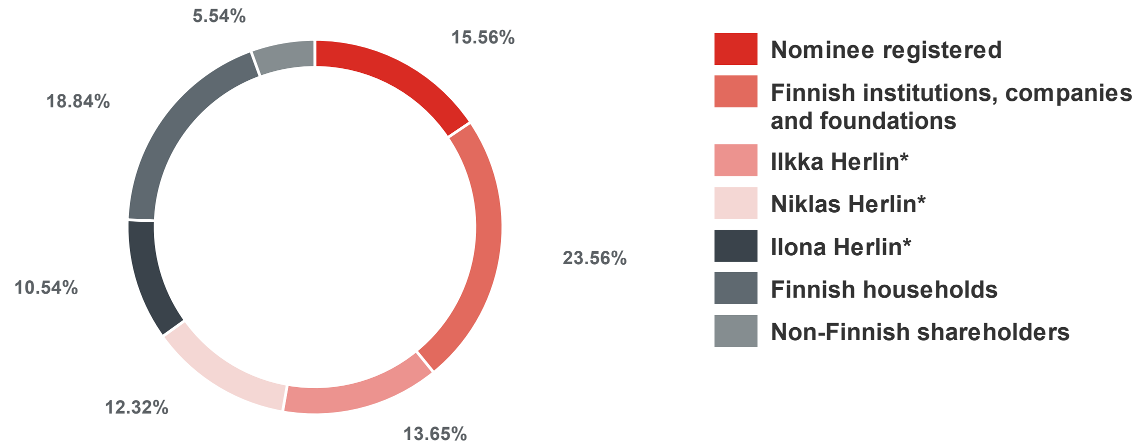
Based on ownership records of Euroclear Finland Ltd.

Breakdown of share ownership on 31 December 2014

Number of shares	Number of shareholders	% of shareholders	Total shares	% of total number of shares
1 – 100	12,007	42.84	674,492	1.05
101 – 500	10,904	38.90	2,844,373	4.41
501 – 1,000	2,654	9.47	2,065,319	3.21
1,001 – 10,000	2,241	8.00	5,932,080	9.21
10,001 – 100,000	181	0.65	5,201,063	8.07
100,001 – 1,000,000	36	0.13	8,173,594	12.69
over 1,000,000	8	0.03	39,540,986	61.36
Total	**28,031**	**100.00**	**64,431,907**	**100.00**
of which nominee registered	11			
In the joint book-entry account			5,391	0.01
Total number of shares on 31 Dec 2014			**64,437,298**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

Breakdown by shareholder category on 31 December 2014



*Ownership information includes shares owned directly as well as through companies under controlling power.
Based on ownership records of Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2014, the aggregate shareholding of the Board of Directors, the President and CEO and companies in which they have a controlling interest was 2,940,067 (2,940,067) class A shares and 6,115,792 (5,621,323) class B shares, which correspond to 14.05 (13.31) percent of the total number of all shares and 23.66 (23.34) percent of all votes.

The President and CEO **Mika Vehviläinen** is covered by the share-based incentive programme 2014 and 2010 option programme. Based on the option programme, he has been granted 60,500 Cargotec 2010A stock options.

Up-to-date information on the shares held by the Board of Directors and management is available on Cargotec's website **www.cargotec.com/investors**.

Board authorisations

The 2014 Annual General Meeting authorised the Board of Directors to decide on the repurchase of Cargotec's shares with non-restricted equity. Altogether no more than 952,000 class A shares and 5,448,000 class B shares may be purchased. The authorisation shall remain in effect for a period of 18 months from the resolution by the Annual General Meeting.

The Annual General Meeting also authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The amount of shares to be issued based on this authorisation shall not exceed 952,000 class A shares and 5,448,000 class B shares. The authorisation remains in effect for a period of five years following the date of decision of the Annual General Meeting.

Share-based incentive programmes

Share-based incentive programme 2014

In February 2014, Cargotec’s Board of Directors approved a new long-term incentive programme for key personnel at Cargotec. The number of participants is 70 persons, including Cargotec's President and CEO and members of the Executive Board. The programme’s first phase included specific financial performance targets for the year 2014 (business area or corporate operating profit and working capital). The second phase consists of an additional earnings multiplier, which is based on Cargotec's market value (including both class A and class B shares) at the end of a three-year performance period in 2016.

The potential reward will be delivered in Cargotec class B shares at the beginning of 2017. If the targets are fully met for the maximum number of participants, the cost of the programme for the three-year period will be approximately EUR 12 million. If the financial performance threshold levels are not met, there will not be any incentive payment.

As part of overall compensation, additional restricted share grants can be allocated for a selected few key employees during 2014–2016. If the financial performance threshold levels are met for the maximum number of participants, the cost of the programme for the three-year period will be approximately EUR 2.9 million. If the financial performance threshold levels are not met, there will not be any incentive payment.

Based on the first phase of the programme, 53 participants will be rewarded.

Share-based incentive programme 2010

In March 2010, the Board of Directors decided to establish a share-based incentive programme for Cargotec executives. The programme included three earnings periods, each lasting three calendar years, which commenced in 2010, 2011 and 2012. Because the minimum earnings criteria for the earnings periods were not fulfilled, there will be no payout based on the programme.

More information about the incentive programmes is available in the **Remuneration statement 2014** and on Cargotec’s website **www.cargotec.com/investors**.

Option programme 2010

The 2010 Annual General Meeting confirmed that stock options will be issued for the key personnel at Cargotec and its subsidiaries. The programme included 2010A, 2010B and 2010C stock options, with 400,000 stock options in each series. For share subscription to commence, the required attainment of targets is determined by the Board of Directors.

400,000 2010A stock options were listed on the main list of NASDAQ OMX Helsinki Ltd on 2 April 2013. Each stock option entitles its holder to subscribe for one new class B share in Cargotec between 1 April 2013 and 30 April 2015. The share subscription price at the end of December 2014 was EUR 18.60 per share and the number of listed 2010A stock options was 268,222.

On 1 April 2014, a total of 21,136 2010B stock options were listed on the main list of NASDAQ OMX Helsinki Ltd, entitling holders to subscribe for 21,136 new Cargotec class B shares between 1 April 2014 and 30 April 2016. The share subscription price at the end of December 2014 was EUR 29.09 and the number of listed 2010B stock options was 20,496.

In March 2014, the Board decided to cancel a total of 378,864 2010B stock options and a total of 400,000 2010C stock options held by the company, as the earnings criteria for these stock options were not fulfilled.

More information on stock options is available in the **Remuneration statement 2014** and on Cargotec's website **www.cargotec.com/investors**.

Signatures for Board of Directors' report and financial statements

Helsinki, 9 February 2015

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board

Jorma Eloranta
Member of the Board

Peter Immonen
Member of the Board

Antti Lagerroos
Member of the Board

Teuvo Salminen
Member of the Board

Anja Silvennoinen
Member of the Board

Mika Vehviläinen
President and CEO

Our Auditor's report has been issued today.

Helsinki, 9 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Tomi Hyryläinen
Authorised Public Accountant

Jouko Malinen
Authorised Public Accountant

Auditor's Report

(Translation from the Finnish Original)

To the Annual General Meeting of Cargotec Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Cargotec Corporation for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, statement of cash flows and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company'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 and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 9 February, 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Tomi Hyryläinen
Authorised Public Accountant

Jouko Malinen
Authorised Public Accountant

Cargotec shapes the cargo handling industry for the benefit of its customers and shareholders. Cargotec's business areas MacGregor, Kalmar and Hiab are recognised leaders in cargo and load handling solutions around the world. Their global network is positioned close to customers and offers extensive services that ensure a continuous, reliable and sustainable performance according to customers' needs. Cargotec's sales totalled approximately EUR 3.4 billion in 2014 and it employs approximately 11,000 people. Cargotec's class B shares are quoted on NASDAQ OMX Helsinki Ltd under symbol CGCBV.

Cargotec Corporation
Porkkalankatu 5, FI-00180 Helsinki
P.O. Box 61, FI-00501 Helsinki, FINLAND
Tel. +358 20 777 4000
communications@cargotec.com
www.cargotec.com

This report is a part of Cargotec annual report published at annualreport2014.cargotec.com.