CARGOTEC

Annual report 2013

Contents

For investors

Governance

MacGregor

Dear Reader,

For us, 2013 was a year of building on our fundamental strengths to pave the way for improved performance. There is much work to be done, but we are confident that we are on the right track.

Cargotec has tremendous assets to build on. We are the market leader or the strongest challenger in virtually every segment we operate in. We have extremely strong brands, some of which are category defining, such as Hiab loader cranes. In addition to being one of the strongest business-to-business brand leaders in the world, we have very loyal and satisfied customers. Our products, product quality, functionality and employees receive almost exclusively excellent customer satisfaction assessments in all our business areas. Cargotec has invented many of the product categories we are in and our technology leadership remains strong in our markets segments such as port automation and control mechanism for loader cranes.

The past year held many positive highlights for us. To name a few examples, Kalmar made progress in large-scale terminal projects involving automated systems such as DP World Brisbane in Australia and TraPac in Los Angeles, USA. Hiab's 2013 highlights include the launch of the new X-series loader cranes that provide customers with enhanced durability, performance and usability, and improve our competitiveness. MacGregor's key achievements include the acquisitions of Hatlapa and the mooring and loading systems unit from Aker Solutions – these deals represent major milestones in both the history of MacGregor and the marine equipment industry.

Despite our great strengths and many achievements, 2013 was financially disappointing. We still need to considerably accelerate our profitability improvement. Cargotec has engaged for a while in the right activities but our actions need to be faster and more focused. Thankfully, almost all improvement areas are not dependent on external factors but rather our own more effective execution.

Looking at the global market, 2013 was a year with no single clear direction. Some markets were picking up promisingly, with even sweet spots for growth, while others remained stagnant or declined. Looking at years ahead, there are many global developments taking place, which present new business opportunities for us: ports need to increase efficiency, driven by competition and even larger ships. There is continuing growth in container traffic, increased needs in offshore production, recovery of the merchant ship building and increasing activity in construction building.

Cargotec supports the ten principles of the UN Global Compact. We strive to ensure our entire global workforce appreciates that it is paramount for everyone to be ethical, transparent and ecologically conscious in all our actions here at Cargotec.

Our main efforts in 2013 were all directed towards ensuring that our people have the tools, empowerment and motivation to create shareholder value. I am pleased with the work we have done last year. We are on the right track and we are picking up our pace. If you are interested in hearing more about the practical steps we took to improve our ability to create shareholder value in 2013, you can read about them in the introduction to Cargotec's strategy later on in this report.

I would like to end this letter with a thank you to our employees, customers and shareholders. Our people are passionate about our customers and our business. Our customers have been both loyal and demanding, which for us is a perfect combination – knowing that only the best is good enough for our customers makes us work harder to maintain our leading market positions. Finally, I would like to thank our shareholders for your trust. I know I speak for everyone at MacGregor, Kalmar, Hiab and Cargotec headquarters when I state that we are determined to prove you were right in putting your trust in us.

Mika Vehviläinen
President and CEO

Key ratios

		Financial period 2013	Financial period 2012	Financial period 2011
Orders received	MEUR	3,307	3,058	3,233
Order book	MEUR	1,980	2,021	2,426
Sales	MEUR	3,181	3,327	3,139
Operating profit excluding restructuring expenses	MEUR	126.5	157.5	207.0
Operating profit	MEUR	92.5	131.4	207.0
Net income for the period	MEUR	55.4	89.5	149.2
Dividend per class B share*	EUR	0.42	0.72	1.00
Return on equity	%	4.5	7.5	13.3
Return on capital employed	%	5.0	8.2	13.3
Cash flow from operations	MEUR	180.9	97.1	166.3
Net debt	MEUR	578	478	299
Gearing	%	46.7	39.2	25.6
Average number of personnel		10,210	10,522	10,692

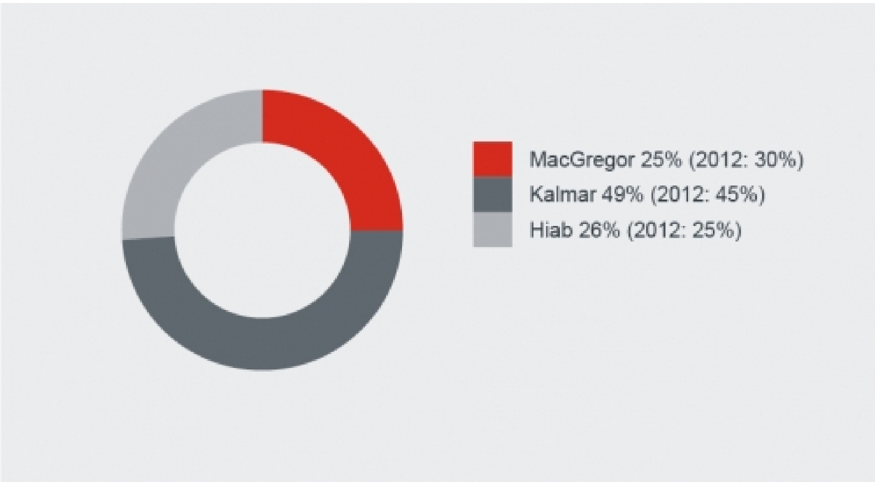
* 2013 Board's proposal

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. Additional information is available in notes to consolidated financial statements, note 35.

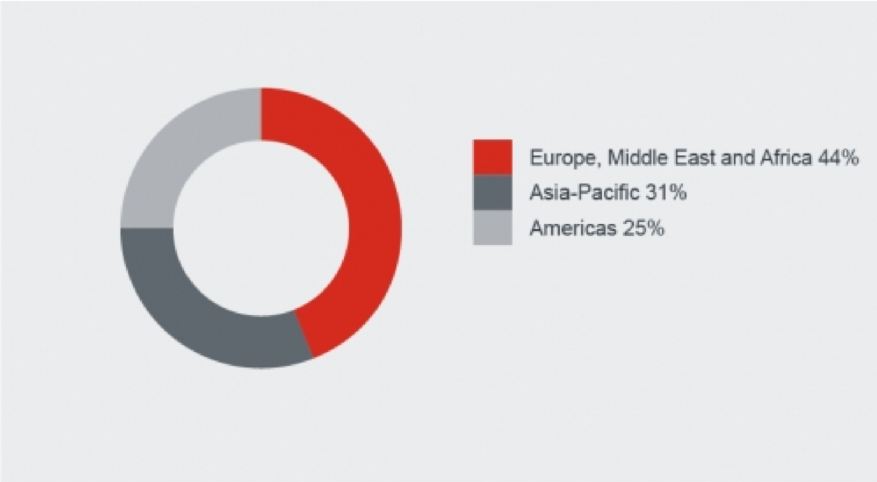
Orders received and order book

Sales and operating profit margin

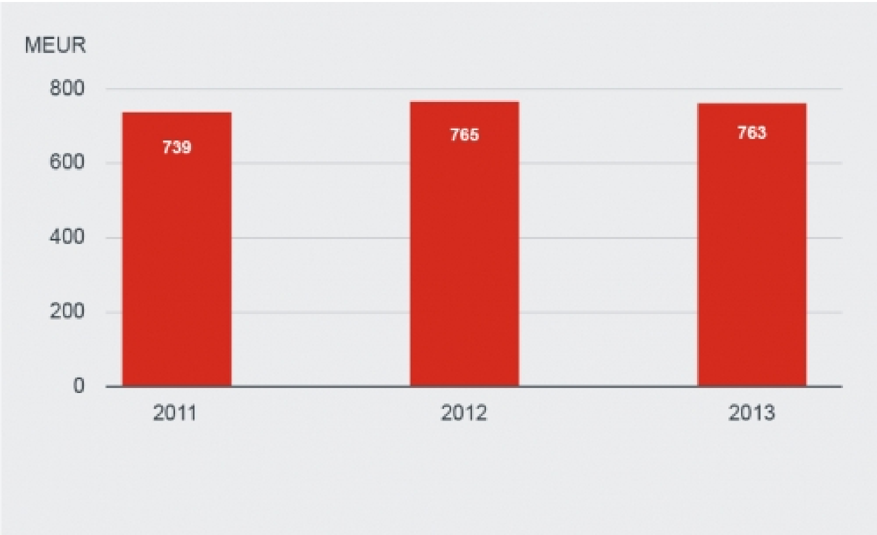
Sales by business area



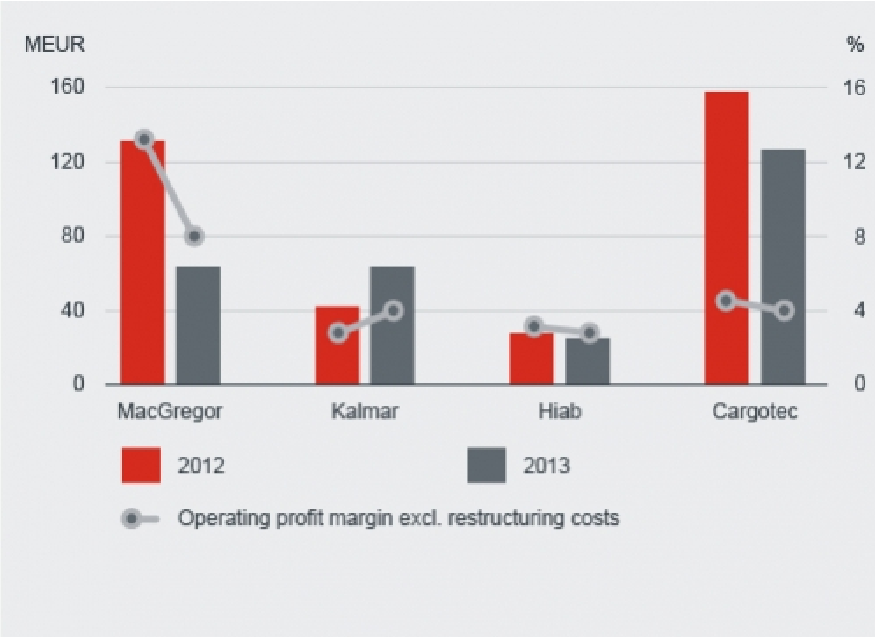
Sales by market area



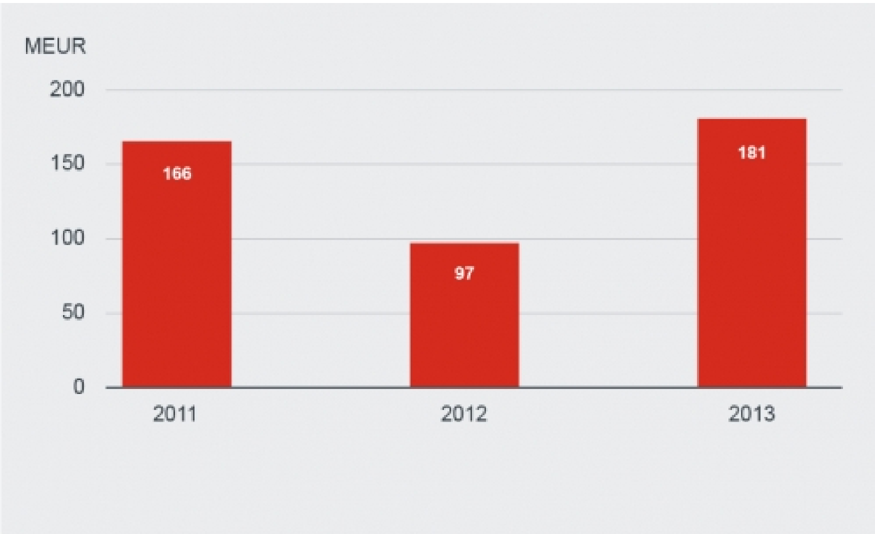
Services sales



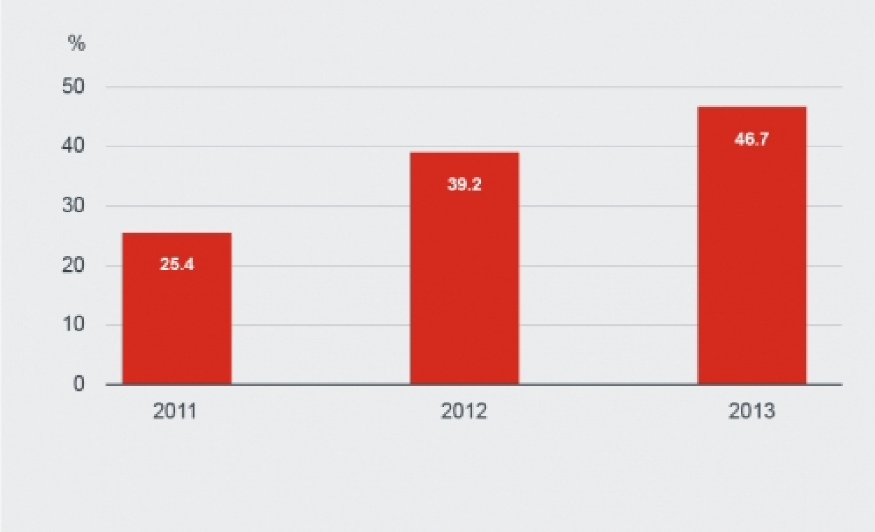
Operating profit by business area, excluding restructuring costs



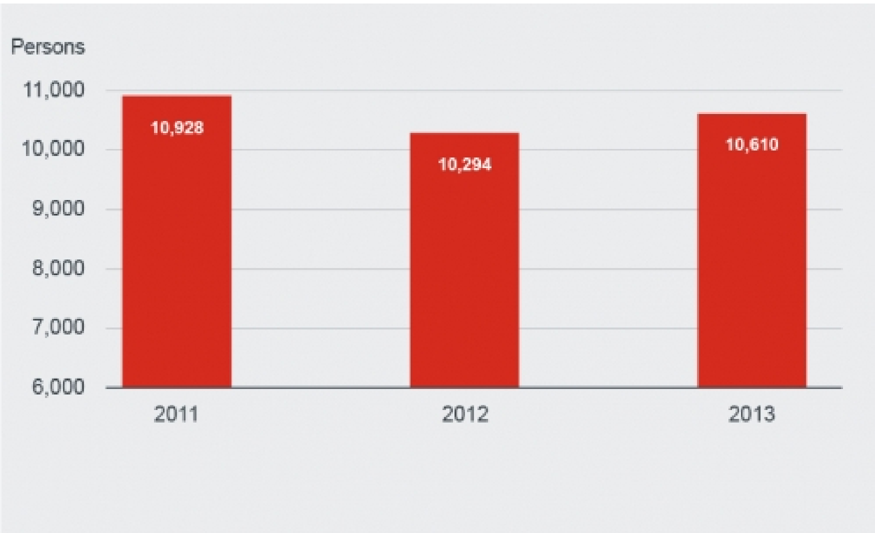
Cash flow from operations



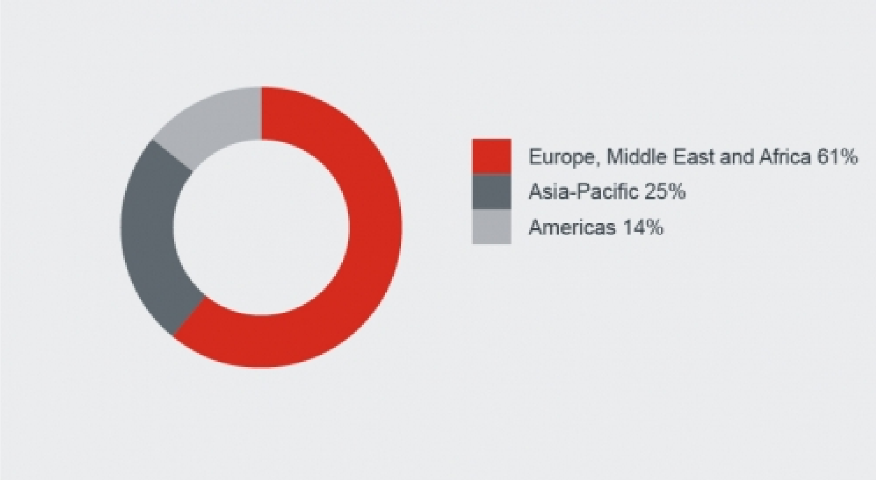
Gearing



Number of employees at the end of year



Employees by region 31 December 2013

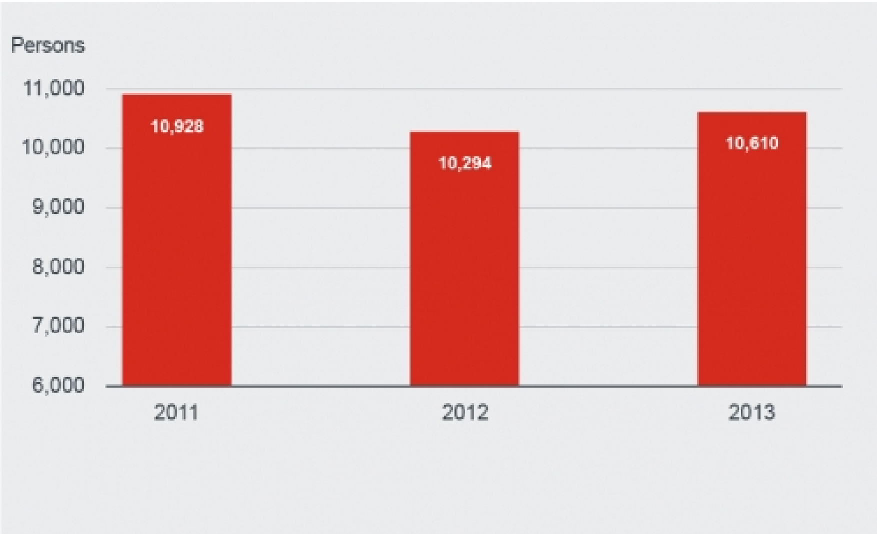


Cargotec in brief

Cargotec is a leading provider of cargo handling solutions. Our products are present 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

Number of employees at the end of year



Cargotec was formed in 2005. However, the businesses within Cargotec 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 expertise.

Cargotec has three business areas: MacGregor, Kalmar and Hiab, which are recognised market leaders in their fields. 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 and integration solutions as well as Navis terminal operating systems (TOS), Bromma spreaders and Siwertell bulk handling systems. Hiab products, services and spare parts are used in on-road transport and delivery. In terms of ability to offer end-to-end cargo handling solutions, there is no single competitor that can match the breadth of Cargotec's product, automation and service offering or global presence.

With operations in more than 100 countries of which own employees in 48 countries, we have a unique sales and service network and we can serve our customers locally ensuring the continuous operation of their products.

Cargotec's corporate base 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. Part of our manufacturing has been outsourced to partner plants located mainly in Asia.

Business environment

Demand for Cargotec's products and services is based on world trade and cargo handling needs in land and sea transportation. Our primary market drivers include:

- world trade development and global gross domestic product (GDP)
- world seaborne trade and ship building
- global offshore exploration and production spending
- container traffic and investments in ports and terminals, and
- truck registration and construction industry activity.

Strategic target, mission and values

Cargotec's strategic target is to increase shareholder value. The corporate role and mission as the owner of the businesses is as follows:

We shape cargo handling industry for the benefit of customers and shareholders.

We shape cargo handling industry for the benefit of customers and shareholders.

Our value, which unifies the whole Cargotec, is Passion for performance. In addition, we have identified desired behaviours in all employees which consist of elements like:

- hunger for financial success,
- leadership excellence,
- high performing teams,
- commitment to solid corporate governance, transparency and ethics,
- simplicity and
- accountability.

During 2013, Cargotec's businesses developed their own business strategies as well as their own visions, missions and values. The vision, mission and values of Kalmar and Hiab are presented in their specific business review sections in this annual report. MacGregor will continue its development work during 2014.

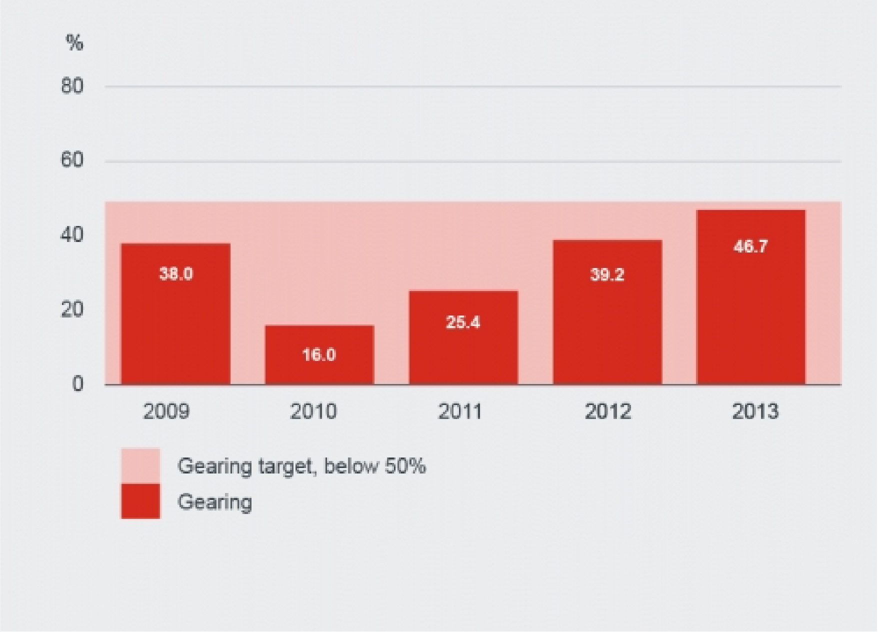
Financial targets

In December 2013 Cargotec announced that we will revert to longer term profitability and return targets during 2014.

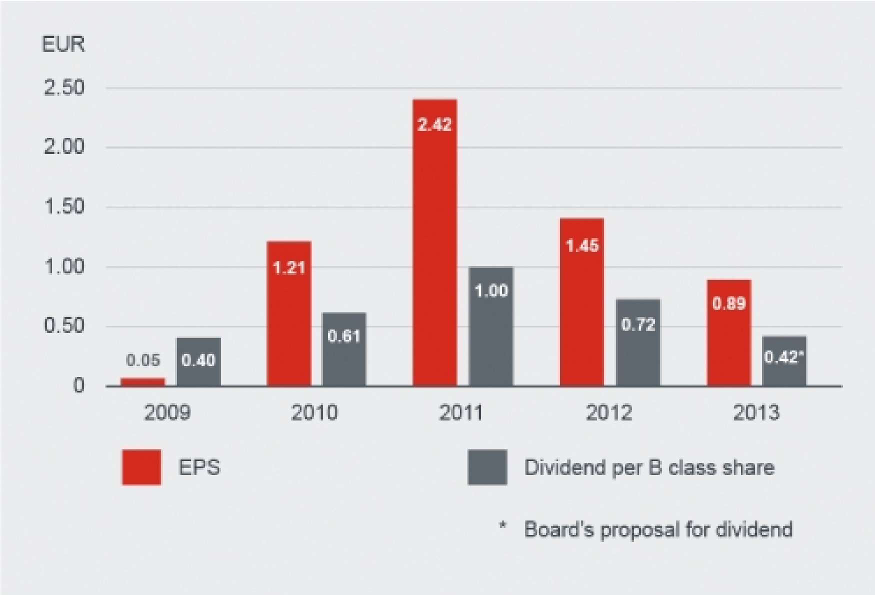
We continue to target for:

- Gearing below 50 percent
- Dividend 30–50 percent of earnings per share

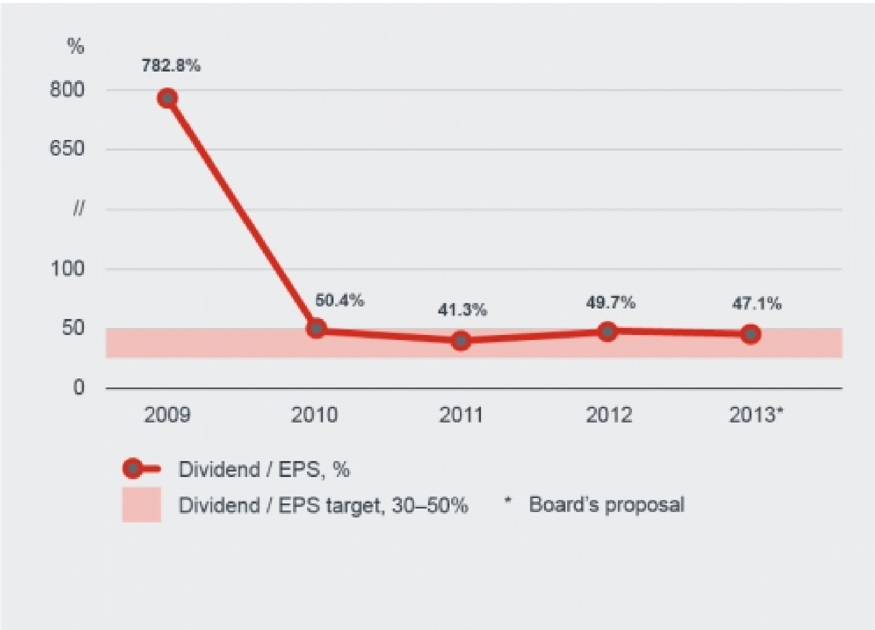
Gearing 2009-2013



Earnings per share and dividend



Dividend / EPS, class B share



Customers

Cargotec is determined to grow its business through strong customer focus. We do not simply offer products, but provide integrated solutions and services designed to meet customers' specific needs. Our customers include leading global and local players within their industries.

> Cargotec is determined to grow its business through strong customer focus.

The customers of MacGregor solutions are ship owners, ship and terminal operators, design offices and shipbuilders in offshore and merchant sector as well as ports and navies.

Kalmar solutions are primarily used by ports and terminal operators. Other customer groups include distribution centres, sawmills, pulp and paper mills and heavy industry.

Hiab on-road load handling products are used in construction sites, distribution, forestry, waste handling and recycling, and by the defence forces. Customers include transportation companies, municipalities and governments, fleet operators, single truck owners, rental companies and truck manufacturers.

Offering

Cargotec provides solutions and services for cargo and load handling needs based on the market's widest product range and global service network.

- MacGregor's comprehensive product portfolio includes hatch covers, lashing systems, cargo handling cranes, RoRo equipment, port equipment, a wide range of winches and offshore load handling systems.
- Kalmar solutions include automation and integration solutions for terminals, ship-to-shore and yard cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors and forklift trucks as well as Navis terminal operating systems (TOS), Bromma spreaders and Siwertell bulk handling systems.
- Hiab's product range includes loader cranes, forestry and recycling cranes, demountables, truck-mounted forklifts and tail lifts.

The solutions are supported by a variety of services, from spare parts to on-call service, refurbishments, preventive maintenance contracts and other customer-specific services.

Cargotec's strategy

In Cargotec's strategy, one could say that everything and nothing has changed. 2012 was a year of new beginnings for us, when Cargotec's new operating model was defined. 2013 has been all about getting into gear and advancing the speed of our efforts for change. During the past year, we made clear progress in simplifying and clarifying our operations and simultaneously streamlining our strategy.

In the summer of 2013, Cargotec launched a three-part programme to add productivity, reset our clock speed to a faster pace and add simplicity and accountability to all our operations. Also, we took actions to ensure our people have the right drive and hunger for growth, and see that we have leaders with a matching passion for performance.

During this process, Cargotec's business portfolio was reviewed and the opportunities and risks related to our businesses analysed to both identify key drivers and risks in our shareholder value creation and also enable us to focus on key opportunities.

We reviewed our action plans, our performance and improvement plans, and our strategy. These reviews were conducted in two different ways to ensure a balanced and comprehensive assessment: a bottom-up analysis was carried out looking at business- and region-specific plans; and Cargotec also conducted a rigorous top-down assessment from an owner's point of view to understand the value creation possibilities within Cargotec and pinpoint where our focus should be to maximise shareholder value.

For Cargotec, the findings of the two-way analysis were a positive surprise in many ways. The assessment showed no need for drastic shifts in Cargotec's portfolios or strategy. To put the findings simply in layman's terms, the crucial issue for Cargotec was not so much what, but *how* things were done.

After these results, the goal for all our actions has been to add simplicity, accountability, focus, and a passion for performance to everything we do. These themes have been central in everyday operations, in development work and in our strategy work.

Also, as a result of these assessments, we made a fair amount of changes to our management during 2013. As stated in our HR strategy, people are crucial to achieving our aspirations. Our ultimate target is achieving a genuine passion for performance in all our business areas and in every employee. In accordance with this principle, we redefined our executive team at Cargotec. We also formed an Extended Executive Board to support our Executive Board and made a number of changes at other management levels as well, to ensure our management and leaders are driven with the kind of passion it takes to reach our goals.

The assessment we conducted in 2013 also showed that a main prerequisite for future growth – and the best driver for increasing shareholder value right now – was to fix current business performance, especially in Kalmar and Hiab. This has been a key focus area in our development initiatives throughout the latter half of 2013, and will continue to be a central theme in our development work in 2014 as well.

The final outcome of our assessment work was identifying the five most important battles for Cargotec. These five must-win battles all have a major impact on Cargotec's ability to generate shareholder value. Our ability to succeed in them will drive up Cargotec's valuation, while failure would have a major impact on our future prospects. These five must-win battles are:

- Hiab – turning the high potential into profitability
- Building the MacGregor growth platform with the successful integration of acquisitions
- Ensuring Kalmar's competitiveness and profitability in mobile equipment
- Profitable future growth in services in Kalmar and MacGregor and
- Building Kalmar as a sustainable leader in container handling automation.

These must-win battles are versatile and span the entire scope of our businesses, yet they have something in common: Cargotec's must-win battles are all can-win battles. They are achievable, realistic goals and they are fully in line with our strategy.

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Creating optimum shareholder and customer value is still the underlying principle guiding our operations.

All the changes in our strategy stem from the shift to a business area-driven organisation that we announced in 2012. Creating optimum shareholder and customer value is still the underlying principle guiding our operations. We aim to keep a keen eye on growth, profitability and cash flow, while simultaneously ensuring our strong position as a technology forerunner and market leader.

As decision-making moves closer to the customer and MacGregor, Kalmar and Hiab take full responsibility for their performance, Cargotec's strategic role is shifting as well. Cargotec is moving on to act as a strategic architect with the central goal of maximising shareholder value and ensuring MacGregor, Kalmar and Hiab reach their goals.

During 2013, MacGregor, Kalmar and Hiab have developed their own business strategies as well as their own visions, missions and values, which are described later on in this report. Each business area has its business targets and action plans to help achieve them in the coming years.

As a strategic architect, Cargotec's role is to maximise shareholder value.To fulfil this role we will:

- Drive strategies, allocate capital and set ambitious targets
- Ensure right people in right places at the right time
- Monitor and measure performance
- Ensure the availability of world-class management and control tools
- Ensure good corporate governance and ethics
- Ensure coherent communications for stakeholders

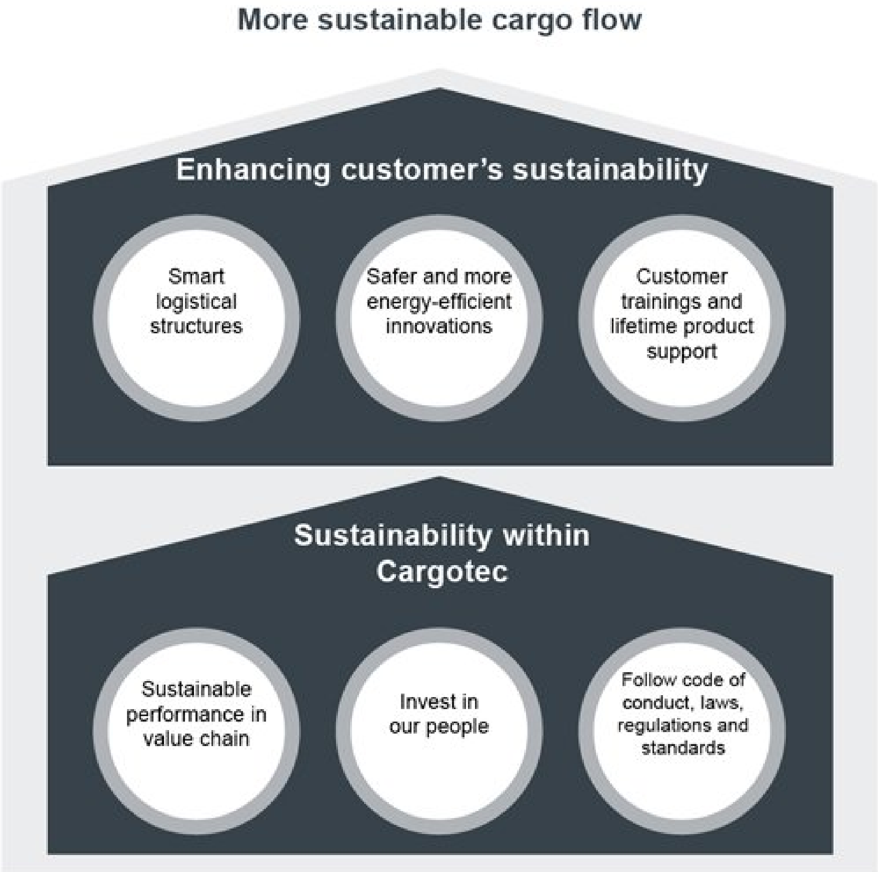
Our role will also include supporting our business areas in fulfilling all the requirements, rules and regulations set to listed companies. Cargotec will always ensure that solid corporate governance and ethics are in place in all of our business operations.

In sum, we are taking a step back and empowering our business areas to take responsibility for their success, yet Cargotec's strategic target remains and will continue to remain unchanged: to increase the shareholder value of the company.

Driving sustainability

Cargotec's greatest impacts on sustainable development arise from customers using our products and solutions. Cargotec has adopted a new, more business-driven operating model which further enhances customers' sustainability. Under this model, business areas will focus on serving their customers in line with the highest ecological standards. One of Cargotec's strengths lies in our ability to share best practices efficiently between business areas with respect to Environment, Health and Safety (EHS) operations and sustainable technologies.

Enhancing customer's sustainability



Since the use of our products and solutions has a much greater impact than our own operations on the environment and social development, the extent to which such an impact can be managed is limited. Markets define the need for new solutions and the change from traditional fuel-powered equipment to the newest hybrid, automated and electric solutions is slow.

Cargotec's adoption of a new business-area driven operating model has the purpose of making product development and R&D more responsive to market needs. Based on this strengthened customer-driven approach our ability to react to requests for more energy and carbon efficient solutions is further improving. Both challenges and opportunities in relation to EHS and labour practices will arise due to the way in which various cultures and local conditions define the societal and regulative environment. Thus, our possibilities to develop EHS and labour practice management within our own operations are much higher.

MacGregor continues to focus on electrically driven RoRo cargo access equipment, light-weight car deck panels, electric cranes and winches, and electrically-operated hatch covers.

Kalmar’s main potential in driving sustainability lies in reduced fuel consumption, which contributes to lower emissions and process automation, resulting in lower overall operational costs, improved safety and better equipment availability.

Within Hiab, research collaboration with academic partners will spur the development of sustainable load handling products. Through this research, a new control systems approach is being developed in order to improve operational safety conditions and the efficiency of load handling equipment. This project will also involve the creation of design strategies for advanced light materials used in load handling structures, in order to reduce both weight and fuel consumption.

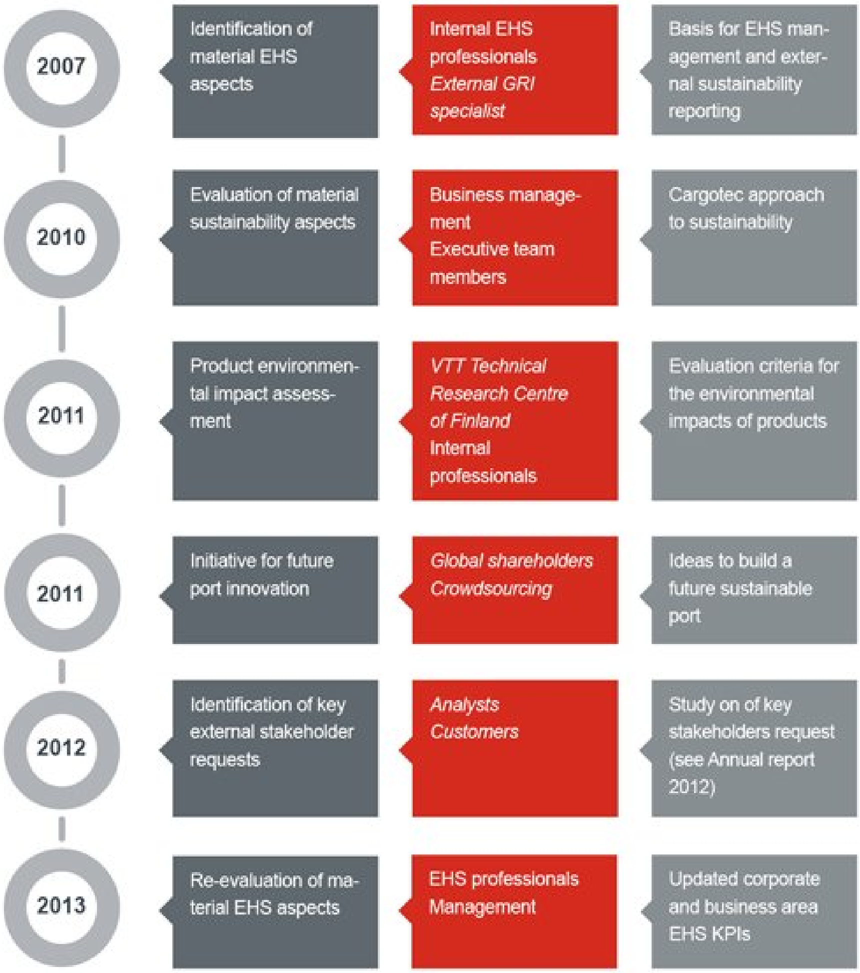
Due to the variety of Cargotec’s products and solutions, the associated impacts and risks are highly varied. This means that there is no systematic way of measuring and providing product-related environmental information, a challenge which has been identified in stakeholder discussions. Previous Pro Future criteria development has provided business areas with the basic foundation for further action, the improvement of evaluation methods and the creation of sustainability targets for individual products. Cargotec’s own operations are supported by business-area-specific certificated management systems, which are under continuous development. A cross-organisational forum involving representatives of all business areas determines the need for common approaches and coordination.

Interaction with stakeholders

Cargotec's main stakeholders are its customers, investors and personnel. In addition, we continuously keep abreast of globally ongoing discussions on sustainable development priorities. Major support in this area has been provided by research institutes and universities, as well as by associations and Global Compact networks, which Cargotec attends as a member. In terms of interaction based on crowdsourcing, a major achievement lies in the Port 2060 initiative, with new future-related articles and commentaries from various professionals on what ports may look like in fifty years' time.

Internally, the Cargotec Personnel Meeting is the company's corporate cooperation forum in Europe. The 2013 Meeting was attended by 15 employee representatives from 12 countries. Employee questions are collected and brought before the meeting by country representatives and answered by Cargotec management. In 2013, questions were related to structural change, product development and outsourcing, among other matters. A working committee consisting of country representatives of the Cargotec Personnel Meeting is convened several times a year, to ensure the continuity of company-employee dialogue. Other country-specific and local cooperation bodies convene in line with the established practices and legislation of each country.

Development of shareholder linkages



Environmental, health and safety (EHS) management

Environmental impacts and health and safety aspects are linked to the way in which Cargotec's businesses operate. As the shift towards a more service and design oriented company is evident, also a need for re-evaluating the Environment, Health and Safety (EHS) priorities in own operations is apparent.

Review of focus areas in EHS management was the theme underlying EHS work in Cargotec in 2013. Conclusions on business and site-specific environmental aspects and safety risks were matched with the requests of investors and customers. Individual sites were consulted in an effort to gain a deeper understanding of actual impacts and risks and how to manage them; business area EHS representatives decided on common approaches together with Cargotec's EHS representative; and global frameworks, such as the Greenhouse gas-protocol and GRI4, were further analysed in order to select Cargotec specific EHS core areas. Based on these analyses, Cargotec launched the update of its EHS measurement systems. Although no dramatic changes were made to EHS core areas, the need for a systematic product evaluating system was evident. Since this work is still ongoing, progress will be described in 2015, as part of the updated 'Key environmental and safety figures 2014' report.

Still based on the current indicators, Cargotec's 'Key environmental and safety figures 2013' report will be published in April 2014 on Cargotec's website.

During the year, Cargotec's various business areas focused on business-oriented EHS management, by further developing their integrated management system (IMS) platforms. For example, Hiab took a major step by defining a business area-specific environmental programme which sets product-related evaluation targets and operational safety targets. All three business areas have specific IMS forums, in which EHS management issues are regularly discussed and best practices shared. Continuous improvement was supported by developing business-area specific EHS goals and expanding the scope of certificated management systems.

Over 90 percent of our assembly sites is certified according to ISO9001 quality management system. Environmental management system certification, ISO14001, covers 75 percent of the assembly sites and health&safety system, OHSAS18001, nearly 70 percent. Additionally, certification of other sites is proceeding well.

Ethical compliance and anti-corruption

During the last few years, global discussion of business anti-corruption and ethical practices has intensified and regulation has developed in this area. At the same time, global companies face a greater variety of business practices, cultures and societal norms in the environments in which they operate.

To make business practices even more transparent, we launched an anti-bribery policy and initiated a risk assessment of the corruption risks within our operations. The risk assessment was conducted by an external specialist and included an electronic questionnaire sent to approximately 100 anonymously and randomly selected Cargotec employees representing all job levels in Cargotec. In addition, more-detailed interviews were conducted with a few key persons from business areas and support functions. The conclusions of the risk assessment were discussed by the Executive Board and in a separate workshop.

Business area management teams and several division management teams were given training on the anti-bribery policy. The next steps in the further implementation of the ethical compliance guidelines include launching an e-learning tool for all employees during 2014.

The e-learning tool will place a strong emphasis on further implementing Cargotec's Code of conduct and anti-bribery policy. The main channel for implementing the Code of conduct has been personnel development discussions. The Code of conduct clearly states Cargotec's ambition to respect international human rights, children's rights and labour codes throughout Cargotec's operations. Our supplier criteria require that all of Cargotec's suppliers follow the same international human rights agreements. These suppliers are audited under the supply audit programme.

GRI Index 2013

Independent third-party review of GRI Guidelines Application Level

A third-party check, conducted by corporate sustainability reporting specialist Mitopro, confirmed Cargotec's self-declaration that the sustainability reporting 2013 meets the requirements for the Application Level B of the GRI Sustainability Reporting Guidelines version 3.0.

●	Fully reported	Core indicators
◐	Partly reported	Additional indicators

	GRI content	Reference	Reported
1	**Strategy and analysis**		
1.1	Statement from the CEO	CEO's review	●
1.2	Description of key impacts, risks, and opportunities	CEO's review Driving sustainability Main risks	●
2	**Organizational Profile**		
2.1	Name of the organization	Cargotec in brief	●
2.2	Primary brands, products, and services	Cargotec in brief	●
2.3	Operational structure	Cargotec in brief	●
2.4	Location of organization's headquarters	Cargotec in brief	●
2.5	Number of countries where the organization operates and locations of operation	Cargotec in brief MacGregor in brief Hiab in brief Kalmar in brief	●
2.6	Nature of ownership and legal form	Corporate governance statement	●
2.7	Markets served	Cargotec in Brief	●
2.8	Scale of the reporting organization	Cargotec in Brief	●
2.9	Significant changes during the reporting period	Cargotec in brief MacGregor, development 2013 Kalmar, development 2013 Hiab, development 2013 Corporate governance statement	●
2.10	Awards received in the reporting period	Kalmar, products and services	●
3	**Report parameters**		
	Report profile		
3.1	Reporting period	1 January 2013-31 December 2013	●
3.2	Date of most recent previous report	Annual report 2012 on 18 February 2013 Cargotec's key environmental and safety figures 2012 in April 2013	●

3.3	Reporting cycle	Annual	●
3.4	Contact point for questions regarding the report or its contents	communications@cargotec.com	●
	Report scope and boundary		
3.5	Process for defining report content	Interaction with stakeholders Cargotec´s key environmental and safety figures	●
3.6	Boundary of the report	Accounting principles for the financial consolidated statements Cargotec´s key environmental and safety figures	●
3.7	Limitations on the scope or boundary of the report	Accounting principles for the financial consolidated statements Cargotec´s key environmental and safety figures	●
3.8	Basis for reporting on joint ventures, subsidiaries and other relevant entities	Accounting principles for the financial consolidated statements Accounting principles for the parent company financial statements Cargotec´s key environmental and safety figures	●
3.9	Data measurement techniques and the bases of calculations	Cargotec´s key environmental and safety figures Accounting principles for the financial consolidated statements	●
3.10	Explanation of re-statements of information provided in earlier reports	Cargotec´s key environmental and safety figures Consolidated financial statements	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Cargotec´s key environmental and safety figures	●
	GRI content index		
3.12	Table identifying the location of the GRI Standard Disclosures in the report	GRI index 2013	●
	Assurance		
3.13	Assurance policy and current practice	The quality of disclosed sustainability data is controlled internally. External assurance is not conducted. Cargotec´s key environmental and safety figures	●
4	**Governance, commitments and engagement**		
	Governance		
4.1	Governance structure	Corporate governance statement	●
4.2	Position of the Chairman of the Board	Board of Directors	●
4.3	Independence of the Board members	Board of Directors	●

4.4	Mechanisms for shareholder and employee consultation	Annual General Meeting 2014 Shareholders' meeting Interaction with stakeholders	●
4.5	Executive compensation and linkage to organization's performance	Personnel Remuneration statement	●
4.6	Processes for avoiding conflicts of interest	Corporate governance statement Code of conduct	●
4.7	Process for determining the qualifications and expertise of the members of the Board	Board of Directors	●
4.8	Implementation of values and codes of conduct	Ethical compliance and anti-corruption	●
4.9	Procedures of the Board for overseeing sustainability management and performance	Corporate governance statement Risk management at Cargotec	●
4.10	Processes for evaluating the Board's own performance	Corporate governance statement Board of Directors	●
	Commitments to external initiatives		
4.11	Precautionary approach	UN Global Compact	●
4.12	Endorsement of external sustainability charters, principles and initiatives	CEO's review Interaction with stakeholders Ethical compliance and anti-corruption	●
4.13	Memberships in associations	Interaction with stakeholders MacGregor, products and services Kalmar, products and services	●
	Stakeholder engagement		
4.14	List of stakeholder groups	Interaction with stakeholders Customers	●
4.15	Identification and selection of stakeholders	Interaction with stakeholders	●
4.16	Approaches to stakeholder engagement	Personnel Interaction with stakeholders	●
4.17	Key topics and concerns raised through stakeholder engagement	Interaction with stakeholders	●
	Performance indicators		
	Economic performance indicators		
EC	Management approach to material economic aspects	Corporate governance statement	●
EC1	Direct economic value generated and distributed	Data disclosed in the consolidated financial statements, not presented in an EC1 table format Consolidated financial statements	◐
EC2	Risks and opportunities due to climate change	Driving sustainability	◐

EC3	Coverage of the defined employee benefit plan obligations	Remuneration statement	●
EC4	Significant financial assistance received from government	Hiab, products and services	●
	Environmental performance indicators		
EN	Management approach to material environmental aspects	Driving sustainability EHS management	●
EN3	Direct energy consumption	Cargotec´s key environmental and safety figures	●
EN4	Indirect energy consumption	Cargotec´s key environmental and safety figures	●
EN5	Energy saved due to conservation and efficiency improvements	Cargotec´s key environmental and safety figures	◐
EN6	Initiatives to provide energy-efficient or renewable energy based products and services	MacGregor, products and services Kalmar, products and services Hiab, products and services	●
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Cargotec´s key environmental and safety figures	◐
EN8	Total water withdrawal	Cargotec´s key environmental and safety figures	●
EN16	Total direct and indirect greenhouse gas emissions	Cargotec´s key environmental and safety figures	●
EN17	Other relevant indirect greenhouse gas emissions	Cargotec´s key environmental and safety figures	◐
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	Hiab, products and services Kalmar, products and services MacGregor, products and services	◐
EN20	Other air emissions	Cargotec´s key environmental and safety figures	●
EN22	Total amount of waste	Cargotec´s key environmental and safety figures	●
EN26	Initiatives to mitigate environmental impacts of products and services	Hiab, products and services Kalmar, products and services Driving sustainability	●
	Social performance indicators		
	Labor practices and decent work		
LA	Management approach to material labor practice and decent work aspects	EHS Management Personnel	●
LA1	Breakdown of workforce	Personnel in figures Board of Directors' report	●
LA2	Employee turnover	Personnel in figures	●
LA5	Minimum notice period(s) regarding significant operational changes	National practices applied, no Group level data collected	◐
LA6	Health and safety committees	Cargotec´s key environmental and safety figures	◐
LA7	Injury, lost time injury, fatalitites, absence rates	Cargotec´s key environmental and safety figures	◐

LA11	Programs for skills management	Personnel MacGregor, personnel Kalmar, personnel Hiab, personnel	●
LA12	Employees receiving regular performance and career development reviews	Kalmar, personnel Hiab, personnel	●
LA13	Composition of governance bodies and breakdown of employees	Board of Directors President and CEO and the Executive Board Personnel in figures	●
	Human rights		
HR	Management approach to material human rights aspects	Ethical compliance and anti-corruption Code of conduct Interaction with stakeholders	●
HR2	Suppliers and contractors human rights screening	Ethical compliance and anti-corruption	◐
HR5	Measures taken to support rights to freedom of association and collective bargaining in risk areas	Code of conduct Ethical compliance and anti-corruption	●
HR6	Measures taken to contribute to the effective abolition of child labor in risk areas	Code of conduct Ethical compliance and anti-corruption	●
HR7	Measures taken to contribute to the elimination of all forms of forced or compulsory labor in risk areas	Code of conduct Ethical compliance and anti-corruption	●
	Society		
SO	Management approach to material society aspects	Code of conduct Ethical compliance and anti-corruption	●
SO2	Business units analyzed for risks related to corruption.	Ethical compliance and anti-corruption	●
SO3	Anti-corruption training	Ethical compliance and anti-corruption	●
SO5	Public policy positions and participation in public policy development and lobbying	Code of conduct provides guidelines for political neutrality Code of conduct	●

	Product responsibility		
PR	Management approach to material product responsibility aspects	MacGregor, strategy and roadmap Kalmar, products and services Hiab, products and services	●
PR1	Assessment of health and safety impacts of products and services	MacGregor, strategy and roadmap Kalmar, products and services Hiab, products and services	●
PR3	Product information required by procedures	Kalmar, products and services Hiab, products and services	●

UN Global Compact

Cargotec supports the ten principles of the UN Global Compact.

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of internationally defined core values in the areas of human rights, labour standards, the environment, and anti-corruption.

The ten principles of the UN Global Compact are presented below. Information on how these principles are addressed in Cargotec can be found in this annual report as well as on the company website.

Human rights

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2

Businesses should make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5

Businesses should uphold the effective abolition of child labour.

Principle 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7

Businesses should support a precautionary approach to environmental challenges.

Principle 8

Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9

Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.

Personnel

Our Human Resources has one overarching goal: to ensure that our organisation and people are in top condition for executing our business strategy. Our business areas – MacGregor, Kalmar and Hiab – take responsibility for their human resources actions.

Our objective is ambitious but simple to describe. We want to make sure that we have the right people in the right place at the right time – and that they are doing the right things for the right reasons. Our ultimate goal is to create a genuine passion for performance in all of our business areas and in every employee.

Following our development work in 2013, four fundamental cornerstones now guide our activities:

- Fact-based people management
- Organisational efficiency
- Leadership and talent management
- Performance culture

Together, these cornerstones form a main guiding foundation, based on which our business areas can build their own business-area-specific HR strategies, plans and actions.

Fact-based people management

We aim to analyse our own strengths and weaknesses with the same rigour as we assess our competitors and the market. We aim to use focused, unbiased, relevant data and simulation and HR process tools as the basis of all our HR actions. Actions are started in order to simplify corporate HR policies and processes and develop corporate HR information systems and tools.

Fact-based people management is driven by information management and process harmonisation. It provides proactive support for our other strategic HR cornerstones, by enabling talent pool sourcing in search of leadership and professional potential. This type of people management also helps us to oversee the efficiency of our performance management processes and to analyse how we set goals, measure performance and how well our feedback loops function.

Organisational efficiency

Currently we are in the process of simplifying and clarifying our HR requirements. To further strengthen our organisational efficiency, we are building clear efficiency dashboards for our business areas. The aim is to ensure that we have a detailed, real-time blueprint of our organisation, locations, communication flows, job roles and reporting responsibilities.

MacGregor, Kalmar and Hiab all have systems and tools in place for the monitoring and enhancement of efficiency; our goal is to support the business areas in further streamlining these tools by providing a simple, overarching guideline. In this way, we at Cargotec will be fully aware of and up-to-date on the organisation and functioning of our global personnel at all times. We will also be able to ensure, proactively, that our business areas maintain and boost their efficiency according to need.

Leadership and talent management

Leadership and talent management builds on our other strategic cornerstones by ensuring that we have the right people in the right place, and that we drive and support their professional growth and career development. In this way, we can continue to capitalise on the full potential of each employee in the future.

The global war for talent, economic change and soaring client expectations have all added to the requirements set for our leadership and talent management practices. This has led us to create talent management tools, processes and practices that we are proud of – but which need to be reassessed and partly rebuilt to ensure simplicity, agility and proactive operations.

In 2013, we have been working hard to render all our leadership and talent management actions clear and transparent. We have launched a number of initiatives to reduce our organisational complexity and streamline operations. The development work will continue throughout 2014.

Performance culture

None of our strategic goals can be fully achieved without the right performance culture. Cargotec's culture is supported by focusing not only on what is done, but also on how things are done.

In 2013, we made an important change of course in human resources: we began establishing measures to ensure that we not only recognise and reward individuals and teams for achieving their goals, but also seek to acknowledge and reward actions that build a strong, driven performance culture, where people are eager to do their utmost and take pride in their work while supporting, working with and respecting their colleagues.

> Passion, drive and teamwork are behaviours that flourish when they are rewarded.

We believe that, at work, all actions should have consequences. Passion, drive and teamwork are behaviours that flourish when they are rewarded. Target setting within a performance culture of this kind is based on individual performance and development plans (PDP). PDP discussions are a key method used across the organisation to build employee engagement. These biannual discussions complement day-to-day communication between management and employees, and help employees to gain a better understanding of the company's strategic objectives and act accordingly in their daily work. They also play a key role in the process of reviewing and rewarding good performance.

We have also identified desired behaviours in all employees which consist of elements like:

- hunger for financial success,
- leadership excellence,
- high performing teams,
- commitment to solid corporate governance, transparency and ethics,
- simplicity and
- accountability.

Cargotec's performance culture is supported through a constant dialogue between our employees and management. A passion for performance and healthy ambition are qualities we want to strongly encourage in employees, especially when these traits are combined with accountability and internal entrepreneurship, where every employee works to make the entire team stronger.

Towards simple efficiency

Our new motto for all HR development work is ‘Simplify and add clarity’. The best guidelines are transparent and understandable to all.

In 2012, we stated that we aimed to assign several corporate support functions to independent business areas, which would jointly and separately adopt and develop Cargotec’s ways of working and best practices. During 2013, we have progressed towards achieving this aim and have strengthened our position as the owner of MacGregor, Kalmar and Hiab. For 2014, our main objective is to simplify our policies, processes and tools even further.

Today, we communicate and administer Cargotec’s Code of Conduct to ensure that all employees are fully aware of and committed to the values and principles that Cargotec insists should be followed by all of its business areas and partners. We provide clear, strong core guidelines and support in turnaround situations and in the face of sudden challenges. On the other hand, MacGregor, Kalmar and Hiab hold major responsibility for empowering and guiding our people, for motivating them to aim higher, and for establishing and encouraging a passion for outstanding performance.

Personnel in figures

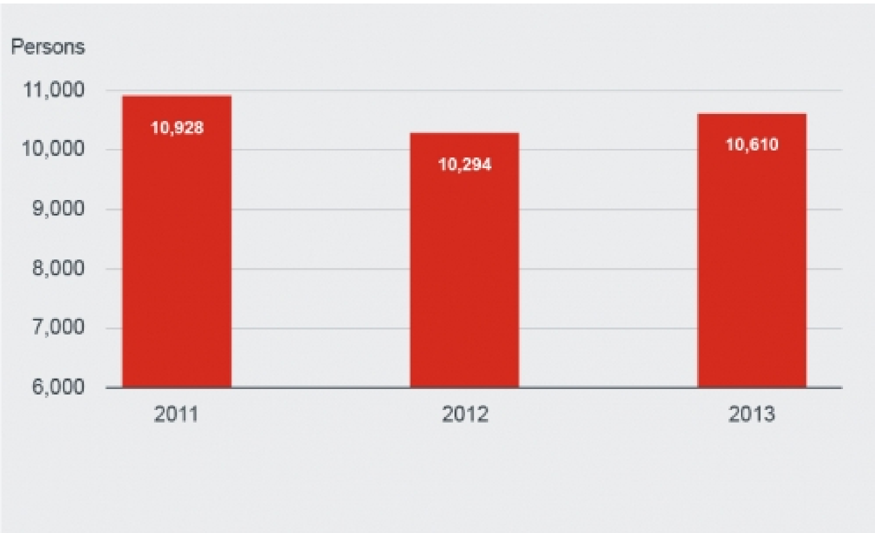
At the end of 2013, Cargotec had a total of 10,610 (2012: 10,294) employees, of which 2,354 were employed by MacGregor, 5,269 by Kalmar and 2,823 by Hiab.

Female employees represented 16 (16) percent and male employees 84 (84) percent of Cargotec's entire workforce. Part-time employees accounted for 2 (2) percent of personnel and temporary employees for 5 (5) percent. Our personnel turnover figures were as follows:

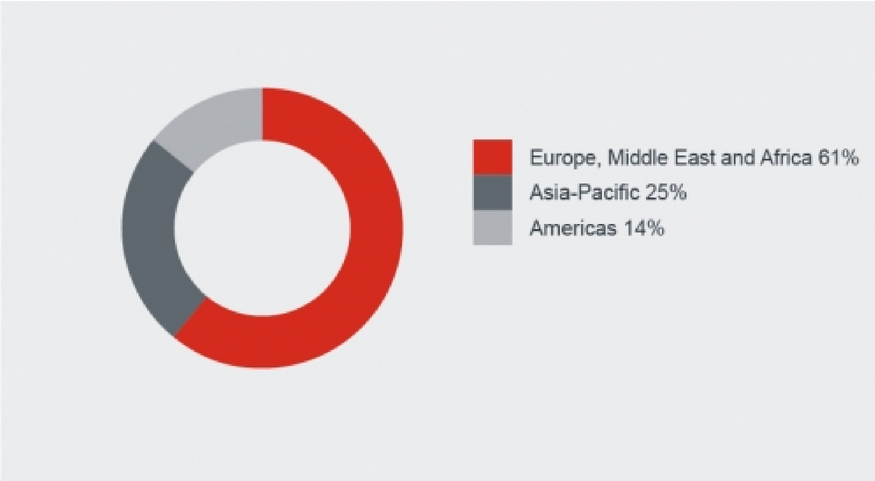
- Cargotec 8.6 (10.2) percent
- Europe, Middle East and Africa 6.1 (6.7) percent
- Asia-Pacific 12.9 (17.8) percent and
- Americas 12.0 (9.6) percent.

Cargotec's sales per employee totalled TEUR 312 (316). MacGregor's sales per employee totalled TEUR 433 (510), Kalmar's TEUR 293 (288) and Hiab's TEUR 287 (268).

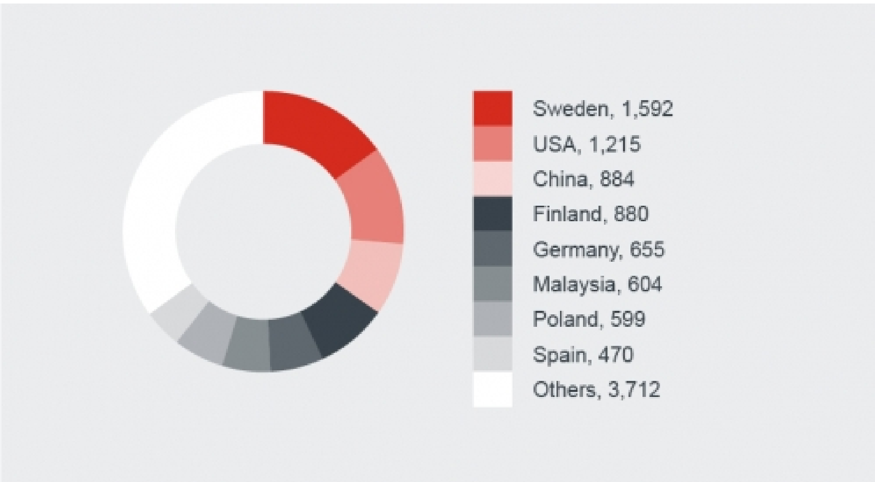
Number of employees 31 December 2013



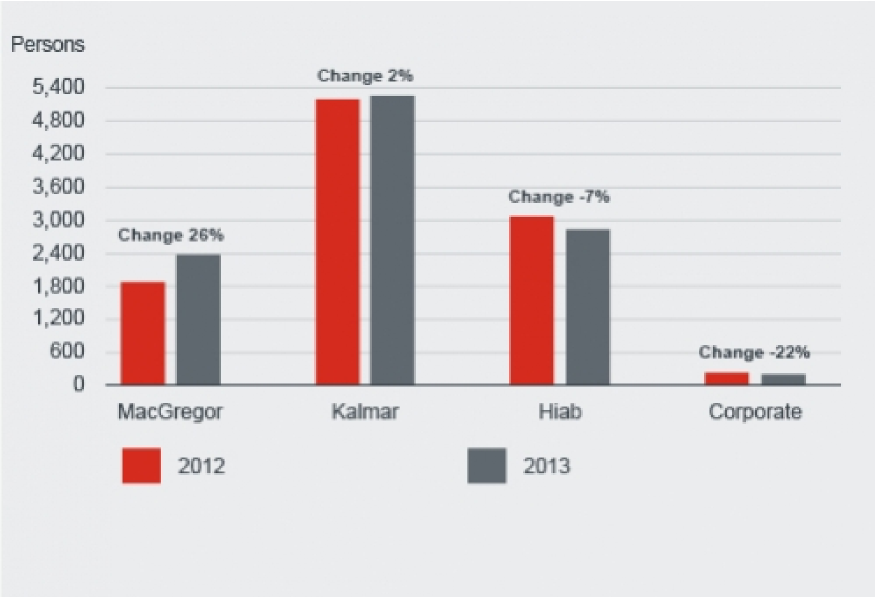
Employees by region 31 December 2013



Personnel by countries 31 December 2013



Personnel by business area



Board of Directors' report

Operating environment

The ship building and related cargo handling solutions markets improved during the year, although uncertainty in the industry continued, as demonstrated by the volatility in market activity. The offshore market remained active throughout the year and was healthier than the merchant ship market. Obtaining financing was difficult for some shipowners and shipyards. The pressure among shipowners to save on costs in a challenging market situation led to low demand for services.

Container volumes handled in ports are estimated to have grown by over three percent in 2013. Demand for smaller container handling equipment and automation solutions used in ports was healthy, while that for larger container handling equipment picked up during the year. Demand for services was at a healthy level.

Despite the economic uncertainty, the load handling equipment market was flat during the year. In Europe, the market was characterised by clear demand and activity variations among countries with respect to both new equipment and services. Towards the end of the year, demand picked up slightly due to pre-buying behaviour as customers prepared for new environmental regulations on trucks. In the United States, demand was healthy.

Orders received and order book

Orders received in 2013 increased eight percent from the comparison period and totalled EUR 3,307 (3,058) million. Of the orders, 31 percent were received by MacGregor, 43 percent by Kalmar and 26 percent by Hiab. In geographical terms, the share of orders received declined to 40 (46) percent in EMEA (Europe, Middle East, Africa). Asia-Pacific's share of all orders was 33 (31) percent and that of Americas 27 (23) percent. A major port automation project was the main reason for the increased orders in the Americas. Service orders accounted for 23 (25) percent of total orders.

The order book decreased two percent from the 2012 year-end level, and at the end of the 2013 it totalled EUR 1,980 (31 Dec 2012: 2,021) million. MacGregor's order book totalled EUR 980 (848) million, representing 50 (42) percent, Kalmar's EUR 799 (983) million, or 40 (49) percent, and that of Hiab EUR 203 (192) million, or 10 (9) percent of the consolidated order book.

Sales

Sales in 2013 declined four percent from the comparison period and totalled to EUR 3,181 (3,327) million. Compared to 2012, currency rate changes had a two percentage point negative impact on sales. Sales in services amounted to EUR 763 (765) million, representing 24 (23) percent of consolidated sales. Sales in MacGregor suffered from low deliveries during the year, caused by the weak business cycle in the shipbuilding market. Sales in Kalmar increased by four percent and in Hiab they were at the comparison period's level. Services saw growth in the Americas, remained at the comparison period's level in EMEA, and declined in the Asia-Pacific. EMEA represented 44 (41) percent of consolidated sales, Asia-Pacific 31 (35) percent and Americas 25 (24) percent.

Financial result

Operating profit in 2013 declined 30 percent from the comparison period to EUR 92.5 (131.4) million. Operating profit includes EUR 34.0 (26.2) million in restructuring costs. EUR 2.7 (3.2) million of the restructuring costs are related to MacGregor, EUR 7.1 (9.9) million to Kalmar, EUR 24.0 (10.4) million to Hiab and EUR 0.1 (2.8) million to corporate administration and support functions. Operating profit also includes a capital loss of EUR 1.5 million, booked in Kalmar's second quarter operating profit from selling Tampere facilities in Finland.

Operating profit in 2013 excluding restructuring costs declined to EUR 126.5 (157.5) million, representing 4.0 (4.7) percent of sales. Excluding restructuring costs, operating profit for MacGregor amounted to EUR 62.7 (130.8) million, Kalmar EUR 64.0 (42.3) million, and Hiab EUR 24.4 (27.1) million. MacGregor's operating profit decline was mostly due to low sales. Operating profit in Kalmar improved clearly from the previous year, despite cost overruns in deliveries of large port projects resulting from orders booked in previous years, which significantly burdened the business. Restructuring measures in Hiab were not yet reflected in the operating profit.

Net interest expenses for interest-bearing debt and assets in 2013 totalled EUR -21.9 (-19.1) and net financing expenses EUR -13.9 (-8.9) million. Net income in 2013 declined and totalled EUR 55.4 (89.5) million and earnings per share EUR 0.89 (1.45).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,336 (31 Dec 2012: 3,298) million at the end of 2013. Equity attributable to equity holders was EUR 1,233 (1,214) million, representing EUR 19.18 (19.80) per share. Property, plant and equipment on the balance sheet was EUR 310 (304) million and intangible assets were EUR 1,085 (1,021) million.

Return on equity (ROE, annualised) in 2013 dropped to 4.5 (7.5) percent and return on capital employed (ROCE, annualised) to 5.0 (8.2) percent.

Cash flow in 2013 from operating activities, before financial items and taxes, totalled EUR 180.9 (97.1) million. Cash flow from operations clearly strengthened during the second half of the year. Net working capital increased during the financial period from EUR 219 million at the end of 2012 to EUR 231 million. The amount of inventories was significantly reduced during the financial period, having a positive impact on net working capital. The sale of own shares in December amounted to a total of EUR 74.0 million before commissions and expenses. Dividend payment in 2013 totalled EUR 44.3 (61.4) million.

Cargotec’s financing structure and liquidity are healthy. Interest-bearing net debt at the end of 2013 was EUR 578 (31 Dec 2012: 478) million. Interest-bearing debt amounted to EUR 893 (697) million, of which EUR 300 (259) million was current and EUR 594 (438) million non-current debt. On 31 December 2013, the average interest rate on the loan portfolio was 3.0 (2.6) percent. Cash and cash equivalents, loans receivable and other interest-bearing assets totalled EUR 315 (31 Dec 2012: 219) million.

During the second quarter, Cargotec signed and withdrew a EUR 50 million three-year floating rate term loan. In addition, three-year floating rate term loans, with a total worth of EUR 150 million, were signed and withdrawn during the third quarter.

Cargotec’s total equity/total assets ratio was 39.5 (40.8) percent. Gearing rose from its 2012 year-end 39.2 percent level to 46.7 percent. The completed Hatlapa acquisition increased gearing. Cargotec’s target is to keep gearing below 50 percent.

More information on loans is available in Note 27 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 2013 totalled EUR 63.5 (75.4) million, representing 2.0 (2.3) percent of sales and 2.1 (2.4) percent of all operating expenses. Research and product development investments were focused on projects aimed at improving competitiveness and cost efficiency of products.

MacGregor

In 2013, MacGregor introduced devices that optimise cargo carrying capability and loading flexibility. Stack splitter supports containers in a cargo hold, and when not in use it stows away in minimal space. A retractable console ensures that tweendecks can be installed more efficiently.

During the year, MacGregor developed crane technology to provide a unique cruise experience. A crane equipped with a glass capsule will offer cruise passengers a 360-degree view above the ocean. In addition, MacGregor’s new process to analyse a container ship’s cargo profile is undergoing trials. It will enable a vessel’s earning ability to be the design starting point, instead of working on theoretical cargo stowage assumptions. MacGregor also introduced a new offshore crane that enables three-dimensional motion compensation. Additionally, a new simulation platform developed in 2013 allows MacGregor engineers and equipment users to accurately plan and illustrate complex systems in operation in a “real-world” environment and real-time mode. MacGregor finalised development work for a new lashing bar that allows new and existing container ships to employ an external lashing system, which allows the ship to carry more payload containers.

Kalmar

During the second half of 2013, Kalmar introduced the world’s first real hybrid straddle and shuttle carriers. These consume up to 40 percent less fuel than existing equipment. Hybrid models meet the tightest engine emission regulations, reducing the carbon dioxide emissions considerably compared to a traditional diesel-electric machine. Kalmar also partnered with a customer, Global Service in Italy, to create a dual-fuel (liquefied natural gas and diesel) reachstacker under the EU-funded Greencranes initiative, and presented its latest forklift trucks to the North American customers.

During the first half, Kalmar introduced a new generation of reachstackers. Key areas in their development were productivity, safety and ergonomics. Kalmar also launched a new service contract concept, Kalmar Care. Kalmar Care includes four different contract types that are standardised globally and across all customer segments. The contracts are modular and fully scalable, covering everything from day-to-day support to comprehensive servicing and maintenance requirements.

During the first half, as part of a consortium, Kalmar received a commendation award of USD 100,000 in the Next Generation Container Port (NGCP) Challenge.

Hiab

In September, Hiab introduced four new loader crane models in its biggest launch in years. The key features of the new models have been developed following extensive research among customers and field experts.

During the year, Hiab also introduced a new forestry crane and a new control system for demountables. In 2013 Hiab received a EUR 1.4 million funding from the European Union for a three-year research cooperation project with three academic partners in Europe.

Capital expenditure and sales of fixed assets

Capital expenditure in 2013, excluding acquisitions and customer financing, totalled EUR 69.0 (76.2) million. Investments in customer financing were EUR 39.3 (34.3) million. Depreciation, amortisation and impairment amounted to EUR 76.7 (70.0) million.

In June, Cargotec signed an agreement to sell Technology and Competence Centre facilities in Tampere, Finland to W.P. Carey, a real estate investment trust in the United States. Cargotec will continue its operations at the premises as leaseholder with a 20-year contract. The transaction value was EUR 38.5 million.

In June 2012, Cargotec announced plans to invest in its multi-assembly unit (MAU) in Stargard Szczecinski, Northern Poland. The value of the investment in a new painting and assembly area was close to EUR 24 million in 2013. The construction work will be completed in 2014.

Acquisitions and divestments

In December, after receiving regulatory approvals, Cargotec established Sinotruk (Shandong) Hiab Equipment Company Ltd., a joint venture with China National Heavy Duty Truck Group Co., Ltd., in China. Cargotec's ownership in the joint venture is 50 percent. During the fourth quarter Cargotec invested approximately EUR 5 million in the joint venture. The estimated equity investment in the joint venture during the first operational year will be approximately EUR 10 million.

In October, MacGregor entered into an agreement to acquire from Aker Solutions, for an enterprise value of approximately EUR 180 million, its mooring and loading systems unit. The acquisition was completed in January 2014.

In July, MacGregor entered into an agreement to acquire privately owned Hatlapa Group, merchant ship and offshore deck equipment provider, for an enterprise value of EUR 160 million. With the Hatlapa acquisition MacGregor will become a global leader in winches. The acquisition was completed in October. Combined, the before-mentioned acquisitions position MacGregor as a leading player in the offshore equipment market.

In May, Kalmar acquired total ownership in the Spanish crane refurbishment and maintenance service company Mareiport, S.A. The acquisition is a strategic step for Kalmar to become a major global crane refurbishment and services provider. Kalmar has been a minority shareholder with 30 percent ownership in the company since 2007.

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.

Personnel

Cargotec employed 10,610 (31 Dec 2012: 10,294) people at the end of 2013. MacGregor employed 2,354 (1,868) people, Kalmar 5,269 (5,190), Hiab 2,823 (3,025) and corporate administration and support functions 164 (211). The average number of employees in 2013 was 10,210 (10,522). Part-time personnel represented 2 (2) percent of employees. 16 (16) percent of personnel were female and 84 (84) percent male.

At the end of 2013, 15 (31 Dec 2012: 17) percent of the employees were located in Sweden, eight (9) percent in Finland and 35 (29) percent in the rest of Europe. Asia-Pacific personnel represented 25 (28) percent, North and South American 14 (14) percent, and the rest of the world three (3) percent of total employees.

Salaries and remunerations to employees totalled EUR 460 (452) million in 2013.

Following development work in 2013, four fundamental cornerstones now guide Cargotec’s activities: fact-based people management, organisational efficiency, leadership and talent management, and performance culture. Action has begun to simplify the corporate HR policies and processes, and to develop corporate HR information systems and tools. Additionally, a number of initiatives have been launched to reduce organisational complexity and streamline operations. The development work will continue throughout 2014.

In 2013, Cargotec HR worked to ensure that actions that build a strong, driven performance culture are acknowledged and rewarded. In a performance culture, people are eager to do their utmost and they take pride in their work. To support this, the identified desired behaviours in all employees consist of elements like: hunger for financial success, leadership excellence, high performing teams, commitment to solid corporate governance, transparency and ethics, simplicity and accountability.

In October, Cargotec informed about plans to improve efficiency and reduce costs in Hiab. The planned measures were estimated to result in the reduction of approximately 250 employees globally, incur savings of approximately EUR 20 million and result in approximately EUR 12 million in restructuring costs. By the end of the year, the cooperation negotiations were completed in most of the affected countries. In these countries, the measures affected 220 employees. EUR 7.9 million was booked in restructuring costs from these measures in Hiab’s fourth quarter result.

Employee cooperation negotiations started in October 2012 in Hudiksvall, Sweden, were completed in March. As a result, a total of 105 persons were made redundant. Employee cooperation negotiations outside Finland and Sweden resulted in 78 redundancies.

Listing of MacGregor in Asia

During 2013, Cargotec prepared for a separate listing of MacGregor in Singapore in first half of 2014. Due to market conditions and focusing on integration of Hatlapa acquisition, the Board of Directors decided in October to delay the listing.

President and CEO Mika Vehviläinen

On 27 January 2013, Cargotec's Board of Directors appointed Mr Mika Vehviläinen as Cargotec's new President and CEO. Mr Vehviläinen started work at Cargotec on 1 March 2013. More information about remuneration, fringe benefits and other terms of employment of the President and CEO is available on Cargotec's website (www.cargotec.com/investors) in Governance section and in the annual remuneration statement.

Executive Board

In 31 December 2013, the members of Cargotec's Executive Board were President and CEO Mika Vehviläinen, Executive Vice President and Chief Financial Officer Eeva Sipilä, Senior Vice President, Human Resources Mikko Pelkonen and business area Presidents Eric Nielsen (MacGregor) and Olli Isotalo (Kalmar). Senior Vice President, General Counsel Outi Aaltonen acts as Secretary to the Executive Board.

In addition to the above Executive Board members, the Extended Executive Board included the following members between 1 April 2013–31 December 2013: Outi Aaltonen, Senior Vice President, General Counsel; Stephen Foster, Senior Vice President, Corporate Audit; Soili Mäkinen, Chief Information Officer; Matti Sommarberg, Executive Vice President, Chief Technology Officer; Anne Westersund, Senior Vice President, Communications and Public Affairs.

Sustainability

The greatest impacts on sustainable development arise from customers using Cargotec's products and solutions. One of Cargotec's strengths lies in its ability to share best practices efficiently between business areas with respect to Environment, Health and Safety (EHS) operations and sustainable technologies.

Since the use of Cargotec's products and solutions has a much greater impact than its own operations on the environment and social development, the extent to which such an impact can be managed is limited. Markets define the need for new solutions and the change from traditional fuel-powered equipment to the newest hybrid, automated and electric solutions is slow.

Cargotec's adoption of a new business-area driven operating model has the purpose of making product development and R&D more responsive to market needs. Based on this strengthened customer-driven approach, our ability to react to requests for more energy and carbon efficient solutions is further improving. Both challenges and opportunities in relation to EHS and labour practices will arise, due to the way in which various cultures and local conditions define the societal and regulative environment. In 2013, Cargotec and its business areas further developed their compliance with the ISO and OHSAS standards in terms of quality, environment, health and safety (QEHS). Cargotec actively monitors the environmental, health and safety impacts of its operations. A report on the related results is published annually on Cargotec's website.

Internal control and risk management

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, its risk management is adequate and appropriate, and that financial and 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. Audits of the operations of selected subsidiaries and business units assess the effectiveness of internal control and risk management, as well as compliance with operating principles and guidelines. Furthermore, Corporate Audit audits and assesses financial reporting processes and compliance with the related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board 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 risk management, as well as the responsibilities involved. A core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively. 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. As far as is possible and practical, risk management is conducted within business units and support functions as part of day-to-day processes.

Identification, assessment, treatment planning and reporting are part of Cargotec's planning and decision-making processes. Follow-up of risks and risk management actions forms part of the management and follow-up of the company's operations as a whole. The role of the corporate risk management function is to develop and coordinate the overall risk management framework and process. This function supports the businesses in implementing risk management and performs certain specified tasks, such as the coordination of global insurance programmes. Financial risks are centrally managed by Corporate Treasury, which draws up financial risk reports for corporate management and the Board of Directors on a regular basis.

Cargotec's strategic and business risks are related to the development of the global economy and cargo flows, emerging markets, changes in organisational structure, personnel, enterprise resource planning implementation as well as large projects and automation. Operational risks are related to information management, suppliers, production, changes in the supply footprint, contract and compliance (legal) issues, material cost fluctuations and financial risks. The main safety, hazard and environmental risks include risks related to business interruptions, intellectual property and logistics. Cargotec pays continuous attention to employee, customer and third party health, and safety and environmental risks, and monitors developments in local legislation.

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

Reporting segments

MacGregor

Orders for 2013 grew 57 percent from the comparison period, totalling EUR 1,011 (645) million. Demand was highest for bulk ship cargo handling equipment.

Major orders received by MacGregor in 2013 were: Pptimised cargo handling systems for ten container vessels to South Korea, 45 electric winches to South Korea, 64 electric cranes for 16 bulk carriers for two Chinese shipyards, electrically-operated side-rolling hatch covers, design and supply of key components and the fabrication of the hatch covers for five Greek bulk carriers, two offshore subsea cranes for a Norwegian owner, 20 cargo cranes for four Chinese multi-purpose vessels, four offshore cranes for a US customer, largest ever active heave-compensated offshore crane for a support vessel to be built in South Korea, two offshore cranes to Nigerian offshore oil and gas company, three to South Korean shipyard, two to Malesia and two to Norway, RoRo equipment for five container/RoRo vessels to be built in South Korea, and to five vessels in China, as well as 32 electric cranes for eight container vessels to be built in China.

Order book grew 16 percent from the 2012 year-end, totalling EUR 980 (31 Dec 2012: 848) million at the end of 2013. 75 percent of the order book is merchant ship-related. Offshore support vessel-related orders comprised a quarter of the order book.

Sales in 2013 declined 20 percent from the comparison period and amounted to EUR 794 (995) million. Sales include 18 million contribution from the Hatlapa acquisition from November-December period. Sales fell due to the weak business cycle in the shipbuilding market. Order book was clearly lower at the beginning of 2013 and, in addition, customers delayed receipt of deliveries during the year. Sales for services totalled EUR 147 (161) million, representing 18 (16) percent of sales. The fall in services sales was due to shipowners saving on maintenance costs.

MacGregor's operating profit for 2013 totalled EUR 60.0 (127.7) million. Operating profit for the comparison period includes a capital gain of EUR 7 million from the sale of the Singapore production facility. Operating profit for 2013 includes EUR 2.7 (3.2) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 62.7 (130.8) million, representing 7.9 (13.2) percent of sales. There was a decline in operating profit as a result of clearly lower sales compared to the previous year. Including amortisation and depreciation on fixed assets recognised related to the acquisition, Hatlapa had a EUR 2.3 million negative impact on MacGregor's operating profit. Additionally, operating profit was burdened by costs related to preparations for and executions of acquisitions. The gross margin on deliveries was as expected.

Kalmar

Orders received in 2013 fell nine percent from the comparison period due to less orders for big port projects, amounting to EUR 1,430 (1,565) million.

Major orders received by Kalmar during in 2013 were: 12 hybrid rubber-tyred gantry cranes (RTGs) to Kenya, eight zero emission RTGs to Norway, 17 automated stacking cranes and 11 automated straddle carriers for TraPac Inc, Los Angeles, USA, 18 rough terrain container handlers to the United States Department of Defense, two straddle carriers and a SmartFleet solution to New Zealand, three Siwertell unloaders to Turkey and one to South America, 25 reachstackers to Algeria, as well as rubber-tyred gantry cranes (RTG), reachstackers, empty container handlers, forklift trucks and terminal tractors in two orders to Venezuela

The order book declined 19 percent from 2012 year-end and at the end of 2013 it totalled EUR 799 (31 Dec 2012: 983) million.

Sales in 2013 was four percent higher compared to the comparison period, totalling EUR 1,550 (1,495) million. Sales for services grew from the comparison period and amounted to EUR 386 (377) million, representing 25 (25) percent of sales.

Operating profit for 2013 increased to EUR 56.9 (32.4) million including EUR 7.1 (9.9) million in restructuring costs and a capital loss of EUR 1.5 million, booked in the second quarter, from selling Tampere facilities in Finland. Operating profit, excluding restructuring costs, amounted to EUR 64.0 (42.3) million, representing 4.1 (2.8) percent of sales. Operating profit improvement was supported by achievement of cost saving actions initiated in late 2012 as well as improved results in several Kalmar divisions. However, additional costs and cost provisions of EUR 34 million from big port projects weighed heavily on the result. These were caused by problems in logistics, engineering and the delivery of cranes.

Hiab

Orders for 2013 grew slightly from the comparison period to EUR 869 (850) million. In the fourth quarter, Hiab won a contract to supply 200 loader cranes to France. In the third quarter, Hiab secured an order to supply 70 loader cranes in the UK, including a long-term service package. Other orders during the year were small individual ones, which is typical of the business. Order book grew six percent from 2012 year-end, totalling EUR 203 (31 Dec 2012: 192) million at the end of 2013.

Sales in 2013 were at the comparison period's level and amounted to EUR 841 (840) million. Sales for services totalled EUR 231 (229) million, representing 27 (27) percent of sales.

Hiab's operating profit in 2013 amounted to EUR 0.4 (16.7) million. Operating profit includes EUR 24.0 (10.4) million in restructuring costs related to various restructuring measures conducted during the year. Operating profit, excluding restructuring costs, totalled EUR 24.4 (27.1) million, representing 2.9 (3.2) percent of sales. The effect of the restructuring actions could be seen in Hiab's gross margin, which was clearly higher compared to the previous year. The operating profit was affected by write-downs of working capital items arising from the tighter management of sales and service network in the final quarter of the year.

Decisions taken at Cargotec Corporation's Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM) held on 20 March 2013 approved the 2012 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 2012. The AGM approved the proposals by the Board to authorise the Board to decide on the repurchase of own shares. The authorisation for the repurchase of own shares shall remain in effect for a period of 18 months from the AGM's resolution. More detailed information on the authorisation was published in a stock exchange release on the date of the AGM, 20 March 2013.

The AGM approved the payment of a dividend of EUR 0.71 per class A share and EUR 0.72 per class B share outstanding. The dividend was paid on 3 April 2013.

The number of members of the Board of Directors was confirmed at seven. Tapio Hakakari, Ilkka Herlin, Peter Immonen, Antti Lagerroos, Teuvo Salminen and Anja Silvennoinen were re-elected to the Board of Directors. Jorma Eloranta was appointed as a new member. The meeting decided their yearly remuneration as follows: EUR 80,000 for the Chairman, EUR 55,000 to the Vice Chairman, EUR 55,000 for the Chairman of the Audit and Risk Management Committee and EUR 40,000 for other Board members. In addition, it was decided that members should receive EUR 500 for attendance of Board and Committee meetings and that 30 percent of their yearly remuneration will be paid in Cargotec Corporation's class B shares, with the rest paid in cash.

Authorised public accountants Jouko Malinen and PricewaterhouseCoopers Ltd were elected as auditors. The decision was taken to pay the auditors' fees in accordance with the invoice approved by the company.

Organisation of the Board of Directors

On 20 March 2013, the Board of Directors elected Ilkka Herlin to continue as Chairman of the Board and Tapio Hakakari as Vice Chairman. Outi Aaltonen, Senior Vice President, Cargotec's General Counsel, will continue as Secretary to the Board of Directors.

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 decided to continue the practice by which members retain their ownership of any Cargotec shares they have obtained as remuneration, for at least two years from the day they obtained them. These shares will be purchased at their market price on a quarterly basis.

Shares and trading

Share capital

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of 2013. The number of class B shares was 54,788,505 while that of class A shares totalled 9,526,089. During the financial period, the number of class B shares grew by 9,714 shares subscribed with 2010A option rights. The entire subscription price of EUR 184,760.28 was credited to the reserve for invested non-restricted equity. As a consequence, Cargotec's share capital remained unchanged.

On 31 December 2013, class B shares accounted for 85.2 (85.2) percent of the total number of shares and 36.5 (36.5) percent of votes. Class A shares accounted for 14.8 (14.8) percent of the total number of shares and 63.5 (63.5) percent of votes. Total number of votes attached to all shares was 15,002,887 (15,001,696). At the end of 2013, Cargotec Corporation had 21,638 (24,189) registered shareholders. There were 10,565,425 (6,017,793) nominee-registered shares, representing 16.43 (9.36) percent of the total number of shares, which corresponds to 7.04 (4.01) percent of all votes.

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 issue

Cargotec's Board of Directors decided in December to re-issue all 2,959,487 Cargotec class B shares held in treasury by the company to a limited number of selected domestic and international institutional qualified investors. The shares were repurchased in 2005–2008. The shares corresponded to 4.60 percent of all the shares and 1.97 percent of all voting rights in the company prior to the completion of the share issue. The subscription price was set at EUR 25.00 per share, amounting to a total of EUR 74.0 million before commissions and expenses. The proceeds from the share issue are intended for refinancing of existing debt of Cargotec and restrengthening the balance sheet following the acquisitions in Cargotec's MacGregor business area.

The share issue was based on the authorisation granted to the Board of Directors by the Annual General Meeting held on 19 March 2012. The Annual General Meeting authorised the Board of Directors to decide on issuance of a maximum of 6,400,000 treasury shares, of which no more than 952,000 are class A shares and 5,448,000 are class B shares, in one or more lots. The authorisation remains in effect for a period of five years from the date of decision of the Annual General Meeting.

Share-based incentive programmes

In August 2013, the Board of Directors approved a new share-based incentive programme for key personnel. The programme consists of an earnings period based on the H2 2013 financial performance and a holding period of approximately two years following the performance period. The reward will be delivered in Cargotec class B shares. The shares will be delivered in spring 2014 and will be released in two tranches during year 2015. The minimum earnings criterion was corporate operative cash flow of EUR 127.8 million for H2 2013, which was fulfilled. Additionally, business area specific earnings criterion was fulfilled by 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 will be rewarded.

In March 2010, the Board of Directors decided to establish a new share-based incentive programme to Cargotec executives. The programme includes three earnings period, each of them lasting three calendar years, which commenced in 2010, 2011 and 2012. The earnings criterion for the first earnings period 2010–2012 and for the second earnings period 2011–2013 were not fulfilled and hence there is no payout based on the first and second earnings periods.

For more detailed description on the share-based incentive programmes, see Note 26 Share-based payments, in the consolidated financial statements.

Option programme

In 2010, Cargotec established an option programme for the key personnel of Cargotec and its subsidiaries. The programme includes 2010A, 2010B and 2010C stock options. A total of 400,000 2010A stock options assigned to 50 key employees were listed on the main list of NASDAQ OMX Helsinki on 2 April 2013. Each stock option entitles its holder to subscribe for one (1) new class B share in Cargotec between 1 April 2013 and 30 April 2015. The share subscription price at the end of the financial period amounted to EUR 19.02 per share and the number of listed 2010A stock options was 390,286.

The share subscription, involving a total of 25,456 2010B stock options, will commence on April 2014. The earnings criterion for stock options 2010C subscription to commence was not fulfilled.

For more detailed description of the option programme, see Note 26 Share-based payments, in the consolidated financial statements.

Market capitalisation and trading

At the end of 2013, the total market value of class B shares was EUR 1,484 (1,034) million. The period-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 1,743 (1,223) million. Comparison figures are excluding treasury shares held by the company at the end of 2012.

The class B share closed at EUR 27.09 (19.95) on the last trading day of 2013 in NASDAQ OMX Helsinki Ltd. The volume weighted average share price for 2013 was EUR 24.49 (22.70), the highest quotation being EUR 29.69 (33.62) and the lowest EUR 19.35 (15.65). During 2013, a total of 41 (64) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,009 (1,462) million. In addition to NASDAQ OMX Helsinki Ltd., a total of 31 (40) million class B shares were traded in several alternative market places, corresponding to a turnover of EUR 759 (949) million. Shares were mainly traded in BATS Chi-X CXE and Turquoise.

Loans, liabilities and commitments to related parties

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's related party on 31 December 2013.

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

At the end of January 2014, Cargotec completed the acquisition of the mooring and loading systems unit from Aker Solutions. The unit will be consolidated into MacGregor's results as of 1 February 2014.

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect on Cargotec's business environment and customers' willingness to invest. Uncertainty related to economic developments is estimated to continue in 2014, mainly in Europe. The improvement seen last year in the merchant ship market may still face risks as there is continued overcapacity in the industry. The order lead time for load handling equipment is three to four months, which is clearly shorter than for other Cargotec products. Any possible sudden deterioration in demand would therefore require a quick response at Hiab. Risks stemming from volatility on the currency markets and from the financing sector could add to this uncertainty. Greater difficulty in obtaining financing would weaken customers' liquidity and investments.

A significant number of measures are being taken to improve Hiab's and Kalmar's profitability. Succeeding in these and keeping to the related timetables will be essential to the profitability turnaround.

Kalmar is engaged in several major port automation projects, which require close management of both the project itself and the supply chain in particular. These projects include automation solutions, which involve technical and scheduling challenges. This could lead to cost and scheduling overruns.

Following the acquisitions, MacGregor has begun the related integration. Succeeding in this will have an essential effect on value creation associated with the acquisitions. MacGregor is seeking significant synergy gains that will improve profitability. The impact of such gains is dependent on the efficiency and speed of the integration.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2013 was EUR 830,126,466.57 of which net income for the period was EUR 13,010,404.41. The Board of Directors proposes to the AGM convening on 18 March 2014, that of the distributable profit, a dividend of EUR 0.41 of each of the 9,526,089 class A shares and EUR 0.42 for each of the 54,788,505 class B shares be paid, totalling EUR 26,916,868.59. The remaining distributable equity, EUR 803,209,597.98 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 2014

Cargotec's 2014 sales are expected to grow from 2013. Operating profit excluding restructurings costs for 2014 is expected to improve from 2013.

The acquisition of the Aker Solution's mooring and loading systems unit was completed 30 January 2014. Consolidation of the acquisition does not impact Cargotec's above-mentioned outlook for 2014.

Annual General Meeting 2014

The Annual General Meeting of Cargotec Corporation will be held at the Marina Congress Center in Helsinki on Tuesday, 18 March 2014 at 1.00 p.m. EET.

Helsinki, 3 February 2014

Cargotec Corporation

Board of Directors

Consolidated financial statements (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2013	%	1 Jan–31 Dec 2012	%
Sales	4, 6	**3,181.0**		**3,327.3**	
Cost of goods sold		-2,598.3		-2,693.0	
Gross profit		**582.8**	**18.3**	**634.3**	**19.1**
Other operating income	7	44.0		57.8	
Selling and marketing expenses		-182.0		-185.8	
Research and development expenses		-58.8		-72.4	
Administration expenses		-201.5		-224.4	
Restructuring costs	8	-34.0		-26.2	
Other operating expenses	7	-57.7		-51.8	
Share of associated companies' and joint ventures' net income	17, 18	-0.2		-0.3	
Operating profit	4, 8, 9, 10	**92.5**	**2.9**	**131.4**	**3.9**
Financing income	11	8.9		15.2	
Financing expenses	11	-22.8		-24.1	
Income before taxes		**78.7**	**2.5**	**122.5**	**3.7**
Income taxes	12	-23.3		-33.1	
Net income for the period		**55.4**	**1.7**	**89.5**	**2.7**
Net income for the period attributable to:					
Equity holders of the parent		54.8		89.1	
Non-controlling interest		0.6		0.3	
Total		**55.4**		**89.5**	
Earnings per share for profit attributable to the equity holders of the parent:	13				
Basic earnings per share, EUR		0.89		1.45	
Diluted earnings per share, EUR		0.89		1.45	

Consolidated statement of comprehensive income

MEUR		1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net income for the period		55.4	89.5
Items that will not be reclassified to statement of income:			
Defined benefit plan acturial gains (+) / losses (-)		6.1	-5.1
Taxes relating to items that will not be reclassified to statement of income		-1.4	0.8
Total		**4.7**	**-4.3**
Items that may be reclassified subsequently to statement of income:			
Gains (+) / losses (-) on cash flow hedges		-0.5	32.0
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		-9.7	-26.8
Translation differences		-75.4	33.9
Taxes relating to items that may be reclassified subsequently to statement of income	12	14.3	-13.1
Total		**-71.3**	**25.9**
Comprehensive income for the period		**-11.2**	**111.1**
Comprehensive income for the period attributable to:			
Equity holders of the parent		-11.7	110.7
Non-controlling interest		0.5	0.4
Total		**-11.21**	**111.11**

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods has been restated accordingly. Additional information is available in note 35.

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

Consolidated balance sheet

MEUR	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Goodwill	14	865.5	834.2
Other intangible assets	15	219.0	187.0
Property, plant and equipment	16	310.1	303.7
Investments in associated companies and joint ventures	17, 18	92.8	93.0
Available-for-sale investments	19, 22	3.8	4.2
Loans receivable and other interest-bearing assets *	22	4.9	8.2
Deferred tax assets	20	138.9	130.1
Derivative assets	22, 31	0.4	42.3
Other non-interest-bearing assets	22, 23	4.7	4.5
Total non-current assets		**1,640.2**	**1,607.3**
Current assets			
Inventories	21	630.9	747.2
Loans receivable and other interest-bearing assets *	22	3.7	1.6
Income tax receivables		46.1	13.4
Derivative assets	22, 31	18.1	34.2
Accounts receivable and other non-interest-bearing assets	22, 23	690.5	685.4
Cash and cash equivalents *	22, 24	306.2	209.0
Total current assets		**1,695.5**	**1,690.8**
Total assets		**3,335.7**	**3,298.2**

* Included in interest-bearing net debt.

MEUR	Note	31 Dec 2013	31 Dec 2012
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		64.1	127.2
Fair value reserves		5.7	13.7
Reserve for invested non-restricted equity		73.5	-
Retained earnings		927.8	911.2
Total equity attributable to the equity holders of the parent	25, 26	**1,233.3**	**1,214.5**
Non-controlling interest		6.2	4.1
Total equity		**1,239.4**	**1,218.5**
Non-current liabilities			
Loans *	22, 27	585.3	439.7
Deferred tax liabilities	20	55.5	64.7
Pension obligations	28	61.1	68.3
Provisions	29	37.9	37.3
Derivative liabilities	22, 31	3.2	32.9
Other non-interest-bearing liabilities	22, 30	27.8	26.4
Total non-current liabilities		**770.9**	**669.3**
Current liabilities			
Current portion of long-term loans *	22, 27	94.3	39.7
Other interest-bearing liabilities *	22, 27	205.2	219.3
Provisions	29	66.6	80.2
Advances received		196.8	315.0
Income tax payables		14.0	43.5
Derivative liabilities	22, 31	20.2	8.5
Accounts payable and other non-interest-bearing liabilities	22, 30	728.1	704.1
Total current liabilities		**1,325.3**	**1,410.3**
Total equity and liabilities		**3,335.7**	**3,298.2**

* Included in interest-bearing net debt. In addition, the calculation of the interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 31 December 2013, EUR 8.2 (31 Dec 2012: -1.6) million.

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods has been restated accordingly. Additional information is available in note 35.

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

Consolidated statement of changes in equity

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
		Attributable to the equity holders of the parent								
Equity on 31 Dec 2011		64.3	98.0	105.6	9.6	-	895.7	1,173.2	4.0	1,177.1
Change in accounting principles							-9.6	-9.6		-9.6
Equity 1 Jan 2012		64.3	98.0	105.6	9.6	-	886.1	1,163.5	4.0	1,167.5
Net income for the period							89.1	89.1	0.3	89.5
Cash flow hedges					4.2			4.2		4.2
Translation differences				21.7				21.7	0.1	21.8
Defined benefit plan actuarial gains (+) / losses (-)							-4.3	-4.3		-4.3
Comprehensive income for the period *				**21.7**	**4.2**	-	**84.8**	**110.7**	**0.4**	**111.1**
Dividends paid	25						-61.3	-61.3	-0.1	-61.4
Share-based incentives *							0.7	0.7		0.7
Transactions with owners of the company						-	**-60.6**	**-60.6**	**-0.1**	**-60.7**
Transactions with non-controlling interests							0.8	0.8	-0.2	0.6
Changes in ownership interest in subsidiaries							**0.8**	**0.8**	**-0.2**	**0.6**
Equity 31 Dec 2012		**64.3**	**98.0**	**127.2**	**13.7**	-	**911.2**	**1,214.5**	**4.1**	**1,218.5**
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	25						-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 *							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**

* Net of tax.

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods has been restated accordingly. Additional information is available in note 35. The notes are an integral part of the consolidated financial statements.

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net income for the period		55.4	89.5
Depreciation, amortisation and impairments	10	76.7	70.0
Financing items	11	13.9	8.9
Taxes	12	23.3	33.0
Change in receivables		-5.4	-83.5
Change in payables		-101.8	-97.4
Change in inventories		120.6	84.6
Other adjustments		-1.8	-8.0
Cash flow from operations		**180.9**	**97.1**
Interest received		1.7	1.4
Interest paid		-22.5	-20.4
Other financial items		26.2	20.0
Income taxes paid		-97.2	-38.6
Cash flow from operating activities		**89.1**	**59.5**
Acquisitions, net of cash acquired	5	-70.5	-22.1
Divestments, net of cash sold	5	0.2	10.5
Investments to associated companies and joint ventures	17, 18	-4.5	-89.7
Investments to intangible assets *	15	-17.5	-22.7
Investments to property, plant and equipment *	16	-90.9	-86.5
Proceeds from sales of fixed assets	16	62.2	28.5
Cash flow from investing activities, other items		4.1	2.8
Cash flow from investing activities		**-117.0**	**-179.3**
Stock options exercised		0.2	-
Proceeds from sale of treasury shares		73.3	-
Proceeds from long-term borrowings		200.0	62.1
Repayments of long-term borrowings		-39.0	-49.9
Proceeds from short-term borrowings		36.8	160.5
Repayments of short-term borrowings		-64.1	-9.9
Dividends paid		-44.3	-61.4
Cash flow from financing activities		**163.0**	**101.5**
Change in cash		**135.2**	**-18.3**
Cash, cash equivalents and bank overdrafts 1 Jan	24	183.9	200.4
Effect of exchange rate changes		-15.8	1.8
Cash, cash equivalents and bank overdrafts 31 Dec	**24**	**303.3**	**183.9**
Bank overdrafts 31 Dec		3.0	25.0
Cash and cash equivalents 31 Dec		**306.2**	**209.0**

* Investments to intangible assets and property, plant and equipment include EUR 0.2 (2012: 1.0) million capitalised interests.

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 moving, lifting, loading and unloading products, goods or raw material from vehicles. In terminals, ports, heavy industry and distribution centres Cargotec container and heavy load handling equipment and services are used. Marine cargo flow solutions are used in general cargo, bulk, container and RoRo vessels, tankers, bulk terminals and offshore industry.

These consolidated financial statements were approved for publishing by the Board of Directors on 3 February 2014. 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 2013 have been used in preparation of the financial statements.

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 2013, Cargotec has adopted the following new standards and amendments:

IAS 19 Employee benefits (amendment). The main changes are that all actuarial gains and losses are immediately recognized in other comprehensive income and finance costs are calculated on a net funding basis. Comparison periods have been restated to comply with the revised standard. Information on the changes to the comparison figures has been presented in note 35.

IFRS 13 Fair value measurement. IFRS 13 establishes a single source for all fair value measurements and related disclosure requirements for use across IFRSs. The standard does not extend the use of fair value accounting, but it provides guidance on how to measure fair value under IFRSs when measurement at fair value is required or permitted. Adoption of IFRS 13 had no material impact on the consolidated financial statements.

IAS 1 Presentation of financial statements (amendment). The main change resulting from this amendment is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently. The amendment has been adopted in the presentation of statement of other comprehensive income.

IFRS 7 Financial instruments: Disclosures (amendment). This amendment includes new disclosure requirements for financial assets and liabilities that are offset in the balance sheet or subject to master netting arrangements or similar agreements. The new disclosure requirements are included in note 22.

Annual improvements to IFRSs 2009-2011. These amendments had no material 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 company holds directly or indirectly more than 50 percent of the voting rights or in which it otherwise exercises control as well as joint ventures and associated companies. Being in control means the power to govern the financial and operating policies of the company in order to obtain benefits from its activities. Subsidiaries have been listed in note 36, 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 revaluated.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. Cargotec recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets on an acquisition-by-acquisition basis. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date of control, and divested subsidiaries up to the date of control ceasing.

If the business combination is achieved in stages, the previous equity interest is valued at fair value and the difference to book value is 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. For acquisitions from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses 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 interest is presented in the statement of income. Equity attributable to non-controlling interest is disclosed as a separate item in the equity.

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 (in which Cargotec holds 20-50 percent of the voting rights or exercises significant influence, but has no control) and joint ventures (in which Cargotec holds 50 percent of the voting rights or exercises joint control with the other owners) are accounted for in the consolidated financial statements under the equity method. The investments in associates and joint ventures include 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. 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 recognized 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 policies 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 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 measured using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company.

The 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 recorded in the statement of comprehensive income. Some intercompany loan agreements form part of a net investment as their settlement is neither planned nor probable in foreseeable future, and thus the exchange rate gains and losses of these contracts is also recognised as translation differences in the statement of comprehensive income.

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. Exchange 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. Bulk Handling business was transferred from MacGregor to Kalmar as of 1 January 2013. Reporting segments' financial information for comparable periods has been restated accordingly.

Revenue recognition

Sales includes revenues from goods and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. Revenues from goods sold are recorded after the significant risks and rewards have been transferred to the buyer and the company no longer has authority or control over the goods. Usually this means the moment when goods have been handed over to the customer in accordance with the agreed contractual terms.

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

Revenues from software licence fees are recognised when the software is delivered. Maintenance revenues from licence agreements are recognised over the maintenance period, and fees from development of customised software are recognised as sales by reference to stage of completion of development when the outcome can be estimated reliably.

Revenue from separately identified long-term contracts is recorded as sales under the percentage of completion method when the outcome of the project can be 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). 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.

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 amortised on a straight-line basis over their useful economic life. Unfinished development projects are tested for impairment annually.

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, untaxed reserves, 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 comprehensive 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, licenses, software, capitalized development costs, technologies, the acquired order book and customer relationships. These assets are originally valued at historical costs, 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 stated at cost less accumulated amortisations and impairment losses, if any. These assets 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 licenses 5–10 years

Trademarks with indefinite useful lives are not amortised, but they are tested for impairment at least annually. The impairment testing is described in detail in the section Impairments.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciations and impairment losses, if any. Depreciation is recorded on a straight-line basis over the expected economic useful life of assets as follows:

- Buildings 5–40 years
- Machinery and equipment 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 non-current tangible and other intangible assets and that of 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 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 cash-generating unit 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 prevailing in the company for the currency area, where the cash-generating unit can be considered to be located. The weighted average cost of capital reflects current market view of the time value of the money and risks relate to the unit to be tested. 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. Operating 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 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.

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 and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Financial assets

Financial assets are classified as financial assets recorded at fair value through profit or loss, loans and other receivables, or financial assets available-for-sale. The asset is classified at the initial purchase and the category is determined by the purpose of the asset. Assets with maturities within 12 months are presented in the balance sheet under current assets, and those with maturities over 12 months under non-current assets.

Financial assets recorded at fair value through profit or loss includes derivative instruments on which hedge accounting is not applied. The changes in fair value are recognised in the statement of income.

Loans and other receivables are not quoted in the market and they are not kept for trading purposes. Loans receivable are measured at amortised cost using the effective interest method. Transaction costs directly attributable to the acquisition or issue of the financial asset are included in the initial recognised amount. 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. An allowance is recognised when there is objective evidence that Cargotec will not be able to collect all amounts due.

Financial assets available-for-sale consist of shares not quoted in the market and 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. 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 expires 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 recorded at amortised cost and liabilities at fair value through profit or loss. Liabilities with maturities within 12 months are presented in the balance sheet under current liabilities and those with maturities over 12 months under non-current liabilities.

Financial liabilities recorded at fair value through profit or loss consist of derivative instruments on which hedge accounting is not applied. The changes in fair value are recognised in the statement of income.

Financial liabilities recognised at amortised cost are initially recognised at fair value, net of any transaction costs incurred. Subsequently, the liabilities are valued at amortised cost. This category includes interest-bearing and non-interest-bearing payables in non-current and current liabilities. 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. Arrangement and commitment fees paid for unused credit facilities are capitalised as prepayment and amortized over the period of the facility.

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. 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 calculated as the present value of the estimated future cash flows. Derivative instruments with maturities over 12 months, are recorded in non-current assets and liabilities, and those with maturities within 12 months in current assets and liabilities.

Hedge accounting is applied to hedges of operative cash flows. Cash flow hedge accounting is also applied to foreign currency denominated borrowings. To qualify for hedge accounting the company documents the hedge relationship of the derivative instruments and the underlying items, 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 cash flow.

Changes in the fair value of effective cash flow hedges are recognised in statement of other comprehensive income. However, for currency forwards only the exchange rate difference is recognised in other comprehensive income and the fair value changes due to interest rate difference is recognised in financial expenses 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. If the underlying 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, 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 fair value reserve and is recognised in 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 the 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.

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 recognized 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 the defined benefit plan and the effect of the asset ceiling, if any, are recognized directly in other comprehensive income. Interest and all other expenses related to defined benefit plans are recognized 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.

A provision is recorded for a loss-making contract when the necessary 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 is booked to the function costs, to which it by nature belongs. However, should there be a significant restructuring plan, the provision is recognized 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 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 earnings 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 is based on the estimated future benefits at the end of the earnings period. The non-market criteria, like profitability or increase in sales, are not included in the fair value of the benefit but taken into account when estimating the total 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 2014, Cargotec will adopt the following new and amended standards and interpretations by the IASB:

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. The standard also provides additional guidance to assist in the determination of control when it is difficult to assess. The new standard is not expected to have material 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 future jointly controlled entities are to be accounted for only by using the equity method. The new standard is not expected to have material impact on 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 will expand the notes the group provides for its interests in other entities. The new standard will have an impact on the presented disclosures.

IAS 27 Separate financial statements (revised). The revised standard includes the provisions on separate IFRS financial statements that were left after the control provisions were included in the new IFRS 10. The revised standard will have no impact on the consolidated financial statements.

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 equity accounted. The revised standard will have 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 give more related application guidance. The amended standard is to be applied retrospectively. The amendment will have 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 will remove 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.

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 following standards, interpretations and amendments will be applied in 2015 or later:

IFRS 9 Financial Instruments* and subsequent amendments (effective date currently not known): The IFRS 9 is to replace IAS 39. Currently IFRS 9 contains new requirements for the classification and measurement of financial assets and liabilities. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The new guidance for hedge accounting aligns hedge accounting more closely with risk management. Also IFRS 9 relaxes the requirements for hedge effectiveness and change what qualifies as a hedged item. IFRS 9 allows hedge accounting for example for risk components of commodities, aggregated exposures, groups of items when hedging foreign currency and equity investments. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

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.

Management is assessing the impact of the above mentioned standards and interpretations 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 recognized 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 2013, Cargotec had goodwill amounting to EUR 865.5 (31 Dec 2012: 834.2) million and other intangible assets with indefinite life totalling EUR 41.0 (31 Dec 2012: 41.4) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in n.

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 2013, Cargotec had EUR 43.3 (31 Dec 2012: 66.4) 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 20 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 measurement, 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 expected 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 28, Employee benefits.

Revenue recognition

Percentage of completion method is applied to separately identified long-term construction contracts. Application of percentage of completion method requires an estimate of the actual costs incurred in proportion of the estimated total costs. 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 long-term construction contract is expensed immediately. In 2013 approximately 11.5 (2012: 6.1) percent of sales were recognised based on the percentage of completion of the long-term 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. The estimate of the financial impact of the past event requires management judgment, which is based on the 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 2013, provisions totalled EUR 104.5 (31 Dec 2012: 117.6) million, of which EUR 18.2 (31 Dec 2012: 19.6) million were restructuring provisions. Additional information is disclosed in note 29, 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 systematic and continuous control over the inventory. Nature, age structure and volumes based on estimated need are taking into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet on 31 December 2013 totalled EUR 73.7 (31 Dec 2012: 74.7) million. Additional information is disclosed in note 21, Inventories.

Accounts receivable

Cargotec recognises impairment on accounts receivable at the end of the reporting period based on 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 2013 totalled EUR 25.3 (31 Dec 2012: 22.3) million. Additional information on impairment on accounts receivable is disclosed in note 23, 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 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 to the Board of Directors. 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 approximately 120 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. Cargotec also operates in countries in which hedging of currency risk is restricted, such as China and South Korea.

The objective of currency risk management is to hedge operations against exchange rate fluctuations, thus allowing time for the business units to react and adapt to changes in exchange rates. 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.

Cargotec applies hedge accounting under IAS 39 to the majority of its hedges. A change in the fair value of a hedge of future cash flow 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. 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 300 million Private Placement corporate bonds, funded in February 2007 and maturing in years 2014 to 2019.The cash flows of the bonds are converted into euro flows through long-term cross currency and interest rate swaps. As a result of the hedging, Cargotec effectively holds EUR 225.7 million long-term fixed rate debt.

Foreign exchange rate fluctuations have an effect on the consolidated income and equity. The statement of income sensitivity is due to foreign currency denominated financial assets and liabilities in the balance sheet, the hedges assigned to those items and the hedges to which hedge accounting is not applied, i.e. to which changes in fair values are recognised through profit or loss. The sensitivity of equity arises from hedges under 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 six years.

If US dollar had strengthened/weakened 10 percent against euro, effect on the pre-tax profit would have been EUR 0.5 million negative/positive (31 Dec 2012: EUR 0.7 million positive/negative), and on other comprehensive income EUR 13.9 (31 Dec 2012: EUR 15.3) million negative/positive.

If Swedish krona had strengthened/weakened 10 percent against euro, effect on the pre-tax profit would have been EUR 0.1 million positive/negative (31 Dec 2012: EUR 0.9 million positive/negative), and on other comprehensive income EUR 6.7 (31 Dec 2012: 14.4) million positive/negative.

If Swedish krona had strengthened/weakened 10 percent against US dollar, effect on the pre-tax profit would have been EUR 0.3 million negative/positive (31 Dec 2012: EUR 0.5 million positive/negative), and on other comprehensive income EUR 20.4 (31 Dec 2012: EUR 16.3) million positive/negative.

Investments in non-euro-area subsidiaries cause translation differences, recorded in consolidated equity (translation risk). In addition to equity shares, Cargotec holds intercompany loan contracts regarded 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, financial position and cash flow, also taking account of the market value of net debt. 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 2013, Cargotec consolidated interest-bearing debt totalled EUR 884.9 (31 Dec 2012: 698.6) million, of which EUR 217.3 (31 Dec 2012: 227.1) million consisted of fixed rate corporate bonds, EUR 38.6 million of fixed capital loans, EUR 23.0 (31 Dec 2012: 50.0) million of other long-term fixed rate loans, EUR 13.6 (31 Dec 2012: 3.1) million of finance lease liabilities and the rest, EUR 592.4 (31 Dec 2012: 418.4) million of floating rate loans, short term loans and bank overdrafts. On 31 December 2013, the average duration of interest-bearing debt, including hedges of loans, was 12 (31 Dec 2012: 17) months.

The EUR 314.8 (31 Dec 2012: 218.8) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 3.2 (31 Dec 2012: 7.8) million and customer finance related finance lease receivables EUR 3.6 (31 Dec 2012: 2.0) million. The average duration of the interest bearing assets s was less than one month (31 Dec 2012: 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 2.2 million (31 Dec 2012: 1.2) 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.

Cargotec recognises fair value changes of all currency forward contracts due to interest component immediately 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 current currency position remains.

Interest fixing periods

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**

31 Dec 2012 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	211.5	2.8	3.8	0.3	0.3	218.8
Non-current loans from financial institutions	-214.8	-18.0	-16.7	0.0	0.0	-249.5
Corporate bonds	0.0	0.0	-71.9	0.0	-155.2	-227.1
Finance lease liabilities	-0.4	-0.3	-1.2	-0.3	-0.9	-3.1
Commercial papers	-148.6	-	-	-	-	-148.6
Current interest-bearing liabilities *	-70.2	0.0	-	-	-	-70.2
Net	**-222.6**	**-15.4**	**-85.9**	**0.0**	**-155.8**	**-479.8**

* Including bank overdrafts.

On 31 December 2013, the interest fixing period for corporate bonds ranged between 1 and 6 years.

Other market risk

In addition to the risks related to the treasury function, Cargotec is exposed to price and supply risks 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

Liquidity risk is managed by retaining long-term liquidity reserves, exceeding short term liquidity requirement. On 31 December 2013, the liquidity reserves, including cash and cash equivalents and long-term unused credit facilities, totalled EUR 608.0 (31 Dec 2012: 509.0) 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 2012, repayments of short and long-term interest-bearing liabilities due in the following 12 months totalled EUR 299.5 (31 Dec 2012: 258.6) million.

On 31 December 2013 Cargotec held undrawn EUR 300 (31Dec 2012: 300) million long-term Revolving Credit Facility maturing in 2016. 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 133.0 (31 Dec 2012: 164) million and a EUR 150 (31 Dec 2012: 150) million Commercial Paper facility. On 31 December 2013 EUR 133.0 (31 Dec 2012: 148.6) million was in use.

Funding risk is defined as risk of an untenably high proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities, as well as retaining flexible credit facility agreements. Cargotec loan agreements include a covenant restricting the corporate capital structure. According to the covenant, Cargotec gearing must be retained below 125 percent. On 31 December 2013 gearing was 46.7 (31 Dec 2012: 39.2) 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 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, finance 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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**-621.1**	**-77.7**	**-226.3**	**-111.0**	**-82.3**	**-175.1**	**-1,293.5**

31 Dec 2012 MEUR	2013	2014	2015	2016	2017	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,528.7	-16.3	-7.2	-3.1	-	-	-3,555.2
Currency forward contracts, inflow	3,557.5	16.8	7.4	3.3	-	-	3,585.0
Cross-currency and interest rate swaps, outflow	-10.5	-82.0	-7.3	-7.2	-97.5	-70.0	-274.5
Cross-currency and interest rate swaps, inflow	12.7	82.7	8.7	8.7	97.1	69.9	279.9
Derivatives, net	**31.0**	**1.3**	**1.6**	**1.8**	**-0.4**	**-0.1**	**35.1**
Accounts payable and other non-interest bearing liabilities	-303.2	-9.9	-6.0	-6.1	-3.9	-0.5	-329.6
Loans from financial institutions, repayments	-109.3	-22.4	-5.7	-3.2	-4.2	-175	-319.8
Loans from financial institutions, finance charges	-5.4	-3.8	-3.5	-3.4	-3.3	-5.2	-24.5
Commercial papers, repayments	-148.6	-	-	-	-	-	-148.6
Commercial papers, finance charges	-0.4	-	-	-	-	-	-0.4
Corporate bonds, repayments	0.0	-71.9	0.0	0.0	-90.8	-64.4	-227.1
Corporate bonds, finance charges	-12.7	-10.7	-8.7	-8.7	-6.2	-5.5	-52.5
Finance leases, repayments	-0.7	-1.2	-0.3	-0.2	-0.1	-0.6	-3.1
Finance leases, finance charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**-549.1**	**-118.6**	**-22.5**	**-19.9**	**-109.0**	**-251.3**	**-1,070.4**

Corporate bonds have maturities ranging from 2014 to 2019 and loans from financial institutions have maturities ranging from 2014 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. The advance payment guarantees amounted to 42 (31 Dec 2012: 48) percent of all guarantees. Risks of default or fraud are controlled by monitoring the creditworthiness of customers. Credit risks relating to major contracts are shared with financial institutions, insurance companies or export guarantee institutions, when feasible. More information on accounts receivable is presented in Note 23, 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. The Treasury Committee examines counterparties and sets counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and may reject a counterparty on immediate notice. During 2013 and 2012, only the most significant banks Cargotec cooperates with were accepted as counterparties.

The maximum credit risk relating to cash and cash equivalnets corresponds to their carrying amount. However, according to the management assessment no credit losses are anticipated on the investments of liquidity reserves.

Operational risks of the treasury functions

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

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

Capital structure management

The goal of 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 2013	31 Dec 2012
Interest-bearing liabilities *	893.1	697.0
Interest-bearing loan receivables	-6.8	-9.8
Cash and cash equivalents	-308.0	-209.0
Interest-bearing net debt	**578.3**	**478.2**
Equity	1,239.4	1,218.5
Gearing	**46.7%**	**39.2%**

* 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 delivers on-road load handling solutions which are used for moving, lifting, loading and unloading products, goods or raw material from vehicles.

Bulk Handling business was transferred from MacGregor to Kalmar as of 1 January 2013. Reporting segments' financial information for comparison periods has been restated accordingly.

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 year 1 Jan−31 Dec 2013 and 1 Jan−31 Dec 2012 Cargotec did not have individual significant customers according to definition of IFRS 8.

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**

1 Jan–31 Dec 2012 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Services	160.4	375.6	228.7	764.7	-	764.7
Products	834.1	1,117.4	611.1	2,562.6	-	2,562.6
External sales total	994.5	1,493.0	839.8	3,327.3	-	3,327.3
Internal sales	0.4	1.7	0.2	2.3	-2.3	-
Total sales	**994.9**	**1,494.7**	**840.0**	**3,329.6**	**-2.3**	**3,327.3**
Depreciation and amortisation	7.2	40.4	13.3	60.9	5.4	66.2
Impairment charges	-	1.7	1.3	3.0	0.9	3.8
Share of associated companies' and joint ventures' net income	0.3	-0.5	0.0	-0.3	-	-0.3
Operating profit excluding restructuring costs	**130.8**	**42.3**	**27.1**	**200.2**	**-42.7**	**157.5**
% of sales	13.2%	2.8%	3.2%	-	-	4.7%
Restructuring costs	3.2	9.9	10.4	23.4	2.8	26.2
Operating profit	**127.7**	**32.4**	**16.7**	**176.8**	**-45.4**	**131.4**
% of sales	12.8%	2.2%	2.0%	-	-	3.9%
Financing items	-	-	-	-	-	-8.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**122.5**

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 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**
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

31 Dec 2012 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets	673.2	1,371.7	678.9	2,723.8	68.5	2,792.3
Investments in associated companies and joint ventures	1.2	34.8	0.7	36.8	-	93.0
Unallocated assets, interest-bearing	-	-	-	-	218.8	218.8
Other unallocated assets	-	-	-	-	194.0	194.0
Total assets	**674.4**	**1,406.6**	**679.6**	**2,760.6**	**481.3**	**3,298.2**
Non-interest-bearing liabilities	459.6	588.7	196.6	1,244.9	-6.2	1,238.8
Unallocated liabilities, interest-bearing *	-	-	-	-	697.0	697.0
Other unallocated liabilities	-	-	-	-	143.9	143.9
Total liabilities	**459.6**	**588.7**	**196.6**	**1,244.9**	**834.7**	**2,079.6**
Assets employed	214.8	817.8	483.0	1,515.6	74.7	1,646.6
Capital expenditure	3.6	82.0	10.4	96.0	14.5	110.5

* The unallocated interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 31 December 2013, EUR 8.2 (31 Dec 2012: -1.6) million.

Orders

MEUR	Orders received 1 Jan–31 Dec 2013	Orders received 1 Jan–31 Dec 2012	Order book 31 Dec 2013	Order book 31 Dec 2012
MacGregor	1,011.0	645.4	979.8	847.7
Kalmar	1,429.8	1,565.2	798.6	983.4
Hiab	869.0	849.8	202.9	191.9
Eliminations	-3.2	-2.4	-1.6	-1.9
Total	**3,306.6**	**3,058.0**	**1,979.8**	**2,021.0**

Number of employees

	Average 1 Jan–31 Dec 2013	Average 1 Jan–31 Dec 2012	At the end of year 31 Dec 2013	At the end of year 31 Dec 2012
MacGregor	1,832	1,951	2,354	1,868
Kalmar	5,288	5,195	5,269	5,190
Hiab	2,932	3,129	2,823	3,025
Corporate administration and support functions	157	247	164	211
Total	**10,210**	**10,522**	**10,610**	**10,294**

4.2. Information divided by geographical area

Sales

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.

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**

1 Jan–31 Dec 2012 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	10.9	23.6	32.4	66.9	0.0	66.8
Other EMEA (Europe, Middle East, Africa)	223.7	617.9	433.7	1,275.3	-1.1	1,274.2
China	338.2	55.9	13.8	407.8	-	407.8
South Korea	227.4	14.7	22.1	264.3	-0.4	263.9
Other Asia-Pacific	161.0	275.3	71.0	507.2	-0.6	506.6
USA	25.7	338.3	191.5	555.5	0.0	555.4
Other Americas	8.0	168.9	75.6	252.5	-0.1	252.5
Total	**994.9**	**1,494.7**	**840.0**	**3,329.6**	**-2.3**	**3,327.3**

Non-current assets *

MEUR	31 Dec 2013	31 Dec 2012
Finland	83.3	118.2
Other EMEA (Europe, Middle East, Africa)	373.9	286.8
Asia-Pacific	58.6	72.2
Americas	106.2	106.8
Goodwill	865.5	834.2
Total	**1,487.4**	**1,418.2**

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

Capital expenditure

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Finland	13.7	46.8
Other EMEA (Europe, Middle East, Africa)	70.8	44.5
Asia-Pacific	8.6	7.3
Americas	15.2	11.9
Total	**108.4**	**110.5**

Number of employees

	31 Dec 2013	31 Dec 2012
Finland	880	936
Other EMEA (Europe, Middle East, Africa)	5,552	5,037
Asia-Pacific	2,649	2,883
Americas	1,530	1,438
Total	**10,610**	**10,294**

5. Acquisitions and disposals

Acquisitions 2013

Hatlapa (preliminary)

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 strengthens 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 arises mostly from personnel, expected synergy benefits and market position that are achieved via enhanced product portfolio and service network. At the reporting date, it is estimated that approximately half 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	46.8
Property, plant and equipment	30.1
Investments	2.1
Inventory	35.2
Deferred tax assets	3.9
Trade receivables and other non-interest-bearing receivables	30.7
Cash and cash equivalents	4.6
Deferred tax liabilities	-4.8
Interest-bearing liabilities	-59.0
Trade payables and other non-interest-bearing liabilities	-37.5
Net assets	**52.0**
Purchase price, paid in cash	71.5
Issued debt	40.1
Total consideration	**111.7**
Non-controlling interest	1.8
Goodwill	**61.5**
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 46.8 million at acquisition date. Determined fair values and the tax impact of the acquisition are considered preliminary.

The acquired property, plant and equipment of EUR 30.1 million consists mostly of production facilities in Germany, Norway and Korea.

The acquired assets include trade receivables with gross value of EUR 29.6 million and fair value of EUR 26.7 million. The fair value of trade receivables reflects the increased credit risk related to certain receivables and the expectations regarding the amount the entity is expecting to

collect. The outstanding trade receivables relate to sales of equipment and services performed. The acquired trade receivables do not include lease income or revenue from construction contracts.
The goodwill of EUR 61.5 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 28. 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 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.

Acquisitions 2012

In June 2012, Cargotec acquired 100 percent of shares in Asciano Corporate Services Pty Ltd from Asciano, Australia's largest national rail freight and ports operator. The transaction includes the acquisition of Asciano's automation technology assets and transfer of 23 employees. This acquisition supports Cargotec's strategy to strengthen the company's position as a provider of integrated solutions. Cargotec is now able to deliver turnkey solutions for horizontal transportation and yard stacking in automation projects globally. The acquired business was consolidated into the Kalmar segment as of the end of June.

The goodwill generated by the acquisition is based on personnel and expected synergy benefits. Goodwill is not tax-deductible. 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	11.3
Property, plant and equipment	0.0
Deferred tax asset	0.2
Deferred tax liability	-1.2
Accounts payable and other non-interest-bearing liabilities	-0.5
Net assets	**9.8**
Purchase price, settled in cash	20.7
Contingent consideration	0.9
Total consideration	**21.6**
Goodwill	**11.8**
Purchase price, settled in cash	20.7
Cash and cash equivalents acquired	0.0
Cash flow impact	**20.7**

Cargotec has agreed to pay contingent consideration, which is dependent on the automation license sales of the acquired business during the next seven years. At the time of the acquisition, the fair value of the contingent consideration was EUR 0.9 million calculated with a 10 percent discount rate. During the second half of 2012 there were no material changes in the estimates and the fair value remained the same.

Transaction costs of EUR 0.2 million related to the acquisition are included in the operating profit of Kalmar segment and in other operating expenses in the consolidated statement of income.

In June, Cargotec acquired an 11 percent non-controlling interest in a Mexican Hiab S.A. de C.V. Subsequent to this transaction, Cargotec owns 75% of the shares in the company. Due to the acquisition the non-controlling interest decreased by EUR 0.8 million.

In addition, Cargotec acquired during the first quarter a small business in Poland with EUR 0.2 million. Business was acquired to Kalmar segment. Acquisition had no material effect to the financial statements and goodwill was not recognised.

Disposals 2012

In November 2011, Cargotec and Fortaco (previously Komas) signed a letter of intent to develop a long-term sourcing partnership and sell the component manufacturing operations in Narva, Estonia to Fortaco. Items related to the letter of intent were presented as held for sale in the balance sheet on 31 December 2011. The deal was finalised in February 2012.

Sold net assets, MEUR	
Intangible assets	2.1
Property, plant and equipment	6.0
Inventories	4.9
Accounts receivable and other non-interest-bearing assets	2.2
Cash and cash equivalents	0.7
Accounts payable and other non-interest-bearing liabilities	-2.6
Net assets	**13.2**
Total consideration	13.2
Gain on sale	**0.0**

Cash flow impact, MEUR	
Consideration received in cash	13.2
Cash and cash equivalents sold	-0.7
Consideration receivable	-2.1
Cash flow impact	**10.5**

6. Long-term construction contracts

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Sales in statement of income, long-term construction contracts	367.8	201.7

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 receivable and other non-interest-bearing liabilities in the balance sheet.

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**

31 Dec 2012 MEUR	Net amount of recognised costs, profits and losses	Progress billings	Net
Amount due from customers presented as an asset	-	-	73.5
Amount due to customers presented as a liability	-	-	62.3
Projects in progress total	**238.6**	**227.4**	**11.1**

Customer advances EUR 27.2 (31 Dec 2012: 49.2) million are included in amounts due to customers.

7. Other operating income and expenses

Other operating income

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Gain on disposal of intangible assets and property, plant and equipment	2.5	8.4
Customer finance related other income	31.8	33.1
Rental income	2.2	3.5
Income due to order cancellations	1.5	1.6
Other income	6.0	11.2
Total	**44.0**	**57.8**

Other operating expenses

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Loss on disposal of intangible assets and property, plant and equipment	2.8	0.5
Customer finance related other expenses	30.8	32.4
Expenses due to order cancellations	6.1	1.3
Business combinations related expenses	6.4	0.7
Restructuring costs *	-0.2	1.0
Other expenses	11.7	15.8
Total	**57.7**	**51.7**

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

Audit fees

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Annual audit	2.4	1.9
Tax advice	0.7	1.0
Other services	2.4	0.9
Total	**5.5**	**3.8**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR 9.7 (2012: 26.8) million, of which EUR 6.2 (2012: 8.6) million in sales, EUR -2.3 (2012: 16.7) million in cost of goods sold, and the portion of ineffective hedges and released cash flow hedges related to cancelled projects, EUR 5.8 (2012: 1.5) million in other operating expenses.

In addition, operating profit includes EUR -1.1 (2012: 0.0) million of exchange rate differences on derivative instruments, on which hedge accounting is not applied.

8. Restructuring costs

In order to adjust its operations in accordance with the new operational model announced in September 2012 and to improve profitability, Cargotec began extensive restructuring measures during the autumn 2012. In October 2013 Cargotec published the plan to restucture operations in Hiab business. The costs arising from these measures have been presented on a separate line in the consolidated statement of income. Costs related to previous restructuring measures have been recognised in those function costs they by nature relate to, or in other operative expenses, if they arise from significant separate plans.

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 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 by function					
Cost of goods sold	-	-	-	-	-
Selling and marketing expenses	-	-	-	-	-
Research and development expenses	-	-	-	-	-
Administration expenses	-	-	-	-	-
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**

1 Jan–31 Dec 2012 MEUR	MacGregor	Kalmar	Hiab	Other	Total
Employment termination costs	2.1	6.0	6.4	2.2	16.7
Impairment of non-current assets	-	2.5	1.4	0.0	3.9
Impairment of inventory	0.1	0.8	2.2	-	3.1
Other restructuring costs *	1.0	0.4	1.4	0.6	3.4
Total	**3.2**	**9.8**	**11.3**	**2.8**	**27.0**
Restructuring costs by function					
Cost of goods sold	-	-0.3	-	-	-0.3
Selling and marketing expenses	-	-	-	-	-
Research and development expenses	-	0.0	-	-	0.0
Administration expenses	-	0.1	-	-	0.1
Restructuring expenses	3.2	9.9	10.4	2.8	26.2
Other operating expenses	-	0.1	1.0	0.0	1.0
Total	**3.2**	**9.8**	**11.3**	**2.8**	**27.0**

* Includes e.g. 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 2013	1 Jan–31 Dec 2012
Wages and salaries	458.1	451.1
Equity-settled share-based payments	1.1	0.7
Cash-settled share-based payments	0.5	-0.2
Pension costs	30.7	35.3
Other statutory employer costs	90.8	93.8
Total	**581.2**	**580.7**

Pension costs are presented in more detail in note 28, Employee benefits. Information on key management compensation is presented in note 34, Related-party transactions and information on options granted as well as other share-based incentives in note 26, Share-based payments.

10. Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cost of goods sold	38.3	30.0
Sales and marketing	8.0	16.1
Research and development	5.6	5.8
Administration	14.4	11.7
Restructuring	8.3	3.8
Other	2.1	2.6
Total	**76.7**	**70.0**

Depreciation and amortisation by asset type

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Intangible assets	19.3	18.4
Buildings	7.8	7.8
Machinery & equipment	41.0	40.0
Total	**68.2**	**66.2**

Impairment charges by asset type

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Other intangible assets	8.2	0.9
Property, plant and equipment	0.3	3.0
Total	**8.5**	**3.8**

11. Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Interest income on loans receivable and cash and cash equivalents	1.8	1.9
Forward contracts interest component	6.9	13.0
Other financing income	0.2	0.3
Dividend income on available-for-sale investments	-	0.0
Total	**8.9**	**15.2**

Financing expenses

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Interest expenses on financial liabilities measured at amortised cost	23.7	21.1
Capitalised borrowing costs	-0.2	-1.0
Arrangement and commitment fees relating to interest-bearing loans	1.3	0.9
Other financing expenses	-0.4	1.8
Exchange rate differences, net	-1.6	1.3
Total	**22.8**	**24.1**

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Exchange rate differences on interest-bearing loans and receivables	13.5	-14.1
Exchange rate differences on derivative instruments	-12.0	12.8
Total	**1.6**	**-1.3**

Positive result on cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 1.8 (2012: 2.5) 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 2013	1 Jan–31 Dec 2012
Current year tax expense	29.9	35.5
Deferred tax expense	-7.4	-5.4
Tax expense for previous years	0.8	2.9
Total	**23.3**	**33.1**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Income before taxes	78.7	122.5
Tax calculated at Finnish tax rate (24.5%)	19.3	30.0
Effect of different tax rates in foreign subsidiaries	-0.3	-11.3
Previous years' taxes	0.8	2.9
Tax exempt income and non-deductible expenses	-2.7	3.8
Benefit arising from previously unrecognised tax losses and temporary differences	-8.7	-7.8
Unrecognised current year tax losses and temporary differences	7.0	3.9
Adjustments to previous years' deferred taxes	-1.6	12.5
Effect of changes in tax rates	9.7	-1.1
Income taxes total	**23.3**	**33.1**
Effective tax rate, %	29.6%	27.0%

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2012			1 Jan–31 Dec 2013		
MEUR	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Cash flow hedges	-10.3	2.2	-8.1	5.2	-1.0	4.2
Translation differences	-75.4	12.1	12.1	33.9	-12.1	21.8
Actuarial gains(+) / losses (-) from defined benefit plans	6.1	-1.4	1.4	-5.1	0.8	-4.3
Total other comprehensive income	**-79.5**	**12.9**	**5.4**	**34.0**	**-12.3**	**21.7**

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 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 period. Further information on the option programme is available in note 27, Share-based payments.

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net income attributable to the equity holders of the company, MEUR	54.8	89.1
Weighted average number of shares during financial period, ('000)	61,521	61,345
Basic earnings per share, EUR	**0.89**	**1.45**

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Net income attributable to the equity holders of the company, MEUR	54.8	89.1
Weighted average number of shares during financial period, ('000)	61,521	61,345
Effect of stock options, ('000)	87	34
Diluted weighted average number of shares during financial period, ('000)	61,608	61,379
Diluted earnings per share, EUR	**0.89**	**1.45**

14. Goodwill

MEUR	2013	2012
Book value 1 Jan	834.2	804.7
Translation difference	-37.5	16.1
Companies acquired	68.7	11.8
Other changes	0.1	1.6
Book value 31 Dec	**865.5**	**834.2**

Impairment testing of goodwill

MEUR	31 Dec 2013	31 Dec 2012
MacGregor	335.2	292.4
Kalmar	330.3	335.3
Hiab	200.0	206.5
Total	**865.5**	**834.2**

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. Bulk Handling business was transferred from MacGregor to Kalmar as of 1 January 2013. Goodwill that relates to the transferred business has been adjusted in comparable period from MacGregor to Kalmar based on present value of future cash flows.

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 reflected positively to performance already during 2013. This has increased management confidence that the still on-going significant 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 2012. The increase in the discount rate for 2013 is due to increase in risk-free interest rate and market risk premium. The pre-tax discount rate (WACC) used for Kalmar was 11.2 (2012: 10.3) percent, for Hiab 9.8 (2012: 9.0) percent and for MacGregor 10.1 (2012: 9.6) percent.

As a result of the impairment tests performed no impairment loss has been recognised in 2013 or in 2012.

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.

For MacGregor segment, none of the sensitivity analyses performed showed need for impairment.

For Kalmar and Hiab segment, the tested change in discount rate or simultaneous decrease in sales and operating margin did not indicate an impairment risk. However, the combined and simultaneous deteoriation in all of the three key variables decreased the fair value of the segments below the carrying value. In Kalmar, the recoverable amount calculated based on value-in-use exceeded carrying value by near EUR 500 million. In Kalmar, the recoverable amount would be below carrying value, if sales in terminal period would decrease by 10 percent, operating margin would decrease by 0,6 percentage points and discount rate would increase by 2 percentage points simultaneously. In Hiab, the recoverable amount exceeded carrying value by near EUR 300 million. Segment's recoverable amount would be below carrying value, if sales in terminal period would decrease by 10 percent, operating margin would decrease by 0,5 percentage points and discount rate would increase by 2 percentage points simultaneously.

15. Other intangible assets

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

2012 MEUR	Development costs	Trademarks	Customer relationships	Patents and licences	Intangible assets under construction	Other *	Total
Acquisition cost 1 Jan	26.6	46.8	71.7	34.2	15.6	52.3	247.2
Translation difference	0.1	0.1	-1.4	-0.3	0.0	1.5	0.0
Additions	3.4	-	-	1.8	17.5	0.1	22.7
Disposals	-	-	-	-0.2	-	-0.4	-0.6
Reclassification	-2.9	1.4	0.7	10.0	-14.2	2.8	-2.3
Companies acquired and sold	-	0.1	4.2	6.9	-	0.2	11.4
Acquisition cost 31 Dec	**27.1**	**48.3**	**75.2**	**52.4**	**18.9**	**56.4**	**278.4**
Accumulated amortisation and impairment 1 Jan	-10.5	-3.5	-3.8	-17.5	-	-35.6	-70.9
Translation difference	0.0	0.0	0.1	0.0	-	-1.3	-1.2
Amortisation during the financial period	-5.4	-0.2	-0.6	-4.1	-	-8.0	-18.4
Impairment charges	-0.9	0.0	-	-	-	0.0	-0.9
Disposals	-	-	-	0.1	-	0.3	0.5
Reclassification	0.9	-1.5	-4.1	-1.3	-	5.5	-0.5
Companies acquired and sold	-	-	-	-	-	-	-
Accumulated amortisation and impairment 31 Dec	**-15.9**	**-5.3**	**-8.4**	**-22.8**	**-**	**-39.0**	**-91.4**
Book value 1 Jan	16.0	43.3	67.9	16.7	15.6	16.7	176.2
Book value 31 Dec	11.3	43.1	66.8	29.7	18.9	17.3	187.0

* 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 asset of indefinite useful life amounted 31 December 2013 to EUR 41.0 (31 Dec 2012: 41.4) 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

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

2012 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	16.1	196.8	486.0	14.5	0.1	713.5
Translation difference	0.4	3.6	6.1	0.1	0.0	10.1
Additions	0.0	23.7	60.0	2.9	1.1	87.7
Disposals	-0.1	-5.1	-35.0	-0.1	-	-40.3
Reclassification	5.3	6.8	-31.2	-12.2	-0.4	-31.6
Acquisition cost 31 Dec	**21.7**	**225.8**	**485.9**	**5.2**	**0.9**	**739.4**
Accumulated depreciation and impairment 1 Jan	-0.9	-80.9	-348.4	-	-	-430.2
Translation difference	0.0	-0.9	-4.7	-	-	-5.6
Depreciation during the financial period	-0.1	-7.8	-40.0	-	-	-47.9
Impairment	-	-1.4	-1.6	-	-	-3.0
Disposals	-	0.4	19.7	-	-	20.2
Reclassification	-	0.5	30.2	-	-	30.7
Accumulated depreciation and impairment 31 Dec	**-1.0**	**-90.1**	**-344.6**	**-**	**-**	**-435.7**
Book value 1 Jan	15.2	115.9	137.6	14.5	0.1	283.4
Book value 31 Dec	20.7	135.6	141.3	5.2	0.9	303.7

During the year, the group had capitalised borrowing costs amounting to EUR 0.2 (2012: 1.0) million. Borrowing costs were capitalised based on the project specific interest 1.43% (2012: at the weighted average rate of the group's interest cost of 3.7%).

Finance lease agreements

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

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
Impairment	-	-	-
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

2012 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	5.4	4.1	9.5
Translation difference	0.0	0.1	0.1
Additions	0.1	1.9	2.0
Disposals	-0.1	-0.8	-1.0
Reclassification	0.0	-0.1	-0.1
Acquisition cost 31 Dec	**5.4**	**5.2**	**10.6**
Accumulated depreciation and impairment 1 Jan	-4.0	-2.7	-6.7
Translation difference	0.0	-0.1	-0.1
Depreciation during the financial period	-0.3	-0.6	-0.9
Impairment	0.0	0.0	0.0
Disposals	0.1	0.5	0.6
Reclassification	0.0	0.0	0.0
Accumulated depreciation and impairment 31 Dec	**-4.2**	**-2.8**	**-7.0**
Book value 1 Jan	1.5	1.3	2.8
Book value 31 Dec	1.2	2.3	3.6

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	2013	2012
Acquisition cost 1 Jan	169.2	183.7
Translation difference	-2.0	1.2
Additions	39.3	34.6
Disposals	-26.9	-19.6
Reclassification	-33.9	-30.7
Acquisition cost 31 Dec	**145.9**	**169.2**
Accumulated depreciation and impairment 1 Jan	-98.8	-119.5
Translation difference	1.2	-0.9
Depreciation during the financial period	-20.2	-17.4
Disposals	18.4	9.3
Reclassification	33.5	29.7
Accumulated depreciation and impairment 31 Dec	**-65.9**	**-98.8**
Book value 1 Jan	70.4	64.2
Book value 31 Dec	79.9	70.4

17. Investments in associated companies

MEUR	2013	2012
Book value 1 Jan	62.8	6.1
Translation difference	0.0	0.0
Share of net income	1.7	0.9
Dividend income	-0.6	-0.9
Additions	0.6	56.7
Disposals	0.0	0.0
Reclassification	-4.7	0.0
Book value 31 Dec	**59.7**	**62.8**

Associated companies

						Shareholding (%)	
31 Dec 2013 MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Hymetal S.A.	France	2.3	1.6	4.4	0.0	-	40.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd	China	1.6	0.5	1.9	0.1	-	25.0
MacGREGOR - Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	0.0	0.0	0.1	0.0	-	25.0
Jiangsu Rainbow Heavy Industries Co., Limited	China	35.0	11.6	16.7	1.1	-	9.2

Montaje, Matenimiento y Reformas de Intalaciones Portuarias S.A. and Processiones, Superficiales y Aplicaciones, S.L. have been acquired as 100% owned subsidiaries by Cargotec on 7 May 2013.

Sanger Metal SP z.o.o. ja J.L. Jumbo Logistics Ltd. have become associated companies of Cargotec upon the acquisition of Hatlapa Group on 31 October 2013. No bookings have been made in the consolidated statement of income for 2013 because the latest financial statements have not been available.

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. Associated company relationship has started on 1st November 2012. The figures recognised in the consolidated statement of income are based on January-September 2013 financial statements because the latest financial statements have not been available.

31 Dec 2012 MEUR	Country	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Group
Hymetal S.A.	France	2.1	1.4	4.7	0.0	-	40.0
Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.	Spain	2.5	0.8	5.2	0.4	-	30.0
Processiones, Superficiales y Aplicaciones, S.L.	Spain	0.4	0.1	0.8	0.1	-	30.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd	China	1.6	0.4	2.4	0.4	-	25.0
MacGREGOR - Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	0.0	0.0	0.1	0.0	-	25.0
Jiangsu Rainbow Heavy Industries Co., Limited	China	-	-	-	-	-	9.2

The figures presented in the tables above are based on the latest available financial statements. The figures represent Cargotec's share of the companies' financial figures.

18. Investments in joint ventures

MEUR	2013	2012
Book value 1 Jan	30.3	0.1
Translation difference	-0.4	-1.1
Share of net income	-1.9	-1.1
Additions	5.1	32.5
Disposals	-	-0.1
Reclassification	-	-
Book value 31 Dec	**33.1**	**30.3**

The book value of joint ventures at the end of period does not include shares in publicly listed companies.

Joint ventures

						Shareholding (%)	
31 Dec 2013 MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Rainbow-Cargotec Industries Co., Ltd	China	44.3	16.8	8.7	-1.4	49.0	49.0
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	-	-	-	-	50.0	50.0

A joint venture Sinotruk Hiab (Shandong) Equipment Co., Ltd. was established in November 2013. Cargotec's ownership in the joint venture is 50 percent and China National Heavy Duty Truck Group Co., Ltd.'s ownership is 50 percent. The joint venture will manufacture truck-mounted cranes for Hiab business area and has started operations 1 January 2014.

						Shareholding (%)	
31 Dec 2012 MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Rainbow-Cargotec Industries Co., Ltd	China	30.6	1.0	0.0	-1.1	49.0	49.0

A joint venture Rainbow-Cargotec Industries Co. Ltd (RCI) was established in May 2012. Cargotec's ownership in the joint venture is 49 percent and Jiangsu Rainbow Heavy Industries Co. Ltd's ownership is 51 percent.

Cargotec has 49 percent holding in China Crane Investment Holdings Limited, a holding company, and through this holding arrangement 9.2 percent of shares in associated company Jiangsu Rainbow Heavy Induestries Co., Limited.

The figures presented in the tables above are based on the latest available financial statements. The figures represent Cargotec's share of the companies' financial figures.

19. Available-for-sale investments

MEUR	2013	2012
Book value 1 Jan	4.2	4.3
Translation difference	0.0	0.0
Additions	0.0	0.0
Disposals	-0.4	-0.1
Book value 31 Dec	**3.8**	**4.2**

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.

20. Deferred tax assets and liabilities

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

MEUR	1 Jan 2012	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2012
Tax losses carried forward	72.7	-6.7	-	0.4	-	66.4
Provisions	11.8	0.3	-	-0.3	0.2	12.0
Depreciation difference	2.2	0.8	-	0.1	-	3.1
Pensions	6.2	0.2	0.4	0.1	-	6.8
Elimination of intercompany profit	9.6	2.1	-	-	-	11.7
Change in fair value	3.4	-	-1.7	0.0	-	1.7
Other temporary differences	41.6	10.4	-3.0	-0.3	-	48.7
Total	**147.5**	**7.1**	**-4.3**	**0.0**	**0.2**	**150.4**
Offset against deferred tax liabilities *	-21.9	2.0	-	-0.4	-	-20.3
Total, net	**125.6**	**9.1**	**-4.3**	**-0.4**	**0.2**	**130.1**

Deferred tax liabilities

MEUR	1 Jan 2012	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2012
Depreciation difference	4.7	1.0	-	0.1	-	5.8
Goodwill amortisation	13.4	3.4	-	-0.3	-	16.5
Allocation of fair value on acquisitions	2.4	-0.6	-	0.1	1.2	3.1
Research and development	1.9	0.2	-	0.0	-	2.1
Change in fair value	6.9	-	-0.7	0.0	-	6.2
Other temporary differences	44.3	-2.3	8.9	0.4	-	51.4
Total	**73.6**	**1.7**	**8.2**	**0.4**	**1.2**	**85.1**
Offset against deferred tax assets *	-21.9	2.0	-	-0.4	-	-20.3
Total, net	**51.7**	**3.7**	**8.2**	**-0.1**	**1.2**	**64.7**

* 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. On 31 December 2013 Cargotec had EUR 87.1 (31 Dec 2012: 62.7) 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 15.5 (31 Dec 2012: 16.1) million will expire during the next five years and the rest, EUR 71.6 (31 Dec 2012: 52.6) 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.

21. Inventories

MEUR	31 Dec 2013	31 Dec 2012
Raw materials and supplies	212.9	247.8
Work in progress	219.3	301.2
Finished goods	163.6	187.0
Advance payments paid for inventories	35.2	11.2
Total	**630.9**	**747.2**

Obsolescence provision of inventories to net realisable value was EUR 73.7 (31 Dec 2012: 74.7) million at the end of period.

22. Financial instruments by category

Book value by category of financial assets

31 Dec 2013 MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through the statement of income	Total
Non-current financial assets				
Loans receivable and other interest-bearing receivables	4.9	-	-	4.9
Available-for-sale investments	-	3.8	-	3.8
Derivative assets	-	-	0.4	0.4
Other non-interest-bearing receivables	4.7	-	-	4.7
Total	**9.6**	**3.8**	**0.4**	**13.8**
Current financial assets				
Loans receivable and other interest-bearing receivables	1.9	-	-	1.9
Derivative assets	-	-	18.1	18.1
Accounts receivable and other non-interest-bearing receivables	595.8	-	-	595.8
Cash and cash equivalents	308.0	-	-	308.0
Total	**905.7**	**-**	**18.1**	**923.8**
Total financial assets	**915.3**	**3.8**	**18.5**	**937.6**

31 Dec 2012 MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through the statement of income	Total
Non-current financial assets				
Loans receivable and other interest-bearing receivables	8.2	-	-	8.2
Available-for-sale investments	-	4.2	-	4.2
Derivative assets	-	-	42.3	42.3
Other non-interest-bearing receivables	4.5	-	-	4.5
Total	**12.7**	**4.2**	**42.3**	**59.2**
Current financial assets				
Loans receivable and other interest-bearing receivables	1.6	-	-	1.6
Derivative assets	-	-	34.2	34.2
Accounts receivable and other non-interest-bearing receivables	556.1	-	-	556.1
Cash and cash equivalents	209.0	-	-	209.0
Total	**766.6**	**-**	**34.2**	**800.8**
Total financial assets	**779.4**	**4.2**	**76.5**	**860.1**

Book value by category of financial liabilities

31 Dec 2013 MEUR	Financial liabilities at amortised cost	Liabilities at fair value through the statement of income	Total
Non-current financial liabilities			
Capital loans	38.6	-	38.6
Interest-bearing liabilities	546.7	-	546.7
Derivative liabilities	-	3.2	3.2
Other non-interest-bearing liabilities	27.8	-	27.8
Total	**613.1**	**3.2**	**616.4**
Current financial liabilities			
Interest-bearing liabilities	299.6	-	299.6
Derivative liabilities	-	20.3	20.3
Accounts payable and other non-interest-bearing liabilities	312.0	-	312.0
Total	**611.6**	**20.3**	**631.9**
Total financial liabilities	**1,224.7**	**23.5**	**1,248.2**

31 Dec 2012 MEUR	Financial liabilities at amortised cost	Liabilities at fair value through the statement of income	Total
Non-current financial liabilities			
Interest-bearing liabilities	439.7	-	439.7
Derivative liabilities	-	32.9	32.9
Other non-interest-bearing liabilities	26.4	-	26.4
Total	**466.1**	**32.9**	**499.0**
Current financial liabilities			
Interest-bearing liabilities	259.0	-	259.0
Derivative liabilities	-	8.5	8.5
Accounts payable and other non-interest-bearing liabilities	317.8	-	317.8
Total	**576.7**	**8.5**	**585.2**
Total financial liabilities	**1,042.8**	**41.4**	**1,084.2**

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 0.6 (31 Dec 2012: 35.8) million for Cargotec and EUR 5.6 (31 Dec 2012: 0.7) million for the counterparties.

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

Non-current receivables

MEUR	31 Dec 2013	31 Dec 2012
Non-current non-interest-bearing assets	4.7	4.5

Current receivables

MEUR	31 Dec 2013	31 Dec 2012
Accounts receivable	479.8	468.2
Receivables from construction contracts	103.6	73.5
Deferred interests	4.5	4.6
Other deferred assets	102.5	139.1
Total	**690.5**	**685.4**

The company has impaired EUR 25.3 (31 Dec 2012: 22.3) million for doubtful accounts from accounts receivable.

Ageing analysis of accounts receivable

MEUR	31 Dec 2013	31 Dec 2012
Not due	329.7	308.9
1–90 days overdue	127.3	129.7
91–360 days overdue	17.4	26.2
Over 360 days overdue	5.3	3.4
Total	**479.8**	**468.2**

Impairments, classified into ageing analysis of accounts receivable

MEUR	31 Dec 2013	31 Dec 2012
1–90 days overdue	2.9	0.8
91–360 days overdue	9.0	7.7
Over 360 days overdue	13.4	13.8
Total	**25.3**	**22.3**

24. Cash and cash equivalents

MEUR	31 Dec 2013	31 Dec 2012
Cash at bank and on hand	296.6	207.8
Short-term deposits	9.6	1.1
Total	**306.2**	**209.0**

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2013	31 Dec 2012
Cash and cash equivalents	306.2	209.0
Bank overdrafts used	-3.0	-25.0
Cash and cash equivalents in the statement of cash flows	**303.3**	**183.9**

25. 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, share-based payments as well as changes in treasury shares owned by the company 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.

At the end of 2012, Cargotec held 2,959,487 class B shares as treasury shares. During the current financial period the treasury shares were disposed to domestic and international investors. Board authorisations to repurchase and to dispose treasury shares and to increase the share capital are presented in the chapter Shares and Shareholders.

Number of shares	Class A shares	Class B shares	Total
Number of shares 1 Jan 2012	9,526,089	54,778,791	64,304,880
Number of shares 31 Dec 2012	**9,526,089**	**54,778,791**	**64,304,880**
Treasury shares 31 Dec 2012	-	-2,959,487	-2,959,487
Number of shares outstanding 31 Dec 2012	**9,526,089**	**51,819,304**	**61,345,393**
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 31 Dec 2013	**9,526,089**	**54,788,505**	**64,314,594**

Dividend distribution

After 31 December 2013 the following dividends were proposed by the Board of Directors to be paid: EUR 0.41 per each class A share and EUR 0.42 per outstanding class B share, a total of EUR 26,916,868.59.

26. Share-based payments

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 will be delivered in spring 2014 and will be released in two tranches during year 2015. If the employment terminates before the share payment, 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 second half of 2013, which was fulfilled. Additionally, business area specific earnings criterion was fulfilled by 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 will be 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 commence 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 will be paid based on the first earnings period. The fair value of the share at the grant date 9 March 2010 was determined to EUR 18.15. As the holder is not entitled to receive dividend payments during the earnings period, expected dividends have been deducted from the grant date share value when determining the fair value. Share value at grant date was EUR 21.27.

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 (31 Dec 2012: 41,500) Cargotec class B shares. Because the earnings criteria for the earnings period were not fulfilled, no rewards will be paid based on the second earnings period. The fair value of the share at the grant date 26 May 2011 was determined to EUR 30.64. As the holder is not entitled to receive dividend payments during the earnings period, expected dividends have been deducted from the grant date share value when determining the fair value. Share value at grant date was EUR 34.78.

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 2013 was 27,000 (31 Dec 2012: 42,000) Cargotec class B shares. The fair value of the share at the grant date 18 June 2012 was determined to EUR 14.19. As the holder is not entitled to receive dividend payments during the earnings period, expected dividends have been deducted from the grant date share value when determining the fair value. Share value at grant date was EUR 17.35.

Fair value of the cash settlement is estimated at each closing date until the end of the earnings period and thus the fair value of the liability will change according to the changes in Cargotec's class B share value.

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 will decide 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
- for stock option 2010C 1 April 2015−30 April 2017

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 and 2012 dividends is EUR 19.02
- for stock option 2010B the original subscription price was EUR 31.23 and the subsricption price adjusted with 2011 and 2012 dividends is EUR 29.51
- for stock option 2010C the original subscription price is EUR 28.80 and the subsricption price adjusted with 2012 dividend is EUR 28.08

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:

	2010C	2010B	2010A
Class B share value at grant, EUR	24.51	35.60	20.34
Original subscription price, EUR	28.80	31.23	21.35
Expected volatility, %	54.33	48.99	48.40
Vesting period at grant, years	4.99	4.93	5.12
Risk-free interest rate, %	1.06	2.56	2.12
Fair value of the option, EUR	10.46	17.42	8.82

Changes in the number of stock options outstanding

	2010C	2010B	2010A
Number of stock options outstanding 1 Jan 2012	-	29,136	359,500
Granted stock options	396,000	-	-
Forfeited stock options	49,000	3,680	27,500
Exercised stock options	-	-	-
Expired stock options	347,000	-	-
Number of stock options outstanding 31 Dec 2012	**-**	**25,456**	**332,000**
Exercisable stock options 31 Dec 2012	-	-	-
Participants covered by the option programme 31 Dec 2012	68	65	48
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	-

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 will begin 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 2012: 0.0) million.

27. Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	31 Dec 2013	31 Dec 2012
Non-current		
Capital loans	38.6	-
Loans from financial institutions	388.9	210.2
Corporate bonds	148.4	227.1
Finance lease liabilities	9.3	2.4
Total	**585.3**	**439.7**
Current portion of long-term loans		
Loans from financial institutions	21.1	39.0
Corporate bonds	68.9	-
Finance lease liabilities	4.3	0.7
Total	**94.3**	**39.7**
Current		
Loans from financial institutions	69.2	45.7
Commercial papers	133.0	148.6
Bank overdrafts used	3.0	25.0
Total	**205.2**	**219.3**
Total interest-bearing liabilities	**884.9**	**698.6**

On 31 December 2013, 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 3.3 (31 Dec 2012: 3.2) percent. The average interest rate of short-term loans was 2.0 (31 Dec 2012: 1.6) 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 accrues an interest of 14% per annum consisting of 5% cash interest and 9% capitalized (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 term is approximately two years. The loan includes 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 option strike is set at IPO price, which is currently not known and therefore, the loan doesn't include equity component. At 31 December 2013 Cargotec has decided to postpone the MacGregor listing process.

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 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

31 Dec 2012	Coupon rate, %	Nominal value		Fair value, MEUR	Book value, MEUR
2007–2014	5.4	95.0	MUSD	75.7	71.9
2007–2017	5.6	120.0	MUSD	109.1	90.9
2007–2019	5.7	85.0	MUSD	82.1	64.4

Interest-bearing liabilities per currency

MEUR	31 Dec 2013	31 Dec 2012
USD*	223.2	236.2
EUR	562.7	426.9
SGD	38.6	-
CNY	56.4	31.7
Other	3.9	3.8
Total	**884.9**	**698.6**

* 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 2013	31 Dec 2012
Minimum lease payments		
Less than 1 year	4.3	0.7
1–5 years	8.7	1.8
Over 5 years	0.6	0.6
Total	**13.6**	**3.1**
Future finance charges	0.0	0.0
Present value of finance lease liabilities	**13.6**	**3.1**

Present value of minimum lease payments

MEUR	31 Dec 2013	31 Dec 2012
Less than 1 year	4.3	0.7
1–5 years	8.7	1.8
Over 5 years	0.6	0.6
Present value of finance lease liabilities	**13.6**	**3.1**

28. 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, United Kingdom, Norway and Japan. 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	2013	2012
Balance sheet obligations for:		
Post-employment benefits	61.0	68.3
Total	**61.0**	**68.3**
Expense in the statement of income		
Defined contribution pension plans	24.5	28.3
Defined pension benefits and other post-employment benefits	6.2	7.0
Total	**30.7**	**35.3**
Remeasurement in the statement of comprehensive income:		
Defined pension benefits and other post-employment benefits	5.5	-4.4
Total	**5.5**	**-4.4**

Post-employment benefits in the balance sheet

MEUR	2013	2012
Present value of unfunded obligations	56.1	57.9
Present value of funded obligations	35.6	40.3
Fair value of benefit plan assets	30.7	30.0
Liability in the balance sheet 31 Dec	**61.0**	**68.3**

Movement in the net defined benefit obligation over the year

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
Actuarial gains and losses:			
Gain (-) / loss (+) from change in demographic assumptions	0.6	-	0.6
Gain (-) / loss (+) from change in financial assumptions	-5.9	-	-5.9
Experience adjustment	-0.6	-	-0.6
Foreign exchange rate gains and 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**	**61.0**

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2012	88.0	-27.9	60.1
Current service cost	4.2	-	4.2
Interest expense (+) / income (-)	3.4	-1.2	2.2
Past service cost	-	-	-
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-0.8	-0.8
Actuarial gains and losses:	5.2	-	5.2
Gain (-) / loss (+) from change in demographic assumptions	-	-	-
Gain (-) / loss (+) from change in financial assumptions	-	-	-
Experience adjustment	-	-	-
Foreign exchange rate gains and losses	0.5	0.1	0.6
Contributions by employer	-	-1.3	-1.3
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-3.4	1.2	-2.2
Settlements	-	-	-
Companies acquired and sold	0.2	-	0.2
31 Dec 2012	**98.3**	**-30.0**	**68.3**

Allocation of defined benefit liability to different member groups

MEUR	31.12.2013	31.12.2012
Active members	34.0	38.8
Inactive, entitled for benefits once retired	24.9	26.8
Inactive, pensioners	32.8	32.7
Total	**91.6**	**98.3**

Allocation of plan assets and liability geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2013	57.7	18.0	5.7	10.3	91.6
2012	59.9	18.9	7.8	11.6	98.3
Fair value of plan assets:					
2013	5.8	16.6	4.8	3.5	30.6
2012	4.5	16.0	5.7	3.7	30.0

Allocation of plan assets

	2013		2012	
MEUR	Quoted	Unquoted	Quoted	Unquoted
Cash and cash equivalents	-	0.8	-	-
Equity instruments	-	2.9	-	2.5
Corporate bonds (investment grade)	0.2	12.0	-	12.4
Government bonds (investment grade)	0.1	-	-	3.1
Other	0.4	0.5	-	0.7
Debt instruments total	**0.7**	**12.6**	**-**	**16.1**
Property	-	0.2	-	0.1
Qualifying insurance policies	-	5.2	-	7.5
Interest rate funds	-	2.7	-	-
Equity funds	-	0.6	-	-
Other	-	4.8	-	-
Investment funds total	**-**	**8.1**	**-**	**-**
Other assets	-	-	-	3.7
Total plan assets	**0.7**	**29.9**	**-**	**30.0**

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

Defined benefits plans: Annual information

MEUR	2013	2012	2011
Present value of defined benefits obligations	91.6	98.3	88.0
Fair value of benefit plan assets	30.6	30.0	27.9
Deficit in the plans	-61.0	-68.3	-60.1
Experience adjustments on plan liabilities	-0.6	1.7	0.7

Defined benefit plans: applied actuarial assumptions

	Sweden	United Kingdom	Norway	Other countries*
Discount rate (%)				
2013	4.0	4.3	4.1	2.6
2012	3.5	3.9	2.2	3.3
Inflation (%)				
2013	2.0	1.8	1.8	2.0
2012	2.0	1.2	2.0	2.0
Expected rate of salary increases (%)				
2013	3.0	4.1	3.8	2.7
2012	3.0	3.5	3.3	3.4
Expected pension growth rate (%)				
2013	2.0	3.6	0.6	3.0
2012	2.8	3.4	-	3.3

* 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 government 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	2013
Effect of a 0.5%-point increase in the principal assumption would impact the overall liability as follows	
Discount rate	-5.8
Inflation rate	3.8
Expected rate of salary increases	0.6
Expected pension growth rate	0.6
Effect of a 0.5%-point decrease in the principal assumption would impact the overall liability as follows	
Discount rate	6.6
Inflation rate	-3.8
Expected rate of salary increases	-0.5
Expected pension growth rate	-0.5
Effect of 1 year increase in the life expectancy	2.4
Effect of 1 year decrease in the life expectancy	-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 plan 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 correlation between the inflation and plan assets is more difficult to predict due to diversification of the plan assets but in general, the increase of inflation will increase the net liability. 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	1-2 years	2-5 years	Over 5 years	Total
Pension benefits:					
2013	3.9	17.9	31.5	105.9	142.3
2012	3.5	17.4	22.4	111.3	146.0

Expected contribution to defined benefit plans during the next reporting period was EUR 1.2 million as at 31 December 2013.

Duration of the defined benefit obligation

Years	2013	2012
Weighted average duration of the defined benefit obligation	20.9	20.6

29. Provisions

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**

2012 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	75.0	2.9	8.6	14.1	2.2	102.9
Translation difference	0.9	-0.1	0.1	0.3	0.0	1.3
Increase	31.6	3.4	17.1	8.5	0.5	61.0
Companies acquired and sold	-	-	-	-	-	-
Provision used	-13.4	-1.3	-5.7	-5.5	-0.5	-26.4
Reversal of provision	-15.4	-1.5	-0.5	-3.7	-0.1	-21.2
Total provision 31 Dec	**78.8**	**3.4**	**19.6**	**13.7**	**2.1**	**117.6**

MEUR	31 Dec 2013	31 Dec 2012
Non-current provisions	37.9	37.3
Current provisions	66.6	80.2
Total	**104.5**	**117.6**

Provisions for warranties cover the 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.

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

Non-current liabilities

MEUR	31 Dec 2013	31 Dec 2012
Other non-interest-bearing liabilities	27.8	26.4

Current liabilities

MEUR	31 Dec 2013	31 Dec 2012
Accounts payable	287.9	300.6
Accrued interests	15.1	14.6
Share-based incentives	0.7	0.7
Accrued salaries, wages and employment costs	90.6	90.1
Advance rents, customer finance	28.8	26.9
Amount due to customers for contract work	27.3	62.3
Project costs	77.6	101.4
Other accrued expenses	200.2	107.4
Total	**728.1**	**704.1**

31. Derivatives

Fair values of derivative financial instruments

31 Dec 2013 MEUR	Positive fair value	Negative fair value	Net fair value
Currency forward contracts	18.5	17.8	0.6
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	0.3
Cross-currency and interest rate swaps	0.0	3.1	-3.1
Non-current portion	**0.4**	**3.2**	**-2.8**
Current portion	**18.1**	**20.2**	**-2.2**

31 Dec 2012 MEUR	Positive fair value	Negative fair value	Net fair value
Currency forward contracts	35.1	8.8	26.3
Cross-currency and interest rate swaps	41.4	32.6	8.8
Total	**76.6**	**41.5**	**35.1**
Non-current portion			
Currency forward contracts	0.8	0.2	0.6
Cross-currency and interest rate swaps	41.4	32.6	8.8
Non-current portion	**42.3**	**32.9**	**9.4**
Current portion	**34.2**	**8.6**	**25.7**

Cross-currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007 and maturing in years 2014 to 2019. Majority of the highly probable cash flows hedged by currency forward contracts realise within 2 years.

Nominal values of derivative financial instruments

MEUR	31 Dec 2013	31 Dec 2012
Currency forward contracts	3,558.6	3,575.9
Hedge accounting	1,662.7	1,926.8
Cross-currency and interest rate swaps	217.5	227.4
Total	**3,776.2**	**3,803.3**

The fair values of derivatives have been recognised as gross values to the balance sheet, as the netting agreements are related to credit events, and do not normally allow netting at the balance sheet date. The group has not given or received securities from the counterparties related to derivatives.

32. Commitments

MEUR	31 Dec 2013	31 Dec 2012
Guarantees	0.0	0.9
End customer financing	11.6	10.0
Operating leases	129.1	81.2
Off-balance sheet investment commitments	0.0	9.0
Other contingent liabilities	6.3	3.0
Total	**147.0**	**104.2**

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business EUR 458.3 (31 Dec 2012: 411.3) 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 2013	31 Dec 2012
Less than 1 year	22.9	20.7
1–5 years	50.8	39.6
Over 5 years	55.4	21.0
Total	**129.1**	**81.2**

The aggregate operating lease expenses for the financial year totaled EUR 17.1 (2012: 27.6) million.

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.

33. 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 2013	31 Dec 2012
Less than 1 year	17.4	5.8
1−5 years	23.3	11.9
Over 5 years	0.4	1.2
Total	**41.1**	**19.0**

Rental income recognised in sales was EUR 8.1 (2012: 7.8) million.

34. 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 and the Deputy to 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 2013 MEUR	Associated companies	Joint ventures	Total
Sale of products	3.7	8.0	11.6
Sale of services	0.9	0.0	0.9
Purchase of products	21.0	0.8	21.9
Purchase of services	23.1	1.1	24.2

1 Jan–31 Dec 2012 MEUR	Associated companies	Joint ventures	Total
Sale of products	5.2	-	5.2
Sale of services	0.9	-	0.9
Purchase of products	3.5	-	3.5
Purchase of services	9.9	-	9.9

Balances with associated companies and joint ventures

31 Dec 2013 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	1.9	2.7	4.6
Accounts payable	3.2	0.0	3.2

31 Dec 2012 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	2.8	0.0	2.8
Accounts payable	1.9	-	1.9

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 2013	1 Jan−31 Dec 2012 *
Wages, salaries and other short-term employee benefits	2.7	5.1
Share-based payments	0.8	-0.1
Termination benefits	1.2	0.2
Post-employment benefits	0.0	0.0
Total	**4.8**	**5.2**

* The composition of Cargotec Executive Board has changed during 2012 and 2013. The remuneration of the Executive Board members that left the Board, is included in the table for the period they were members.

Members of the Executive Board are part of the share-based incentive programmes as well as option programme targeted for key personnel. For share-based incentive programme 2013 the minimum earnings criteria, corporate operative cash flow, was fulfilled and the President and CEO and one of the Executive Board members will be rewarded as per the programme terms and conditions. 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 will be delivered in spring 2014.

The earnings criteria for share-based incentive programme 2010 earnings periods' 2010−2012 and 2011−2013 were not fulfilled and hence there is no payout based on these earnings periods. The rewards to be paid to the Executive Board from earnings period 2012-2014 will correspond to a maximum total of of 20,000 Cargotec class B shares (including the proportion to be paid in cash).

Based on the option programme 2010, members of the Executive Board were granted 17,500 of 2010A option rights and 16,000 of 2010B option rights. The minimum earnings criterion for stock options 2010C was not fulfilled. In addition Cargotec's Board of Directors has granted to the President and CEO Mika Vehviläinen 60,500 Cargotec 2010A stock options. He will be 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) is not a participant in the share-based incentive programmes or option programme. Further information on the incentive programmes is presented in note 26, 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 in 2013 for the President and CEO's statutory pension was EUR 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.

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. At the end of 2012, the loans totalled EUR 3.5 million. EUR 0.5 million of these loans was a non-interest-bearing convertible bond loan. The Euribor 12 months interest rate applicable for both the EUR 1.0 million subordinated loan and EUR 2.0 million loan was 0.54% (2012:1.95%). Shareholders of Moving Cargo Oy include members of Cargotec's Executive Board. Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec’s related party on 31 December 2013.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
	President and CEO (as of 1 Mar 2013) *	578.7	-
Mikael Mäkinen	President and CEO (until 8 Oct 2012)	-	822.9
Pekka Vauramo	Deputy to CEO (until 8 Oct 2012)	-	594.2
Ilkka Herlin	Chairman of the Board	92.7	93.2
Tapio Hakakari	Vice Chairman of the Board, interim President and CEO (8 Oct 2012 - 28 Feb 2013) **	134.8	158.5
Jorma Eloranta	Member of the Board (as of 20 Mar 2013)	35.5	-
Peter Immonen	Member of the Board	49.5	49.0
Karri Kaitue	Member of the Board (until 20 Mar 2013)	11.5	347.8 ***
Antti Lagerroos	Member of the Board	49.0	50.0
Teuvo Salminen	Member of the Board	60.8	61.0 ****
Anja Silvennoinen	Member of the Board	49.0	48.0

* In addition to the base salary and fringe benefits, includes also 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 also a separate compensation of EUR 70,040 (2012: 93,262) for acting as the interim President and CEO.

*** In addition to fees paid for Board membership, includes in 2012 also a separate compensation of EUR 298,800 for consulting the company outside Board work.

**** In addition to fees paid for Board membership, includes in 2012 also a separate compensation of EUR 12,000 for consulting the company outside Board work.

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

35. Effect of the change in the accounting principle for pensions

MEUR	Reported	Change	Restated
1 January 2012			
Pension obligations	45.6	13.2	58.7
Equity	1,177.1	-9.6	1,167.5
Deferred tax assets	121.6	3.9	125.5
Deferred tax liabilities	51.4	0.3	51.7
Net income for 2012	89.2	0.3	89.5
Comprehensive income for 2012	115.1	-4.0	111.1
31 December 2012			
Pension obligations	50.4	17.9	68.3
Equity	1,232.2	-13.6	1,218.5
Deferred tax assets	125.7	4.4	130.1
Deferred tax liabilities	64.6	0.1	64.7
Equity / share	20.0	-0.2	19.8
Total equity / total assets	41.4	-0.6	40.8
Gearing	38.8	0.4	39.2
Return on equity in 2012	7.4	0.1	7.5
Return on capital employed in 2012	8.1	0.1	8.2

The change had no effect to earnings / share.

36. Subsidiaries

31 Dec 2013	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Albania SHPK	Albania		100
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
Interhydraulik Zepro GmbH	Austria		100
Cargotec Austria 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
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Triplex Ltda.	Chile		89
Cargotec Asia Limited	China		100
Cargotec (Shanghai) Trading Company Limited	China		100
Cargotec Industries (China) Co., Ltd	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) Ltd	China		100
MacGREGOR Plimsoll (Tianjin) Co., Ltd	China		100
MacGREGOR Shanghai Trading 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 Ltd.	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
MacGREGOR BLRT Baltic OÜ	Estonia		51
Linda Properties OÜ	Estonia		45 *
Cargotec Finland Oy	Finland		100

Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
Cargotec U.S. Manufacturing Oy	Finland		100
Cargotec U.S. Sales Oy	Finland		100
Forastar Oy Ab	Finland	100	100
Kiinteistö Oy Kalasatama	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 - Societe Reunionaise de Maintenance Portuaire	France		51
Cargotec Germany GmbH	Germany		100
Cargotec Marine 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
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 Engineering, Italy S.r.l.	Italy		60 *
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
Hiab S.A. de C.V.	Mexico		75
Platform Crane Services Mexico S. de. R.L.	Mexico		100
Servicios Hiab S.A. de C.V.	Mexico		75
Cargotec Maghreb SA	Morocco		100
Cargotec New Zealand Ltd	New Zealand		100
Cargotec Holding Norway AS	Norway	100	100
Cargotec Norway AS	Norway		100
HATLAPA Marine Equipment AS	Norway		100

HATLAPA Marine Holding AS	Norway		100
MacGregor Norway 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 Portugal, Unipessoal Lda	Portugal		100
Promaport 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
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 (SGP) Pte Ltd.	Singapore		100
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore		100
MacGREGOR Plimsoll Pte Ltd	Singapore		100
MacGregor Pte Ltd	Singapore	100	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
Koffert Sverige AB	Sweden		100
MacGregor Sweden AB	Sweden		100
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Cargotec Swizerland S.A.	Switzerland		100
Cargotec Thailand Co., Ltd.	Thailand		100
Cargotec ACT B.V.	The Netherlands		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 Ltd.	UK		100
Cargotec UK Ltd.	UK	100	100
Del Equipment (UK) Ltd.	UK		100

Grampian Hydraulics Limited	UK		100	
HATLAPA Marine Equipment Ltd.	UK		100	
Hiab Ltd.	UK		100	
Kalmar Ltd.	UK		100	
MacGregor (GBR) Limited	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	
Cargotec Ukraine, LLC	Ukraine		100	
MacGREGOR (UKR)	Ukraine		99	
Hiab Middle East L.L.C.	United Arab Emirates		49	*
Kalmar Middle East FZCO	United Arab Emirates		100	
MacGregor (ARE) Gulf LLC	United Arab Emirates		49	*
MacGregor (ARE) LLC	United Arab Emirates		49	*
Cargotec Holding, Inc.	USA	100	100	
Cargotec Port Security LLC	USA		100	
Cargotec Solutions LLC	USA		100	
Cargotec USA Inc.	USA		100	
HATLAPA USA LLC	USA		70	
Kalmar RT Center LLC	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.

37. Events after the balance sheet date

In October, MacGregor entered into an agreement to acquire from Aker Solutions, for an enterprise value of approximately EUR 180 million, their mooring and loading systems unit. The acquisition was completed in January 2014. The unit will be consolidated into MacGregor's results as of 1 February 2014.

Financial statements of the parent company (FAS)

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Sales		**88.5**	**121.2**
Administration expenses	2, 3, 4	-105.1	-124.4
Other operating income		0.6	0.9
Other operating expenses		-0.1	-0.1
Operating loss		**-16.1**	**-2.3**
Financing income and expenses	5	-46.1	26.3
Loss / Profit before extraordinary items		**-62.2**	**24.0**
Extraordinary items	6	90.1	-6.8
Profit before appropriations and taxes		**27.9**	**17.2**
Income taxes	7	-14.9	-0.4
Profit for the period		**13.0**	**16.8**

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

Parent company balance sheet

MEUR	Note	31 Dec 2013	31 Dec 2012
ASSETS			
Non-current assets			
Intangible assets	8, 9	28.2	26.1
Tangible assets	10	0.8	0.8
Investments			
Investments in subsidiaries	11	1,736.8	1,685.1
Investments in joint ventures	11	37.6	32.5
Other investments	11	3.8	3.9
Total non-current assets		**1,807.1**	**1,748.4**
Current assets			
Non-current receivables	12, 18	629.4	677.5
Current receivables	13, 18	1,200.1	850.3
Cash and cash equivalents		157.2	33.7
Total current assets		**1,986.8**	**1,561.5**
Total assets		**3,793.8**	**3,309.9**

MEUR		31 Dec 2013	31 Dec 2012
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Fair value reserves		2.1	5.4
Reserve for invested non-restricted equity		73.7	-
Retained earnings		743.5	770.8
Net income for the period		13.0	16.8
Total equity	14	**994.5**	**955.2**
Provisions		1.0	1.1
Liabilities			
Non-current liabilities			
Capital loan	15	35.0	-
Other non-current liabilities	15, 18	534.0	464.0
Current liabilities	16, 18	2,229.3	1,889.6
Total liabilities		**2,798.3**	**2,353.5**
Total equity and liabilities		**3,793.8**	**3,309.9**

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

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Cash flow from operating activities		
Operating loss	-16.1	-2.3
Adjustments to the operating loss for the period	5.3	4.6
Change in working capital	-37.8	26.3
Interest paid	-30.4	-39.1
Interest received	25.7	26.6
Dividends received	36.3	1.2
Taxes paid	0.0	0.0
Derivatives	5.9	28.7
Cash flow from operating activities	**-11.2**	**45.9**
Cash flow from investing activities		
Investments in tangible and intangible assets	-7.2	-12.7
Acquisitions of subsidiaries and other companies	-110.6	-32.6
Proceeds from sales of shares	0.0	-
Proceeds from sales of tangible and intangible assets	-	0.1
Cash flow from investing activities	**-117.8**	**-45.2**
Cash flow from financing activities		
Proceeds from sale of treasury shares	0.2	-
Stock options exercised	73.5	-
Increase in loans receivable	-632.4	-523.1
Disbursement of loans receivable	321.3	99.4
Proceeds from short-term borrowings	819.8	670.5
Repayments of short-term borrowings	-485.0	-282.2
Proceeds from long-term borrowings	234.9	54.9
Repayments of long-term borrowings	-35.7	-47.8
Dividends paid	-44.1	-61.3
Cash flow from financing activities	**252.5**	**-89.6**
Change in cash and cash equivalents	123.5	-88.8
Cash and cash equivalents 1 Jan	33.7	122.5
Cash and cash equivalents 31 Dec	**157.2**	**33.7**
Change in working capital		
Change in non-interest-bearing receivables	7.7	-19.5
Change in non-interest-bearing payables	-45.5	45.7
Change in working capital	**-37.8**	**26.3**

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. 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 recognized 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 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 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 Sept. 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 (1.9.2006) 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 contrary to expenses to which the parent company is committed and which is not likely to generate the corresponding revenue, or losses, which are not to be expected.

2. Personnel expenses

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Wages and salaries	10.4	15.9
Pension costs	1.7	2.5
Other statutory employer costs	0.7	0.9
Total	**12.8**	**19.3**

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

Average number of employees

	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Administrative employees	100	154

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 (2012: 0.4) million. Additionally in year 2012, two members of the Board received a separate compensation for their consultant work for the company, total amount of these compensations were EUR 0.3 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 was EUR 0.1 (2012: 0,1) million.

The salaries and remunerations including fringe benefits paid to the President and CEO as of 1 March 2013 totalled EUR 0.6 million. The President and CEO is entitled to a statutory pension, of which a pension cost of EUR 0.1 million was recorded in 2013. The statutory retirement age is 63 years in accordance with the current legislation. In 2012, the salaries and remunerations including fringe benefits paid to the President and CEO and the deputy to CEO until 8 October 2012 totalled EUR 1.4 million. Key management compensation is described in more detail in note 34, Related-party transactions in the consolidated financial statements.

3. Depreciation, amortisation and impairment charges

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Planned depreciation and amortisation		
Intangible rights	0.7	0.9
Other capitalised expenditure	4.4	3.6
Buildings	0.0	0.0
Machinery and equipment	0.1	0.1
Total	**5.2**	**4.6**

No impairments have been recognised in tangible or intangible assets during the accounting period or previous accounting period.

4. Audit fees

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Annual audit	0.3	0.5
Tax advice	0.2	0.1
Other services	1.2	0.6
Total	**1.7**	**1.1**

5. Financing income and expenses

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Interest income		
From group companies	23.6	25.0
From third parties	9.2	12.7
Total	**32.8**	**37.7**
Other financing income		
From group companies	1.2	1.3
Dividend from group companies	36.3	1.2
Exchange rate differences	-9.2	13.5
Total	**28.3**	**16.0**
Interest expenses		
From group companies	-15.8	-23.8
From third parties	-17.3	-16.4
Total	**-33.1**	**-40.2**
Other financing expenses		
From group companies	-17.8	-
From third parties	-2.6	-2.0
Total	**-20.4**	**-2.0**
Reversals of impairments of investments in subsidiaries	40.0	15.0
Impairments of investments in subsidiaries	-93.7	-0.2
Total financing income and expenses	**-46.1**	**26.3**

6. Extraordinary items

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Extraordinary expenses		
Group contributions	-	6.8
Extraordinary income		
Group contributions	90.1	-

7. Income taxes

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Current year tax expense	0.0	0.0
Change in deferred tax asset	14.9	0.4
Total	**14.9**	**0.4**

8. Intangible assets

MEUR	Intangible rights	Other capitalised expenditure	Fixed assets under construction	Total
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 on 31 Dec 2013	**0.8**	**26.1**	**1.3**	**28.2**
Acquisition cost 1 Jan 2012	3.6	10.9	10.7	25.2
Additions	-	-	12.7	12.7
Transfer between groups	0.5	16.1	-16.5	0.0
Acquisition cost 31 Dec 2012	**4.1**	**27.0**	**6.8**	**37.9**
Accumulated amortisation 1 Jan 2012	1.9	5.4	-	7.3
Amortisation during the period	0.9	3.6	-	4.4
Accumulated amortisation 31 Dec 2012	2.8	9.0	-	11.8
Book value 31 Dec 2012	**1.3**	**18.0**	**6.8**	**26.1**

9. Capitalised interest

MEUR	2013	2012
Capitalised during the financial year	-	0.1
Undepreciated capitalised interest	0.3	0.3

Capitalised interest relate to project ONE 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 2013	0.4	0.4	0.9	0.1	1.8
Additions	0.0	0.0	0.1	0.0	0.1
Disposals	0.0	0.0	0.0	0.0	0.0
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	0.0	0.1
Accumulated depreciation on 31 Dec 2013	-	0.1	1.0	0.1	1.2
Book value on 31 Dec 2012	**0.4**	**0.3**	**0.1**	**0.0**	**0.8**
Acquisition cost on 1 Jan 2012	0.4	0.4	0.9	0.1	1.8
Additions	-	-	0.0	-	0.0
Acquisition cost on 31 Dec 20121	**0.4**	**0.4**	**0.9**	**0.1**	**1.8**
Accumulated depreciation on 1 Jan 2012	-	0.1	0.7	0.1	0.9
Depreciation during the period	-	0.0	0.1	-	0.2
Accumulated depreciation on 31 Dec 2012	-	0.1	0.9	0.1	1.1
Book value on 31 Dec 2012	**0.4**	**0.3**	**0.1**	**0.0**	**0.8**

11. Investments

MEUR	2013	2012
Investments in subsidiaries		
Acquisition cost 1 Jan	1,778.9	1,778.8
Accumulated impairments 1 Jan	-93.8	-108.6
Additions	105.4	0.1
Impairments / reversals of impairments	-53.7	14.8
Book value 31 Dec	**1,736.8**	**1,685.1**

MEUR	2013	2012
Investments in joint ventures		
Acquisition cost 1 Jan	32.5	-
Additions	5.1	32.5
Book value 31 Dec	**37.6**	**32.5**

MEUR	2013	2012
Other investments		
Acquisition cost 1 Jan	3.9	3.9
Disposals	-0.1	-
Book value 31 Dec	**3.8**	**3.9**

Subsidiary companies' full name, country of domicile and parent company's shareholding are disclosed in note 36, Subsidiaries in the consolidated financial statements.

12. Non-current receivables

MEUR	31 Dec 2013	31 Dec 2012
Loans receivable from group companies	623.5	611.4
Derivative assets	-	41.4
Deferred tax asset	5.2	20.1
Loan receivables from others	0.7	4.5
Total	**629.4**	**677.5**

13. Current receivables

MEUR	31 Dec 2013	31 Dec 2012
From group companies		
Accounts receivable	8.9	17.1
Derivative assets	15.6	20.9
Loans receivable	1,042.9	757.5
Deferred assets	97.7	7.4
Total	**1,165.1**	**803.0**
From third parties		
Accounts receivable	0.1	0.0
Derivative assets	18.3	30.9
Loans receivable	0.3	-
Deferred assets	16.2	16.3
Total	**35.0**	**47.3**
Total current receivables	**1,200.1**	**850.3**

14. Equity

MEUR	2013	2012
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	5.4	12.3
Cash flow hedges	-4.6	-9.2
Change in deferred taxes	1.2	2.2
Fair value reserve 31 Dec	**2.1**	**5.4**
Total restricted equity	**164.4**	**167.7**
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	-	-
Proceeds from sale of treasury shares	73.5	-
Stock options excercised	0.2	-
Reserve for invested non-restricted equity 31 Dec	**73.7**	**-**
Retained earnings 1 Jan	787.5	832.0
Dividens paid	-44.1	-61.3
Retained earnings 31 Dec	**743.5**	**770.8**
Profit / loss for the period	13.0	16.8
Total non-restricted equity	**830.1**	**787.5**
Total equity	**994.5**	**955.2**
Distributable equity	**830.1**	**787.5**

15. Non-current liabilities

MEUR	31 Dec 2013	31 Dec 2012
Capital loans	35.0	-
Corporate bonds	148.4	227.1
Loans from financial institutions	381.8	202.5
Deferred tax liability	0.5	1.8
Derivative liabilities	3.2	32.6
Total non-current liabilities	**569.0**	**464.0**

Maturity after 5 years

MEUR	31 Dec 2013	31 Dec 2012
Corporate bonds	61.6	64.1
Loans from financial institutions	103.9	174.7
Total	**165.5**	**238.8**

16. Current liabilities

MEUR	31 Dec 2013	31 Dec 2012
To group companies		
Accounts payable	5.2	40.3
Derivative liabilities	40.9	37.4
Loans from group companies	1,909.2	1,558.0
Accruals	4.9	16.9
Total	**1,960.1**	**1,652.6**
To third parties		
Corporate bonds	68.9	-
Loans from financial institutions	20.3	35.7
Commercial papers	133.0	148.6
Bank overdrafts used	0.0	21.3
Accounts payable	4.1	5.0
Derivative liabilities	20.0	7.0
Accruals	22.8	19.3
Total	**269.2**	**236.9**
Total current liabilities	**2,229.3**	**1,889.6**

Accruals

MEUR	31 Dec 2013	31 Dec 2012
Accrued salaries, wages and employment costs	2.4	3.3
Accrued interests	15.0	14.3
Other accruals	10.3	18.7
Total	**27.7**	**36.2**

17. Commitments

MEUR	31 Dec 2013	31 Dec 2012
Security for guarantees		
Guarantees given on behalf of group companies	458.3	411.3
Guarantees given on behalf of others	0.0	0.9
Total	**458.3**	**412.3**
Contingencies		
Rental commitments given on behalf of others	2.5	2.7
Leasing commitments		
Maturity within the next financial period	2.0	1.6
Maturity after next financial period	3.9	4.9
Total	**8.4**	**9.3**

18. Derivatives

Fair values of derivative financial instruments

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**

31 Dec 2012 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	20.9	37.4	-16.5
Currency forward contracts	30.9	7.0	23.9
Cross-currency and interest rate swaps	41.4	32.6	8.8
Total	**93.3**	**77.0**	**16.3**

Nominal values of derivative financial instruments

MEUR	31 Dec 2013	31 Dec 2012
Intra-group currency forward contracts	2,232.5	2,476.4
Currency forward contracts	3,558.6	3,575.9
Cross-currency and interest rate swaps	217.5	227.4
Total	**6,008.7**	**6,279.6**

Key figures

Key financial figures

Consolidated statement of income		2013	2012	2011	2010	2009
Sales	MEUR	3,181	3,327	3,139	2,575	2,581
Exports from and sales outside Finland	MEUR	3,131	3,260	3,078	2,516	2,530
Operating profit	MEUR	93	131	207	131	0
% of sales	%	2.9	3.9	6.6	5.1	0.0
Operating profit excluding restructuring costs	MEUR	127	158	207	142	61
% of sales	%	4.0	4.7	6.6	5.5	2.4
Income before taxes	MEUR	79	123	192	101	-27
% of sales	%	2.5	3.7	6.1	3.9	-1.0
Net income for the period	MEUR	55	89	149	78	7
% of sales	%	1.7	2.7	4.8	3.0	0.3

Other key figures		2013	2012	2011	2010	2009
Wages and salaries	MEUR	460	452	419	364	351
Depreciation, amortisation and impairment	MEUR	77	70	63	60	60
Capital expenditure in intangible assets and property, plant and equipment	MEUR	69	76	47	44	88
Capital expenditure in customer financing	MEUR	39	34	30	16	19
Capital expenditure total % of sales	%	3.4	3.3	2.4	2.3	4.1
Research and development costs	MEUR	63	75	60	37	37
% of sales	%	2.0	2.3	1.9	1.4	1.4
Equity	MEUR	1,239	1,219	1,168	1,069	881
Total assets	MEUR	3,336	3,298	3,124	2,916	2,687
Interest-bearing net debt [1]	MEUR	578	478	299	171	335
Return on equity	%	4.5	7.5	13.3	8.0	0.8
Return on capital employed	%	5.0	8.2	13.3	8.6	0.2
Total equity / total assets	%	39.5	40.8	42.9	42.7	37.5
Gearing [1]	%	46.7	39.2	25.6	16.0	38.0
Orders received	MEUR	3,307	3,058	3,233	2,729	1,828
Order book	MEUR	1,980	2,021	2,426	2,356	2,149
Average number of employees		10,210	10,522	10,692	9,673	10,785
Number of employees 31 Dec		10,610	10,294	10,928	9,954	9,606
Dividends	MEUR	27 [2]	44	61	37	24

[1] Including cross-currency hedging of the 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. Additional information is available in note 35.

Share-related key figures

		2013		2012	2011	2010	2009
Earnings per share							
Basic earnings per share	EUR	0.89		1.45	2.42	1.21	0.05
Diluted earnings per share	EUR	0.89		1.45	2.42	1.21	0.05
Equity per share	EUR	19.18		19.80	18.97	17.37	14.20
Dividend per class B share	EUR	0.42	4	0.72	1.00	0.61	0.40
Dividend per class A share	EUR	0.41	4	0.71	0.99	0.60	0.39
Dividend per earnings, class B share	%	47.1	4	49.7	41.3	50.4	782.8
Dividend per earnings, class A share	%	46.0	4	49.1	40.9	49.6	763.2
Effective dividend yield, class B share	%	1.6	4	3.6	4.4	1.6	2.1
Price per earnings, class B share	EUR	30.4		13.8	9.5	32.3	377.9
Development of share price, class B share							
Average share price	EUR	24.49		22.70	26.79	26.08	11.55
Highest share price	EUR	29.69		33.62	39.60	39.37	19.31
Lowest share price	EUR	19.35		15.65	16.35	19.16	6.37
Closing price at the end of period	EUR	27.09		19.95	22.98	39.03	19.31
Market capitalisation 31 Dec [1]	MEUR	1,743		1,223	1,410	2,390	1,183
Market capitalisation of class B shares 31 Dec [2]	MEUR	1,484		1,034	1,191	2,023	1,001
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	('000)	41,105		64,275	58,290	47,097	54,782
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	%	74.0		118.8	98.5	84.2	92.2
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)	51,995		51,819	51,819	51,819	51,812
Number of class B shares 31 Dec [2]	('000)	54,789		51,819	51,819	51,819	51,819
Diluted weighted average number of class B shares [2]	('000)	52,082		51,819	51,819	51,819	51,812

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. Additional information is available in note 35.

Calculation of key figures

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

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

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

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

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

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

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

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

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

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

Price / earnings (P/E)	=		Closing price for the class B share at the end of period / Basic earnings / share
Average share price	=		EUR amount traded during period for the class B share / 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	Number of class B shares traded during period / Average weighted number of class B shares during period

* Including cross-currency hedging of the USD 300 million Private Placement corporate bonds.

Shares and shareholders

Cargotec Corporation's class B shares are quoted on the NASDAQ OMX Helsinki OMX Large Cap list 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 2009−2013, EUR

	2013	2012	2011	2010	2009
Basic earnings per share	0.89	1.45	2.42	1.21	0.05
Equity per share	19.18	19.80	18.97	17.37	14.20
Dividend per class B share	0.42*	0.72	1.00	0.61	0.40
Dividend per class A share	0.41*	0.71	0.99	0.60	0.39
Effective dividend yield, class B share, %	1.6*	3.6	4.4	1.6	2.1
Price per earnings, class B share	30.4	13.8	9.5	32.3	377.9
Development of share price, class B share					
Average share price	24.49	22.70	26.79	26.08	11.55
Highest share price	29.69	33.62	39.60	39.37	19.31
Lowest share price	19.35	15.65	16.35	19.16	6.37
Closing price at the end of the period	27.09	19.95	22.98	39.03	19.31

* 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. Additional information is available in note 35.

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 15,002,887 at the end of 2013.

There were no changes in Cargotec Corporation's share capital in 2013. On 31 December 2013, share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 54,788,505 class B shares and 9,526,089 class A shares. During the financial period, the number of class B shares grew by 9,714 shares subscribed with 2010A option rights. The entire subscription price of EUR 184,760.28 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 0.41 for each class A shares and EUR 0.42 for each class B shares be paid for the financial year 2013.

Share issue

In December, Cargotec's Board of Directors decided to offer all the 2,959,487 Cargotec class B shares held in treasury by the company to a limited number of selected domestic and international institutional qualified investors. The shares were repurchased in 2005–2008. The shares corresponded to approximately 4.60 percent of all the shares and 1.97 percent of all the voting rights in the company prior to the completion of the share issue. The subscription price was set at EUR 25.00 per share, amounting to a total of EUR 74.0 million before commissions and expenses. The proceeds from the share issue are intended for refinancing of existing debt of Cargotec and restrengthening the balance sheet following the acquisitions in Cargotec's MacGregor business area.

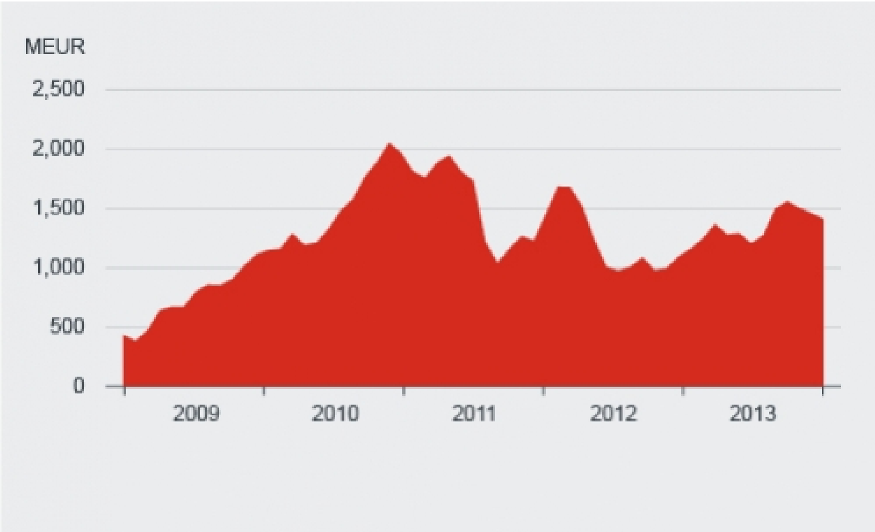
The share issue was based on the authorisation granted to the Board of Directors by Annual General Meeting held on 19 March 2012. The Annual General Meeting authorised the Board of Directors to decide on issuance of a maximum of 6,400,000 treasury shares, of which no more than 952,000 are class A shares and 5,448,000 are class B shares, in one or more lots. The authorisation shall remain in effect for a period of five years from the date of decision of the Annual General Meeting.

Share price development and trading

In 2013, Cargotec's class B share price rose 36 percent, from EUR 19.95 to EUR 27.09. Over the same period, the OMX Helsinki Benchmark Cap Index rose by 26 percent.

At the end of 2013, 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 1,484 (1,034) 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 1,743 (1,223) million. Comparison figures are excluding treasury shares held by the company at the end of 2012.

Market capitalisation, class B shares



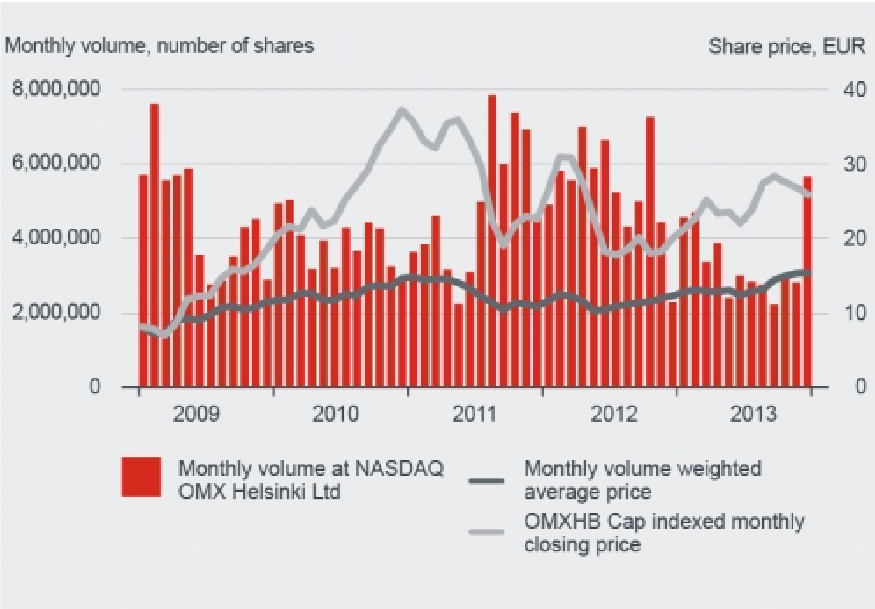
Class B share closed at EUR 27.09 (19.95) on the last trading day of 2013. The highest quotation for 2013 was EUR 29.69 (33.62) and the lowest EUR 19.35 (15.65). The volume weighted average price for the financial period was EUR 24.49 (22.70).

During 2013, a total of 41 (64) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,009 (1,462) million. The average daily trading volume of class B shares was 164,421 (257,102) shares or EUR 4 (6) million.

In 2013, in addition to NASDAQ OMX Helsinki Ltd., a total of 31 (40) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 759 (949) 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



Shareholders

At the end of 2013, Cargotec had approximately 22,000 (24,000) 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 10,565,425 (6,017,793) nominee-registered shares, representing 16.43 (9.36) percent of the total number of shares, which corresponds to 7.04 (4.01) 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 2013

	Shareholder	Class A shares	Class B shares	Shares total	Shares, %	Votes	Votes, %
1	Ownership of Ilkka Herlin, total	2,940,067	5,379,887	8,319,954	12.94	3,478,055	23.18
	Wipunen varainhallinta oy	2,940,067	5,375,000	8,315,067	12.93	3,477,567	23.18
	Herlin Ilkka		4,887	4,887	0.01	488	0.00
2	Mariatorp Oy (in Niklas Herlin's controlling power)	2,940,067	5,000,000	7,940,067	12.35	3,440,067	22.93
3	D-sijoitus Oy (in Ilona Herlin's controlling power)	2,940,067	3,850,000	6,790,067	10.56	3,325,067	22.16
4	Toshiba Elevator And Building Systems Corporation		3,023,340	3,023,340	4.70	302,334	2.02
5	Varma Mutual Pension Insurance Company		3,016,098	3,016,098	4.69	301,609	2.01
6	Kone Foundation	705,888	1,232,454	1,938,342	3.01	829,133	5.53
7	Ilmarinen Mutual Pension Insurance Company		961,953	961,953	1.50	96,195	0.64
8	The State Pension Fund		850,000	850,000	1.32	85,000	0.57
9	Fondita Nordic Small Cap Fund		450,000	450,000	0.70	45,000	0.30
10	Herlin Heikki		400,000	400,000	0.62	40,000	0.27
11	Nordea Fennia Fund		320,000	320,000	0.50	32,000	0.21
12	Veritas Pension Insurance		298,304	298,304	0.46	29,830	0.20
13	Nordea Pro Suomi Fund		282,000	282,000	0.44	28,200	0.19
14	Sigrid Jusélius Foundation		273,400	273,400	0.43	27,340	0.18
15	Nurminen Hanna		270,268	270,268	0.42	27,026	0.18
16	Aktia Capital Fund		259,000	259,000	0.40	25,900	0.17
17	OP-Suomi Arvo Fund		223,374	223,374	0.35	22,337	0.15
18	SEB Finlandia Fund		210,000	210,000	0.33	21,000	0.14
19	Fennia Life Insurance Company		209,779	209,779	0.33	20,977	0.14
20	Brita Maria Renlund Foundation		209,500	209,500	0.33	20,950	0.14
	Total	**9,526,089**	**26,719,357**	**36,245,446**	**56.36**	**12,198,020**	**81.30**

Nominee registered	10,565,425
Other owners	17,503,723
Total number of shares issued on 31 Dec 2013	**64,314,594**

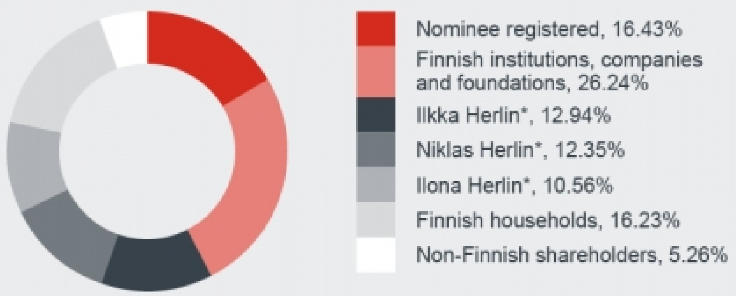
Based on ownership records of Euroclear Finland Ltd.

Breakdown of share ownership on 31 December 2013

Number of shares	Number of shareholders	% of shareholders	Total shares	% of total number of shares
1-100	9,014	41.66	519,359	0.81
101-500	8,517	39.36	2,232,563	3.47
501-1,000	2,023	9.35	1,573,047	2.45
1,001-10,000	1,859	8.59	4,958,009	7.71
10,001-100,000	181	0.84	5,430,574	8.44
100,001-1,000,000	36	0.17	8,525,321	13.26
over 1,000,000	8	0.04	41,070,330	63.86
Total	**21,638**	**100.00**	**64,309,203**	**100.00**
of which nominee registered	15			
In the joint book-entry account			5,391	0.01
Total number of shares on 31 Dec 2013			**64,314,594**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

Breakdown by shareholder category on 31 December 2013



* 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 2013, 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 5,621,323 (5,235,078) class B shares, which correspond to 13.31 (12.71) percent of the total number of all shares and 23.34 (23.09) percent of all votes. The President and CEO did not have an appointed deputy.

The President and CEO (as of 1 March 2013) **Mika Vehviläinen** is covered by the share-based incentive programme and option programme. Based on the option programme, he has been granted 60,500 Cargotec 2010A stock options. He will be 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.

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 2013 Annual General Meeting authorised the Board of Directors to decide on the repurchase of own shares with non-restricted equity. The shares may be repurchased in order to develop the capital structure of the company, to finance or carry out possible acquisitions and other arrangements, to implement Cargotec's share-based incentive plan, to be transferred for other purposes or to be cancelled. Altogether no more than 6,400,000 own shares may be purchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The authorisation shall remain in effect for a period of 18 months from the resolution by the Annual General Meeting.

The 2012 Annual General Meeting authorised the Board of Directors to decide on issuance of a maximum of 6,400,000 treasury shares, of which no more than 952,000 are class A shares and 5,448,000 are class B shares, in one or more lots. The share issue can be directed, i.e. not in proportion to the existing pre-emptive right of shareholders to purchase the company's treasury shares, on the condition that the issuance of shares is based on important financial grounds. The share issue is to be used to as compensation in acquisitions and in other arrangements, to finance acquisitions or for personnel incentive purposes. The Board of Directors has also the right to decide on the transfer of the treasury shares in public trading on NASDAQ OMX Helsinki Ltd. according to its rules and regulations. The Board of Directors was also authorised to decide on other conditions of the share issue. During the financial period, the Board exercised this authorisation by offering to the market all the 2,959,487 Cargotec class B shares held in treasury by the company. This authorisation remains in effect for a period of five years from the date of decision of the Annual General Meeting.

At the end of the financial period, the Board of Directors had no current authorisation to grant option rights or other special rights entitling to shares, or to raise the share capital.

Share-based incentive programmes

Share-based incentive programme 2013

In August 2013, the Board of Directors approved a new share-based incentive programme for key personnel. The programme consists of an earnings period based on the H2 2013 financial performance and a holding period of approximately two years following the performance period.

The potential reward will be delivered in Cargotec class B shares. The shares will be delivered in spring 2014 and will be released in two tranches during year 2015. The minimum earnings criterion was corporate operative cash flow of EUR 127.8 million for H2 2013, which was fulfilled. Additionally, business area specific earnings criterion was fulfilled by 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 will be rewarded.

Earnings period	Earnings criteria	Target group	Outcome
H2 2013	Cargotec corporation and business area specific operative cash flow	43 participants, including Executive Board members	20 participants will be rewarded

Share-based incentive programme 2010

In March 2010, the Board of Directors decided to establish a new share-based incentive programme for Cargotec executives. The programme includes three earnings period, each of them lasting three calendar years, which commenced in 2010, 2011 and 2012. The Board of Directors has decided on the target group, earnings criteria and the targets to be established for them, as well as the maximum amount of reward payable for each earnings period. Rewards to be paid on the basis of the earnings period 2010–2012, 2011–2013 and 2012–2014 will correspond to a maximum total of 300,000 Cargotec class B shares (including the proportion to be paid in cash).

The minimum earnings criterion for the first earnings period 2010–2012 and for the second earnings period 2011–2013 were not fulfilled and hence there is no payout based on the first and second earnings periods.

Earnings period		Earnings criteria	Target group	Outcome
First earnings period	2010–2012	Operating profit margin and sales for financial year 2012	Executive Board in spring 2010	Targets not fulfilled
Second earnings period	2011–2013	Operating profit margin and sales for financial year 2013	Executive Board in spring 2011	Targets not fulfilled
Third earnings period	2012–2014	Operating profit and sales for financial year 2014	Executive Board in spring 2012	

More information about the incentive programme is available in the **Remuneration statement 2013** and on Cargotec's website **www.cargotec.com/investors**.

Option programme 2010

The 2010 Annual General Meeting confirmed that stock options will be issued to the key personnel of Cargotec and its subsidiaries. The Board has decided on the target group, earnings criteria and option issuance on an annual basis, in the spring of the years 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options). The maximum total number of stock options reserved for the programme is 1,200,000 which entitle their owners to subscribe for a maximum total of 1,200,000 new class B shares in Cargotec or existing class B shares held by the company. The beginning of the share subscription period requires attainment of targets established for a performance criterion determined by the Board of Directors annually. Those stock options, for which the targets have not been attained, will expire.

A total of 400,000 2010A stock options assigned to 50 key employees were listed on the main list of NASDAQ OMX Helsinki on 2 April 2013. Each stock option entitles its holder to subscribe for one (1) new class B share in Cargotec between 1 April 2013 and 30 April 2015. The share subscription price at the end of the financial period amounted to EUR 19.02 per share and the number of listed 2010A stock options was 390,286.

The share subscription, involving a total of 25,456 2010B stock options, will commence on April 2014. The earnings criterion for stock options 2010C subscription to commence was not fulfilled.

	Subscription price, dividends deducted, EUR (as of 1 April 2013)	Subscription period	Earnings criteria	No. of stock options for subscription
Stock options 2010A	19.02	1 April 2013–30 April 2015	Operating profit 2010	400,000
Stock options 2010B	29.51	1 April 2014–30 April 2016	Operating profit 2011	25,456
Stock options 2010C	28.08	1 April 2015–30 April 2017	Operating profit 2012	0

More information on stock options is available in the **Remuneration statement 2013** and on Cargotec's website **www.cargotec.com/investors**.

Signatures for Board of Directors' report and financial statements

Helsinki, 3 February 2014

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, 3 February 2014

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, 2013. 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, 3 February, 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Tomi Hyryläinen
Authorised Public Accountant

Jouko Malinen
Authorised Public Accountant

Investor information

Cargotec's class B shares are quoted on the NASDAQ OMX Large Cap list of Helsinki Stock Exchange 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 for 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

Information for 2010A stock option

- Listing: NASDAQ OMX Helsinki Ltd.
- Date of listing: 2 April 2013
- Trading currency: Euro
- Trading ticker: CGCBVEW110
- Number of listed stock options 31 Dec 2013: 390,286
- ISIN code: FI4000061106
- Subscription ratio: 1:1
- Subscription price: EUR 19.02
- Subscription period: 1 Apr 2013–30 Apr 2015

Investor relations

Cargotec Investor Relations 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 2013

During 2013, Cargotec conducted around 170 IR meetings. The interest towards Cargotec grew from 2012. The IR team, consisting of Cargotec's President and CEO, CFO and IR Director, conducted meetings in Finland, Sweden, Norway, the UK, France, Germany, as well as on the east coast of the USA. In addition to one-on-one meetings, several group meetings were hosted in Finland, the Netherlands, China and Singapore. The IR team also gave presentations at a number of investor seminars for institutional investors in Finland and abroad. Cargotec's Capital Markets Day (CMD), held in December in Helsinki, Finland, was attended by close to 50 institutional investors, analysts and bankers. In connection to the CMD, a visit to Tampere Technology and Competence Center was arranged.

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 is committed to communicating actively and openly with all stakeholders irrespective of whether the information is positive or negative for the company. All communications are performed in a transparent, credible, proactive and consistent manner. The aim is to provide reliable and timely information in support of a fair valuation of the company's shares.

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.

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.

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 2014

- 4 February 2014: Financial statements review 2013
- Week 7: Annual report 2013
- 29 April 2014: January–March 2014 interim report
- 18 July 2014: January–June 2014 interim report
- 23 October 2014: January–September 2014 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.

Contacts

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Stock exchange releases in 2013

Number of Cargotec shares increases through subscription with stock options 2010A on 31 December 2013
Tuesday, December 31, 2013 10:15 AM

Share subscriptions with Cargotec 2010 stock options in 2014
Tuesday, December 17, 2013 2:00 PM

Cargotec executes sale of own shares held in treasury and raises EUR 74 million in equity
Wednesday, December 04, 2013 9:30 AM

Cargotec contemplates sale of own shares held in treasury directed to selected qualified investors
Tuesday, December 03, 2013 6:30 PM

Cargotec's Capital Markets Day to focus on short and mid-term performance of businesses, and will include assessment of operating profit development in 2014
Monday, December 02, 2013 12:30 PM

Cargotec has established a joint venture with China National Heavy Duty Truck Group Co., Ltd. to strengthen presence in China
Monday, December 02, 2013 10:00 AM

Cargotec's MacGregor receives USD 77 million order for high efficiency cargo handling solutions from Hyundai Heavy Industries
Friday, November 22, 2013 1:00 PM

Number of Cargotec shares increases through subscription with stock options 2010A on 4 November 2013
Monday, November 04, 2013 9:15 AM

Cargotec's MacGregor completes acquisition of Hatlapa marine equipment
Thursday, October 31, 2013 5:00 PM

Cargotec to acquire Aker Solutions' mooring and loading systems unit to grow MacGregor offshore business
Wednesday, October 30, 2013 4:00 PM

Cargotec's financial information in 2014
Monday, October 28, 2013 10:00 AM

Changes in Cargotec's Executive Board
Friday, October 25, 2013 2:00 PM

Cargotec plans to restructure operations in Hiab business area
Thursday, October 24, 2013 1:00 PM

Cargotec's January-September 2013 interim report: operating profit margin and cash flow show positive signs
Thursday, October 24, 2013 12:30 PM

Cargotec's MacGregor wins a EUR 37 million order for 45 electric winches from Hyundai Samho Heavy Industries
Wednesday, October 23, 2013 10:00 AM

Cargotec reduces its full-year 2013 guidance
Tuesday, October 15, 2013 9:00 AM

Cargotec's January-September 2013 interim report to be published on Thursday, 24 October 2013
Friday, October 04, 2013 10:00 AM

Cargotec's Kalmar receives major repeat order from TraPac's fully automated terminal in Los Angeles, USA
Monday, September 16, 2013 9:00 AM

Cargotec appoints Eric A. Nielsen to head MacGregor business area as of 16 September 2013
Friday, September 13, 2013 2:00 PM

Cargotec's Board of Directors has approved a share-based incentive programme for management for the year 2013
Friday, August 23, 2013 1:30 PM

Cargotec's January-June 2013 interim report: Business developed as estimated during the second quarter
Thursday, July 18, 2013 12:30 PM

Cargotec strengthens MacGregor portfolio by acquiring Hatlapa Group
Tuesday, July 16, 2013 9:30 AM

Cargotec's January-June 2013 interim report to be published on Thursday, 18 July 2013
Monday, July 01, 2013 10:00 AM

Cargotec appoints Mikko Pelkonen as Senior Vice President, Human Resources
Thursday, May 23, 2013 2:00 PM

Cargotec wins EUR 22 million order for 900-tonne MacGregor AHC subsea crane from South Korea
Thursday, May 16, 2013 9:30 AM

Cargotec receives EUR 37 million order for MacGregor offshore cranes from Hornbeck Offshore Services
Tuesday, May 14, 2013 10:00 AM

Number of Cargotec shares increases through subscription with stock options 2010A on 7 May 2013
Tuesday, May 07, 2013 9:45 AM

Cargotec's January-March 2013 interim report: Orders grew. Low sales weakened operating profit.
Friday, April 26, 2013 8:30 AM

Cargotec's January-March 2013 interim report to be published on Friday, 26 April 2013
Wednesday, April 10, 2013 9:00 AM

Cargotec's Kalmar gains another large port equipment order from Venezuela
Monday, March 25, 2013 1:00 PM

Changes in Cargotec Corporation's Executive Board practices
Thursday, March 21, 2013 10:00 AM

Remuneration to Cargotec's President and CEO Mika Vehviläinen
Wednesday, March 20, 2013 5:25 PM

Cargotec Corporation's Board of Directors organising meeting 2013
Wednesday, March 20, 2013 3:30 PM

Decisions taken at Cargotec Corporation's Annual General Meeting 2013
Wednesday, March 20, 2013 2:30 PM

Cargotec receives another large order for MacGregor cargo access package for five ConRos in China
Monday, March 11, 2013 10:00 AM

Cargotec's Kalmar gains large port equipment order from Venezuela
Friday, March 08, 2013 11:30 AM

Listing of Cargotec Corporation 2010A stock options
Wednesday, March 06, 2013 1:00 PM

Cargotec receives a large order for MacGregor RoRo cargo access equipment for five ConRos in South Korea
Wednesday, March 06, 2013 11:00 AM

Cargotec's year 2012 annual report and financial statements published
Monday, February 18, 2013 1:03 PM

Notice of Cargotec Corporation's Annual General Meeting 2013
Tuesday, February 12, 2013 9:00 AM

Cargotec's financial statements review 2012: Challenging year behind, new operating model to improve profitability and cash flow
Tuesday, February 12, 2013 8:30 AM

Mika Vehviläinen to be Cargotec's new President and CEO as of 1 March 2013
Monday, January 28, 2013 8:30 AM

Cargotec to book EUR 26 million in restructuring costs in the fourth quarter of 2012
Tuesday, January 22, 2013 9:00 AM

Cargotec's financial statements review 2012 report to be published on Tuesday, 12 February 2013
Monday, January 21, 2013 9:00 AM

Cargotec's recruitment process for a new President and CEO still on-going
Wednesday, January 16, 2013 8:30 AM

Analysts

According to our knowledge the following analysts have regular coverage on Cargotec Corporation. The list may be incomplete. The listed analysts follow Cargotec on their own initiative. Cargotec is not responsible for their views.

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Annual General Meeting 2014

Cargotec Corporation's Annual General Meeting (AGM) will be held at the Marina Congress Center, at Katajanokanlaituri 6, Helsinki, Finland on Tuesday, 18 March 2014 at 1:00 p.m. Finnish time. 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.

Right to attend the meeting

Shareholders wishing to attend the meeting must be registered in the Cargotec shareholder register maintained by Euroclear Finland Ltd on the record date of the meeting, 6 March 2014. Shareholders whose shares are registered in their personal book-entry account are automatically registered in the shareholder register. Holders of nominee-registered shares, who would like to participate in the AGM, must be entered into the temporary shareholders' register no later than 13 March 2014, by 10 a.m. (EET). Holders of nominee-registered shares are advised to request the necessary instructions regarding registration in the shareholders' register of the company and the issuing of proxy documents from their custodian bank. A registration in the temporary shareholders' register is regarded as a notice of attendance to the AGM.

Notification of participation

Shareholders who wish to attend the meeting must notify Cargotec no later than 4 p.m. (EET) on 13 March 2014 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.

Proxies

Shareholders may participate in the meeting and use their voting rights by way of proxy representation. Any proxies must be submitted to Cargotec upon registration to the meeting.

Dividend payment

The Board of Directors will propose to the AGM convening on 18 March 2014 that, of the distributable profit, a dividend of EUR 0.41 per class A share and EUR 0.42 per class B share be paid. The dividend will be paid to shareholders who on the record date for dividend distribution, 21 March 2014, are registered as shareholders in the company's share register. The date proposed by the Board of Directors for the dividend payment is 28 March 2014.

Corporate governance statement 2013

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 with the Finnish Corporate Governance Code 2010 (**www.cgfinland.fi/en**). **Tapio Hakakari**, Vice Chairman of the Board, was also a member of the Nomination and Compensation Committee when in his role as Interim President and CEO until 28 February 2013, during which time Cargotec departed from recommendations 29 and 32.

At the Shareholders' Meeting, Cargotec's shareholders exercise the highest decision-making power. The company is managed by the Board of Directors and the President and CEO.

Cargotec has developed its governance model towards an organization driven by the three business areas MacGregor, Kalmar and Hiab. Cargotec's role includes supporting the business areas in fulfilling the requirements, rules and regulations set to listed companies.

The corporate governance statement is issued as a separate report and disclosed, together with the financial statements, Board of Directors' report and the remuneration statement, on the company website at www.cargotec.com > Investors > **Governance**. This information is also included in the annual report for 2013.

Shareholders' meeting

Cargotec's Shareholders' meeting is convened by the Board of Directors and held in the company's domicile, Helsinki, Finland. The Annual General Meeting (AGM) is held annually within three months of the closing of the financial period, on a day designated by the Board. An Extraordinary Shareholders' meeting in respect of specific matters shall be held when considered necessary by the Board, or when requested in writing by a company auditor or by shareholders representing at least ten percent of all the issued shares of the company.

The issues decided on by the AGM include the adoption of the financial statements, distribution of profit, granting of release from liability to the members of the Board of Directors and to the President and CEO, the election of and remuneration payable to the members of the Board and auditor. The Shareholders' meeting also has the right to amend the Articles of Association, and make decisions and authorise the Board of Directors to make decisions on the acquisition of treasury shares, on share issues and on option programmes.

Notice of the Shareholders' meeting is published as a stock exchange release and on Cargotec's website. This notice includes the agenda for the meeting, proposals made by the Board and the Board committees to the meeting and instructions regarding registration and attendance. The names of candidates for the Board of Directors are published in connection with the notice of the Shareholders' meeting, if the candidates have given their consent to their election and the proposal has been made by the Board Nomination and Compensation Committee, or if the proposal is supported by shareholders representing at least ten percent of the total voting rights of the company. The names of any candidates appointed after the notice has been issued will be published separately if the aforementioned conditions are met. Furthermore, the Board Audit and Risk Management Committee's proposal for the auditor will be published in a similar manner.

It is the company's aim that all members of the Board, the President and CEO and the Auditor be present at the Shareholders' meeting, and that a candidate standing for the Board for the first time attend the Shareholders' meeting deciding on the election, unless he or she has a substantive reason to be absent.

2013

The AGM held in Helsinki on 20 March 2013 was attended by 445 shareholders representing 80 percent of the total voting rights of the company. **Mika Vehviläinen**, President and CEO, **Ilkka Herlin**, Chairman, **Tapio Hakakari**, Vice Chairman, members **Peter Immonen**, **Antti Lagerroos**, **Teuvo Salminen** and **Anja Silvennoinen** as well as Board candidate **Jorma Eloranta** were present at the meeting. Also present was **Jouko Malinen**, Authorised public accountant, and management of Cargotec. In addition to decisions taken on an annual basis, the AGM authorised the Board of Directors to decide on the acquisition of treasury shares. The authorisation has not been exercised during the year. All documents related to the AGM are available in the AGM archives on the company website at www.cargotec.com > Investors > Governance > **Shareholders' meeting**.

At the end of 2013, the company had nearly 22,000 shareholders. Cargotec's major shareholders on 31 December 2013 are listed in the **Shares and shareholders** section of the financial statements, and a monthly updated list is available on the company's website at www.cargotec.com > Investors > **Shareholders**.

Shareholder rights

Right to request an Extraordinary Shareholders' Meeting to be convened

Shareholders representing at least ten percent of all company shares can request that an Extraordinary Shareholders' Meeting be convened, to discuss a specific matter under the purview of the Shareholders' Meeting, by notifying the company's Board of Directors in writing.

Right to raise issues for consideration

Shareholders have the right to raise issues for consideration by the Shareholders' Meeting, if they submit a written request to that effect to the Board in good time for the matter to be included in the notice of the Shareholders' Meeting. The date by which Cargotec's Board of Directors must be notified of all matters to be included in the agenda of the Annual General Meeting is published annually on the company website at www.cargotec.com > Investors > Governance > **Shareholders' meeting**.

Right to attend

Shareholders have the right to attend the Shareholders' meeting if they have been entered into the register of shareholders at least eight working days before the meeting and if they have notified the company of their intention to attend in the manner specified in the notice of the meeting. Holders of nominee-registered shares can also attend the Shareholders' Meeting by registering themselves in the register of shareholders on a temporary basis. A shareholder can attend the Shareholders' Meeting either in person or via a representative authorised by the shareholder. In the meeting, all shareholders have the right to raise questions and propose resolutions regarding issues on the agenda.

Right to vote

Cargotec has two share classes, each with different voting rights. 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.

Right to a dividend

Shareholders registered in Cargotec's shareholder register on the record date of the dividend payment are entitled to dividend. 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 cent and a maximum of two and a half cents.

Board of Directors

Composition

Cargotec's Board of Directors includes a minimum of five and a maximum of eight regular members, as well as a maximum of three deputy members. Board members are elected in the Annual General Meeting (AGM) for a one-year term of office that expires at the end of the first AGM following the election. The Board elects the Chairman and Vice Chairman from among its members. The majority of Board members shall be independent of the company and a minimum of two of the independent directors are to be independent of significant shareholders. In the election of Board members, due attention is paid to ensuring that members mutually complement one another in terms of experience and expertise in the company's line of business and its stage of development.

Responsibilities

The Board is responsible for the management and proper organisation of the company's operations as well as representing the company. The duties of the Board are determined on the basis of the Articles of Association and the Finnish Limited Liability Companies Act. The Board has compiled a written charter for its work that defines its main duties and operating principles. In compliance with the charter, the Board convenes regularly seven to eight times a year, and whenever necessary, by invitation of the Chairman. The Board's responsibilities include approving the company's financial statements and interim reports, the supervision of accounting and the control of the company's financial matters, and preparing issues to be presented to the Shareholders' Meeting. The Board also decides on the company's contributions and loans. The Board appoints Cargotec's President and CEO and determines the related terms of employment. Furthermore, the Board confirms the company's strategic plans as well as significant acquisitions and investments, and approves the company's risk management principles. In each of its meetings, the Board also discusses issues associated with Cargotec's strategic priorities or other current theme.

Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. The Board also conducts, annually and when necessary, an assessment of its members as regards their independence of the company and major shareholders.

Committees

The Board has set up two committees to improve the efficiency of board work: the Audit and Risk Management Committee and the Nomination and Compensation Committee. The Board nominates the members and the Chairmen of the committees from among its members annually, and confirms the committees' written charters. The committees have no independent decision-making power. They prepare minutes of their meetings and report to the Board of Directors on a regular basis.

2013

The composition of Cargotec's Board of Directors in 2013 was as follows:

- **Ilkka Herlin**, Chairman
- **Tapio Hakakari**, Vice Chairman
- **Peter Immonen**
- **Antti Lagerroos**
- **Teuvo Salminen**
- **Anja Silvennoinen**
- **Jorma Eloranta,** member as of 20 March 2013
- **Karri Kaitue**, member on 20 March 2013

Outi Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Board of Directors.

According to the assessment conducted in March 2013, all members of the Board were independent of the company and, with the exception of Ilkka Herlin and Peter Immonen, also independent of major shareholders. Ilkka Herlin, Chairman of the Board, is one of the largest owners of Cargotec through the company Wipunen varainhallinta oy controlled by him, holding over 23 percent of the votes and almost 13 percent of the shares of the company. He is also a Board member in two major shareholder companies, Mariatorp Oy and D-sijoitus Oy. Peter Immonen is a Board member of Wipunen varainhallinta oy and Mariatorp Oy. Tapio Hakakari, who acted as Interim President and CEO until 28 February 2013, was dependent on the company during his position as CEO.

In 2013, the Board met 15 times. Along with the annual tasks, the Board concentrated on strategic development and improvement of profitability of the three business areas. The Board was following the ongoing acquisition projects closely, as well as those measures related to the listing of MacGregor. Some Board members also participated in the business area review meetings during the year.

The Board evaluated its work in December with help of a self-evaluation questionnaire. Among other things, the members considered the role of the Board, the quality and effectiveness of its work, the strategy work and the Board's ability to perceive the social and environmental effects of its resolutions.

Member attendance in meetings 2013

	Board	Audit and Risk Management Committee	Nomination and Compensation Committee
Ilkka Herlin	15/15	7/7	6/6
Tapio Hakakari	15/15		6/6
Jorma Eloranta, as of 20 March 2013	13/13		
Peter Immonen	15/15		6/6
Karri Kaitue, until 20 March 2013	2/2	1/1	
Antti Lagerroos	14/15		6/6
Teuvo Salminen	15/15	7/7	
Anja Silvennoinen	15/15	6/7	

Audit and Risk Management Committee

The committee's duty is to supervise the financial reporting executed by the management, and to monitor the financial statement and interim reporting process. The committee supervises the adequacy and appropriateness of the company's internal control, internal audit and risk management in accordance with its charter, and handles Corporate Audit plans and reports. Furthermore, the committee prepares a proposal to the Annual General Meeting regarding the election and fees of the external auditor, defines and monitors the non-audit services performed by the auditing firm to ensure the auditors' independence, and supervises the statutory audit of financial statements and consolidated financial statements. The committee also reviews the Corporate governance statement.

The Audit and Risk Management Committee consists of a minimum of three members of the Board of Directors. The directors of Finance, Treasury, Corporate Audit and Risk Management report to the committee on a regular basis. Representatives of the auditing firm also attend meetings. If the matters to be dealt with so require, the committee convenes without the presence of the company's management. The committee conducts annual internal self-assessments to review its own performance.

2013

The Audit and Risk Management Committee was chaired by **Teuvo Salminen** and its members were **Ilkka Herlin**, **Karri Kaitue** (until 20 March 2013) and **Anja Silvennoinen**. Committee members were independent of the company and, with the exception of Ilkka Herlin, independent of major shareholders. It is the Board of Directors' opinion that Ilkka Herlin's committee membership as a major shareholder is justified. Committee members possess years of experience in business management duties.

In 2013, the committee met seven times. The attendance details of the committee members are available on the **Board of Directors** page. Along with the financial, treasury, tax and risk management issues, the committee monitored Kalmar's project management closely, as well as the implementation of the enterprise resource planning system for the sales and service network. By means of self-evaluation, the committee considered, among other things, the division of tasks between the Board and the committee, the contribution of the committee to the risk management of the company, and the need to develop committee work.

Nomination and Compensation Committee

The Nomination and Compensation Committee's duty is to prepare a proposal to Cargotec's Annual General Meeting concerning the composition and remuneration of the Board of Directors. Furthermore, the committee prepares a proposal to the Board regarding the appointment of the President and CEO and the terms of employment. It is also the committee's duty to ensure that the resourcing of the company management is appropriate and that their salary and other terms are competitive. Management here refers to the President and CEO, the Executive Board, and people reporting primarily to members of the Executive Board. The Nomination and Compensation Committee confirms the target group and considers, principally once a year, their salary adjustments, bonus principles, bonuses earned and successor planning. Furthermore, the committee's tasks include preparing and presenting to the Board stock option, share, and other employee incentive programmes as well as the company's voluntary pension schemes.

The Nomination and Compensation Committee consists of a minimum of three Board members. The committee convenes as needed but at least three times a year.

2013

Ilkka Herlin acted as chairman of the committee, with **Tapio Hakakari**, **Peter Immonen** and **Antti Lagerroos** as members. Committee members are independent of the company, with the exception of Tapio Hakakari during his interim position as President and CEO until 28 February 2013. The President and CEO and the Senior Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2013, the Nomination and Compensation Committee convened six times and all committee members participated in each meeting. In addition to the annual duties, the committee's agenda comprised of the recruitment of the new President and CEO, the planning of an incentive programme for the top management, and development of the remuneration direction and strategy.

CVs of Board members

Ilkka Herlin

Chairman

b. 1959, Finnish, Ph.D.

Member and Chairman of the Board 2005–
Chairman of Nomination and Compensation Committee
Member of Audit and Risk Management Committee

Independent of the company
Significant shareholder (Wipunen varainhallinta oy)
Dependent of significant shareholders (Member of the Board of D-sijoitus Oy and Mariatorp Oy)

Chairman of the Board, Wipunen varainhallinta oy 2005–
Managing Director, Security Trading Oy 1987–2000
Member of the Board, KONE Corporation 1990–2000

Chairman of the Board:

Foundation for a Living Baltic Sea, also co-founder 2008–
Finnish-Chinese Trade Association 2009–

Member of the Board:

D-sijoitus Oy 2005–
Mariatorp Oy 2005–
WIP Asset Management Ltd 2005–, Chairman 2000–2005
Finnish Foundation for Share Promotion 2005–2011
John Nurminen Foundation 2005–2008

Other:

Deputy Chairman of the Advisory Board, Aleksanteri Institute 2011–

Ownership in Cargotec 31 Dec 2013:

2,940,067 class A shares
5,379,887 class B shares

Tapio Hakakari

Vice Chairman

b. 1953, Finnish, LL.M.

Member of the Board 2005–, Vice Chairman 2009–
Member of Nomination and Compensation Committee

Independent of the company and significant shareholders

Interim President and CEO, Cargotec Corporation 10/2012–2/2013
Director, Secretary to the Board, KONE Corporation 1998–2006
Director Administration, KCI Konecranes Plc, 1994–1998
Employed by KONE Corporation 1983–1994

Chairman of the Board:

Enfo Oyj 2007–
Opteam Yhtiöt Oy 2013–, member 2011–
Esperi Care Oy 2006–2010

Member of the Board:

Etteplan Oyj 2004–
Hollming Oy 2008–
Martela Oyj 2003–2013
Havator Holding Oy 2007–2010

Ownership in Cargotec 31 Dec 2013:

158,245 class B shares

Jorma Eloranta

b. 1951, Finnish, M.Sc. (Tech.)

Member of the Board of Directors 2013–
Independent of the company and largest shareholders

President and CEO, Metso Corporation 2004–2011
President and CEO, Kvaerner Masa-Yards Inc. 2001–2003
President and CEO, Patria Industries Group 1997–2000
Deputy Chief Executive, Finvest Group and Jaakko Pöyry Group 1996
President, Finvest Ltd 1985–1995

Chairman of the Board:
Neste Oil Corporation 2012–, Vice Chairman 2011
Suominen Corporation 2011–
ZenRobotics Oy 2011–
Foundation for Technology 2012–
Directors' Institute of Finland – Hallitusammattilaiset ry 2013–, member 2012–

Vice Chairman of the Board:
Uponor Corporation 2012–, member 2005–
The Finnish Fair Foundation 2013–, member 2012–

Member of the Board:
Ovako Group AB 2011–

Chairman of the Supervisory Board:
Gasum Oy 2008–

Ownership in Cargotec 31 Dec 2013:
1,334 class B shares

Peter Immonen

b. 1959, Finnish, M.Sc. (Econ.)

Member of the Board 2005–
Member of Nomination and Compensation Committee

Independent of the company
Dependent of significant shareholders (Member of the Board of Wipunen varainhallinta oy and Mariatorp Oy)

Chairman of the Board 1995–2001 and 2005–, managing director 2002–2005, WIP Asset Management Oy

Deputy Chairman of the Board:
Foundation for a Living Baltic Sea 2008–

Member of the Board:
Mariatorp Oy 2005–
Wipunen varainhallinta oy 2005–
Finnish Shareholders Association 1988–2013

Ownership in Cargotec 31 Dec 2013:
69,445 class B shares

Antti Lagerroos

b. 1945, Finnish, LL.Lic.

Member of the Board 2008–
Member of Nomination and Compensation Committee

Independent of the company and significant shareholders

President & CEO, Finnlines Plc 1990–2007
Executive President, Nokia Mobile Phones 1989–1990
Member of the Board 1986–1990, member of the Operating Board 1984–1986, Nokia Corporation
Chairman & CEO, Salora–Luxor Division 1984–1986
President & CEO, Salora Oy 1981–1984
President of Legal Affairs and Finance 1979–1981, member of the Board 1978–1983, Hollming Oy
Acting Professor of Fiscal Law, Vaasa School of Economics 1973–1979
Lecturer in Process, Criminal and Public law, University of Turku 1971–1978

Chairman of the Board:

Wärtsilä Corporation 2003–2011, member 2002–2003

Member of the Board:

Finnlines Plc 1999–2007
Finnish Maritime Administration 1990–2003
Memberships in several Finnish listed companies 1990–2011

Member of the Supervisory Board:

Sampo Group 1993–2000
Ilmarinen Mutual Pension Insurance Company 1996–2009

Ownership in Cargotec 31 Dec 2013:

2,445 class B shares

Teuvo Salminen

b. 1954, Finnish, M.Sc. (Econ.)

Member of the Board 2010–
Chairman of Audit and Risk Management Committee

Independent of the company and significant shareholders

Advisor, CapMan Plc 2010–2011
Employed by Pöyry Plc 1985–2009:
Group Executive Vice President, Deputy to the President and CEO 1999–2009
Head of Infrastructure & Environment Business Group 1998–2000
Head of Construction Business Group 1997–1998
Chief Financial Officer 1988–1999
Manager of Finance and Accounting 1985–1988

Chairman of the Board:

Holiday Club Resorts Oy 2008–
Havator Oy 2010–

Vice Chairman of the Board:

CapMan Plc 2005–2013, member 2001–2005

Member of the Board:

Evli Bank Plc 2010–
Glaston Corporation 2010–
Tieto Corporation 2010–
3 Step IT Group Oy 2011–
YIT Corporation 2001–2009

Ownership in Cargotec 31 Dec 2013:

3,767 class B shares

Anja Silvennoinen

b. 1960, Finnish, M.Sc. (Eng.), MBA

Member of the Board 2009–
Member of Audit and Risk Management Committee

Independent of the company and significant shareholders

Vice President, Pöyry Management Consulting Oy 2013–
Managing director, Renewa Oy 2013
Senior Vice President, Energy Business Area, Energy and Pulp Business Group, UPM-Kymmene Oyj 2004–2013
Employed by Electrowatt-Ekono Oy (part of the Pöyry Group) 2000–2004
Industrial Counsellor, Ministry of Trade and Industry, Finland 1998–2000
Employed by Kymppivoima Oy 1995–1998
Technical Manager, Sheffield Heat and Power Ltd, UK 1990–1993
Senior Consultant, Ekono Energy Oy 1989–1995

Chairman of the Board:
PVO-Vesivoima Oy 2010–2013
VentusVis Oy 2011–2013

Member of the Board:
Dovre Group Plc 2013–
Renewa Oy 2011–2013
Fingrid Oyj 2006–2011
Kaukaan Voima Oy 2007–2010

Member of the Supervisory Board:
Kemijoki Oy 2005–2013

Other:
National Emergency Supply Council, member 2008–

Ownership in Cargotec 31 Dec 2013:
2,445 class B shares

President and CEO and the Executive Board

President and CEO

The Board of Directors appoints Cargotec's President and CEO and determines the related terms of employment. The President and CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Cargotec. He also ensures that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner. The employment terms of the President and CEO are defined in a written employment contract.

Cargotec's Board of Directors appointed on 27 January 2013 **Mika Vehviläinen**, Master of Science (Economics), as the new President and CEO as of 1 March 2013. **Tapio Hakakari**, Vice Chairman of the Board of Directors, acted as Interim President and CEO until 28 February 2013 during the recruitment phase of the new President and CEO.

Executive Board

Supporting the President and CEO in his duties, the Executive Board is responsible for business development and the company's operational activities in accordance with targets set by the Board of Directors and the President and CEO. The Executive Board also defines operative principles and procedures in accordance with guidelines set by the Board. The Executive Board convenes every month and whenever necessary. The President and CEO acts as Chairman of the Executive Board.

The composition of the Executive Board during 2013 was as follows:

- **Mika Vehviläinen**, President and CEO as of 1 March 2013, acting President of Hiab as of 25 October 2013
- **Tapio Hakakari**, Vice Chairman of the Board, Interim President and CEO until 28 February 2013
- **Eeva Sipilä**, Executive Vice President, Chief Financial Officer
- **Mikko Pelkonen**, Senior Vice President, Human Resources as of 12 August 2013
- **Olli Isotalo**, President, Kalmar
- **Eric A. Nielsen**, President, MacGregor as of 16 September 2013
- **Mikael Mäkinen**, President, MacGregor until 15 September 2013
- **Axel Leijonhufvud**, President, Hiab until 25 October 2013

Outi Aaltonen, Senior Vice Preident, General Councel, served as the Secretary to the Executive Board.

In its meeting on 20 March 2013, Cargotec's Board of Directors decided to form an Extended Execytuve Board to support the company's Executive Board from 1 April 2013. The main responsibilities of the Extended Executive Board include support for the President and CEO and the Executive Board in business area reviews, major projects, shared services and brand coordination.

In addition to the Executive Board members, the Extended Executive Board included the following members: **Outi Aaltonen**, Senior Vice President, General Counsel; **Stephen Foster**, Senior Vice President, Corporate Audit; **Soili Mäkinen**, Chief Information Officer; **Matti Sommarberg**, Executive Vice President, Chief Technology Officer and **Anne Westersund**, Senior Vice President, Communications and Public Affairs.

CVs of Executive Board

Mika Vehviläinen

President and CEO

b. 1961, Finnish, M.Sc. (Econ.)

Employed by Cargotec and Chairman of the Executive Board 2013–
Acting President of Hiab as of 25 Oct 2013

Primary working experience:

President and CEO, Finnair Plc 2010–2013
COO, Nokia Siemens Networks 2007–2009
Employed by Nokia, holding different positions 1991–2007

Key positions of trust:

Vice Chairman of the Board:
Vacon Plc 2010–, member 2009–

Member of the Board:
Elisa Corporation 2012–
Confederation of Finnish Industries (EK) 2012–2013

Ownership in Cargotec 31 Dec 2013:

3,755 class B shares
60,500 2010A stock options

Eeva Sipilä

Executive Vice President, CFO

b. 1973, Finnish, M.Sc. (Econ.), CEFA

Employed by Cargotec and member of the Executive Board 2005–

Primary working experience:

SVP, IR & Communications, Cargotec 2005–2008
VP, Investor Relations, Metso Corporation 2002–2005
Equity Analyst, Mandatum Stockbrokers Ltd (Sampo Bank plc) 1999–2002

Key positions of trust:

Member of the Board:
Metso Corporation 2012–
Basware Corporation 2010–2013

Ownership in Cargotec 31 Dec 2013:

14,040 class B shares

Mikko Pelkonen

Senior Vice President, Human Resources

b. 1970, Finnish, B.A.

Employed by Cargotec and member of the Executive Board 2013–

Primary working experience:

Vice President of Human Resources, Nokia Siemens Networks, Mobile Broadband 2012–2013, Network Systems 2009–2012, Greater China 2006–2009
Head of Human Resources, Nokia Networks, North America 2004–2006
Employed by Nokia, holding different HR positions 1997–2004

Ownership in Cargotec 31 Dec 2013:

-

Eric A. Nielsen

President, MacGregor

b. 1959, American, B.Sc. (Mech.Eng.), MBA

Employed by Cargotec and member of the Executive Board 2013–

Primary working experience:

Executive Vice President, Corporate Development, Joy Global Inc. 2010–2012
Group President, Terex Materials Processing and Mining, Terex Corporation 2008–2010
President and CEO, Volvo Excavators and Volvo Group Korea, Volvo AB 2000–2008
CFO and CIO, Volvo Construction Equipment – Korea, Volvo AB 1998–2000
CFO, Weco Metals 1997–1998
Vice President, Business Control & Information Systems, Volvo Construction Equipment Parts, Volvo AB 1994–1997
Group Financial Manager, Agricultural Chemicals Group, FMC Corporation 1992–1994

Ownership in Cargotec 31 Dec 2013:

-

Olli Isotalo

President, Kalmar

b. 1959, Finnish, M.Sc. (Eng.)

Employed by Cargotec 1993–
Member of the Executive Board 2006–

Primary working experience:

Executive Vice President, Marine (MacGregor) 2006–2012
President, Bromma Conquip AB 2003–2006
Managing Director, Velsa Oy 1999–2002
VP, Technology and Production Development, Kalmar Industries AB 1997–1999

Key positions of trust:

Member of the Board:
GS-Hydro Ltd 2011–

Ownership in Cargotec 31 Dec 2013:

213 class B shares
10,000 2010A stock options

Insiders

Cargotec applies the insider guidelines of NASDAQ OMX Helsinki Ltd, in addition to which Cargotec's Board of Directors has approved internal insider guidelines based on the NASDAQ OMX guidelines.

Insider registers

In compliance with the Finnish Securities Markets Act, Cargotec's permanent public insiders due to their positions are the members of the Board, the President and CEO, the auditors, and members of the Executive Board as defined by the company. Information in the public register of insiders is updated every stock exchange trading day and is available on the company website www.cargotec.com > Investors > Shareholders > **Insider register**.

The company's permanent company-specific group of insiders includes people employed by the company, and people who work for it under contract, and who, due to their duties, have regular access to insider information. People who, on the basis of an employment or other contract, work for the company and obtain insider information associated with a specific project, are entered in the company's project-specific insider register, which is established when necessary.

Trading rules

Permanent insiders are prohibited from trading in Cargotec's securities for 21 days prior to the publication of Cargotec's interim reports or financial statement releases (closed window). Project-specific insiders are prohibited from trading in the company's securities until the project concerned has been cancelled or disclosed.

Insider administration

Corporate Legal is responsible for adherence to insider guidelines and for monitoring the duty to declare as well as the maintenance of insider registers. The company maintains its insider registers in Euroclear Finland Oy's SIRE system.

External audit

The statutory external audit for the financial period includes auditing of accounting records, financial statements and administration. In addition to the auditor's report issued annually, the auditors report to the Board of Directors on their audit findings on a regular basis, and attend the Board Audit and Risk Management Committee meetings. According to the Articles of Association, the company has at least one and a maximum of three auditors. The auditors must be public accountants authorised by the Central Chamber of Commerce, or an auditing firm. The auditors are elected annually by the Annual General Meeting (AGM) and their assignment expires at the end of the first AGM following the election.

2013

The AGM elected Authorised Public Accountants (APA) **Jouko Malinen** and PricewaterhouseCoopers Oy as Cargotec's auditors. PricewaterhouseCoopers nominated APA **Tomi Hyryläinen** as its principal auditor. Auditors' fees are compensated against an invoice.

PricewaterhouseCoopers Oy, APA, has acted as Cargotec's auditor since 2005. Jouko Malinen, APA, has acted as the principal auditor nominated by the auditing firm 2005–2012.

Audit fees

MEUR	1 Jan–31 Dec 2013	1 Jan–31 Dec 2012
Annual audit	2.4	1.9
Tax advice	0.7	1.0
Other services	2.4	0.9
Total	**5.5**	**3.8**

Internal control of the financial reporting process

Cargotec compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Securities Markets Act, the Finnish Accounting Act and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of NASDAQ OMX Helsinki Ltd. The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the company's financial reporting process, have been designed to ensure that the financial reports disclosed by Cargotec are reliable and meet the requirements of the law, regulations and company principles.

Instructions regarding the publication of financial information and external communications are included in Cargotec´s disclosure policy approved by the Board of Directors. This is available in Cargotec's intranet and on the company website at www.cargotec.com > Investors > **Investor services**. Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, its risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on its values and the 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 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. The audits of the operations of selected subsidiaries and business units assess the effectiveness of internal control and risk management, as well as compliance with operating principles and guidelines. Furthermore, Corporate Audit audits and assesses financial reporting processes and compliance with the related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board Audit and Risk Management Committee.

Risk management

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. A core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively. 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.

Financial reporting process

The effectiveness of internal control measures related to financial reporting is monitored by the Board of Directors, the Audit and Risk Management Committee, the President and CEO, the Executive Board and business area management teams. Various control measures, such as reconciliations, logic analyses and comparative analyses, are performed at different organisational levels. The purpose of these control measures is to detect, prevent and correct any errors and deviations in financial follow-up.

Cargotec's financial reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are first reviewed at reporting unit level, and then in review meetings of operative management on division level, followed by business area level review. Finally, the reports are discussed at the Extended Executive Board's meeting. Financial information is also reported to the Board of Directors on a monthly basis. Controllers report any deviations from the plans to the management teams, analyse the reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and financial forecasts are up to date.

The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them.

2013

The roll-out of a common enterprise resource planning (ERP) system for the sales and service network of Hiab and Kalmar continued. At the end of 2013, the system covered all key European countries as well as the core countries in Asia Pacific, while an implementation project was ongoing in the United States. During the year the ERP was also expanded to cover project and spare parts businesses. As part of the common system, countries have started to make use of Cargotec's Service Centre for financial services. The common system and process improve transparency and the internal controls of the reporting process. The implementation and further reporting tool and analytics development will continue during 2014.

Risk management and risks

A major recession remained the key strategic market-related risk for Cargotec, especially in Europe, since developments in the economy and cargo flows have a direct effect on Cargotec's business.

- Risk management at Cargotec is based on the Risk Management policy. It forms an integral part of Cargotec's business processes, and risk reporting is part of the units' operations.
- Cargotec and its business areas further developed their compliance with the ISO and OHSAS standards in terms of quality, environment, health and safety (QEHS). According to Cargotec's operation model of three independent business areas, the responsibility to coordinate and develop this function lies with each of the respective businesses.
- In 2013, critical production processes, buildings, machinery and suppliers were evaluated for Cargotec and its business areas as part of the Business Impact Analysis (BIA).
- In 2013, risk management issues were reported to the Audit and Risk Management Committee of the Board of Directors in April, September and December. The first meeting concentrated on the status and development needs of risk management and on the support process risks. In the second meeting strategic risks were reviewed. The last meeting of the year discussed business and operational risks and the consolidated corporate risk review.
- The implementation of Cargotec's Manage Crisis Procedure was started in 2013. The procedure is a systematic way to report serious incidents and to manage crises in the company. Top management teams were trained during 2013 and an e-learning course is available for the whole personnel.
- Under the direction of Cargotec corporate risk management, an external party conducts regular risk management audits of Cargotec's own supply units and key suppliers.

Occupational health and safety issues and the related risks are also discussed in the Sustainability section of this annual report. Occupational safety is further reviewed in the development sections in the Business area reviews.

Risk management at Cargotec

Cargotec's risk management aims at anticipating risks involved in operations and managing them in the appropriate manner. The purpose of this is to support the values, strategy and goals, and the continuity of operations.

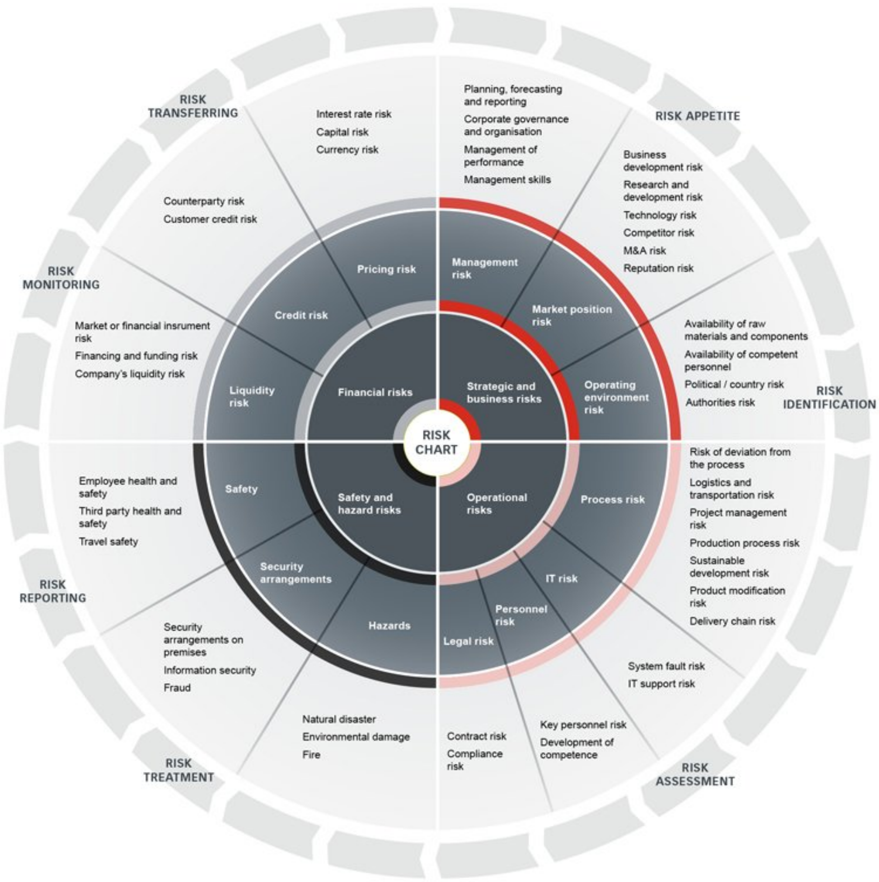
Cargotec's global operations require comprehensive risk management. Cargotec defines a risk as any internal or external threat or uncertainty which may prevent or jeopardise operations and the achievement of company objectives.

At Cargotec, risk management is part of internal control operations. The key principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and manage risks and, should they materialise, deal with them effectively.

Risk classification

Cargotec divides risks into strategic and business risks, operational risks, financial risks, and safety and hazard risks, including environmental risks. The purpose of this classification is to draw attention to the correct risk treatment procedures and responsibilities, depending on the type of risk.

Risk chart



All risk categories are covered by the annual corporate risk review process, during which risks are assessed and risk management plans prepared. Strategic and business risks are also considered in conjunction with strategic planning processes and when making significant business decisions. Operational and safety and hazard risks are considered when running business processes and making operative decisions. The risk management principles of certain financial risks are defined in Cargotec's Treasury policy.

Responsibilities

The principles, processes and responsibilities of enterprise risk management are defined in the Cargotec Risk Management policy approved by the Board of Directors. Each Cargotec business unit is responsible for implementing risk management according to this policy.

The Board of Directors is responsible for ensuring sufficient risk management and control.

The Board of Directors is responsible for ensuring sufficient risk management and control. The Board is also responsible for defining Cargotec's risk appetite, that is, the level of risk accepted, on an overall basis. The Board shall receive relevant and timely reporting on risks and risk management as defined in the risk management policy, and it can mandate the Audit and Risk Management Committee of the Board to assist in the practical oversight role.

The CEO and the Executive Board are responsible for the implementation of the Risk Management policy and for the risk management process as a whole.

As far as it is possible and practical, risk management is conducted within business units and support functions as part of day-to-day processes. Identification, assessment, treatment planning and reporting are part of Cargotec's planning and decision-making processes. Follow-up of risks and risk management actions forms part of the management and follow-up of the company's operations as a whole. Each Cargotec employee is responsible for identifying, assessing and managing risks in his or her area of responsibility, and for reporting any significant risks to the relevant managers.

The role of the corporate risk management function is to develop and coordinate the overall risk management framework and process. This function supports the businesses in implementing risk management and performs certain specified tasks, such as the coordination of global insurance programmes.

Main risks

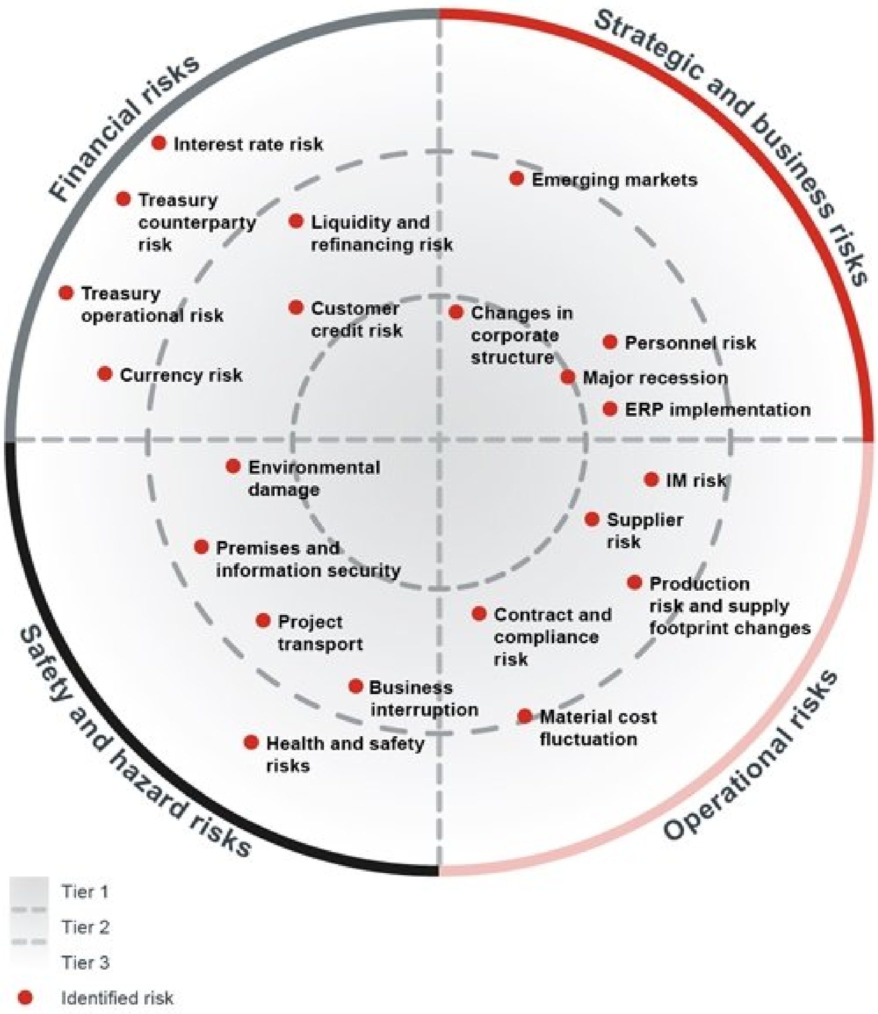
The corporate risk review consists of risk identification and the assessment of risk impact and probability. For the most critical risks, mitigation planning is used to bring the risks to a level acceptable to Cargotec.

The corporate risk review consists of risk identification and assessment of risk impact and probability.

In 2013, the annual corporate risk review involved all of the business units and main risk categories. Business risks were reviewed as part of the budget planning for 2014. Furthermore, the strategic and selected support process risk reviews were updated.

The graph below presents the main risks identified in 2013 and their classification on the basis of their probability and impact.

Main risks identified in 2013



Strategic risks

Major recession

In the category of strategic risks, the continuation or worsening of the global recession was still deemed possible and identified as having the highest impact on business. Developments in the global economy and cargo flows have a direct effect on Cargotec's business. A major global recession would significantly affect global cargo volumes, while customers' investment activity could decline due to financing difficulties. Further significant business impacts might result from the postponement of orders, intensifying cost competition and financial instability among Cargotec suppliers and customers.

Over the year, the risk of the continuing recession was calculated into planning and budgeting, which enabled Cargotec to mitigate the recession risk, in line with its business strategy and risk treatment plans.

Emerging markets

Postponement of the expected benefits of the new production concept and joint ventures in China may be possible due, for example, to a delayed ramp-up in full-scale production activities. A key market-related challenge is ensuring product portfolio development according to customer expectations in emerging markets. Other risks in emerging markets are related to contracts, high personnel turnover, availability of human resources and cultural differences.

Changes in organisational structure

In 2013, Cargotec developed its operational model towards an organisation driven by three independent business areas: MacGregor, Kalmar and Hiab. Reorganisations may still cause additional costs in various fields of operation and divert resources from actual business activities.

In October, Cargotec's MacGregor business completed the acquisition of the privately-owned Hatlapa, a leading provider of merchant ship and offshore deck equipment, and the integration of Hatlapa into MacGregor's existing operating structure has started. As with integrations in general, it is possible that this will not succeed as planned, thus creating unexpected costs and slippages on business-related estimates. The same may happen with the other MacGregor-related acquisition of Aker Solutions' mooring and loading systems unit, which was announced in October. This acquisition was completed in January 2014.

Other mergers and acquisitions (M&A) risks are typically contractual or are related to handling liability and environmental matters or retaining key personnel. Moreover, it is not always possible to implement M&A plans to the desired extent; the goals set for them are not always achieved.

Personnel risk

Cargotec views the availability of competent human resources as an operational as well as a strategic risk. The ongoing change in the company's operating model requires new competencies. Obtaining them, either by training the personnel or by recruiting new staff, is a major challenge for Cargotec today. Operating model change could also lead to loss of key persons in existing locations. Personnel in joint ventures and in acquired companies may react negatively to the change and decide to leave. In the service business, the availability of skilled personnel is a key success factor.

In building new and reorganising existing operations, the main people-related risks lie in retaining key human resources and knowledge, and the availability of a competent workforce at new sites. Other significant risks are related to effective information sharing and information security.

During the year, Cargotec introduced Performance culture as a theme to drive forward the company execution capability. A proper implementation of this is needed to make it an integral part of the company thinking.

Enterprise resource planning implementation

Implementation of the company-wide business system platform is categorised as an operational risk, but due to its high impact it is also considered a strategic risk.

Cargotec continued to decentralise its operations according to the new operating model, which may cause problems in the implementation of the enterprise resource planning system, thus causing delays in the investment's payback. Other ERP-related risks include keeping within the project cost estimate, and the availability of skilled local personnel during the implementation stage.

Large projects and automation

The extent and complexity of large projects may cause problems at the implementation stage. Projects may also involve contractual risks, risks related to employee skills and the development of new technology, and transportation risks. Automation development may turn out to be more difficult and expensive than expected and its implementation may be delayed.

Operational risks

Information management risk

A major risk has been identified in the current business system platform implementation, which has also been categorised as posing a strategic risk to the company. Other critical information management risks are observed in the areas of infrastructure and business application continuity, as well as governance of development projects.

Supplier risk

The most critical supplier risks have been identified as the financial stability of suppliers as well as quality problems which could put Cargotec's reputation at risk. Basic supplier risks are related to delivery time and capacity. Other supplier risks are related to the ability of suppliers to adapt to changes in Cargotec's production footprint and product offering for emerging markets. In addition, Cargotec's multi-assembly unit production concept requires that suppliers are able to increase the scope of their deliveries.

Production risk and supply footprint changes

Due to the market situation, Cargotec does not consider lack of production capacity to be a high short-term risk. However, this risk may increase along with economic cycles. Risks during changes in the production structure include the arrangement of inbound and outbound logistics, as well as maintaining a balance between capacity and demand. Retaining key capabilities and personnel is again a key concern. Furthermore, measures aimed at enhancing the cost structure, delivery times and quality may prove to be more demanding than expected.

Contract and compliance (legal) risk

As individual contracts are becoming larger, customers are proposing new sales conditions, increasing the risks related to exceptional conditions. Joint venture agreements may add complexity to contracts and agreements. Contract and compliance risks may also arise from assumed liabilities in M&As. Changes in international trade restrictions and various countries' competition and anti-bribery legislation pose a risk that requires continuous follow-up and development of self-monitoring.

Risks related to intellectual property rights management include, for example, data theft and patent infringements. Cases that are technically or contractually unclear may also involve claims for compensation addressed to Cargotec.

Material cost fluctuation

For Cargotec, the risk of material and component cost fluctuations is smaller during recessions. However, there is a risk that the economic upturn is not foreseen early enough, in which case rising material costs will not be immediately transferrable to Cargotec product prices. Continued recession may also force actions to reduce the pricing, which in turn may be difficult to transfer to purchase prices.

There is a general risk that suppliers will not invest in new capacity in time before the next turn of the cycle. This may cause bottlenecks in deliveries as demand picks up. Continued recession may create financial difficulties among suppliers, which could result in delivery challenges and even bankruptcies.

Financial risks

Cargotec's existing centralised corporate treasury processes have reduced interest, currency, counterparty, operational, liquidity and refinancing risks. Nevertheless, a major recession and 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. More information on financial risks is available in Note 3 to the consolidated financial statements, **Financial risk management**.

Safety, hazard and environmental risks

Cargotec has adopted a flexible multi-assembly unit production concept in its own locations and increased the proportion of subcontracting. This has reduced the potential direct impact of a natural catastrophe, fire or other external risk on Cargotec's own production.

To some extent, the business interruption risk has transferred from Cargotec's own production to its suppliers and subcontractors. Problems could arise, particularly in areas with a concentrated supplier base. Measures taken to reduce this risk are enhanced by analysing the business interruption risks of the supply chain.

Cargotec is paying continuous attention to employee, customer and third party health, safety and environmental risks, and monitors developments of local legislation. Environmental risks related to product and general liability may increase due to changes in legislation and business operations.

Remuneration statement 2013

Cargotec's remuneration statement presents the company's remuneration principles and the remuneration paid to members of the Board, President and CEO and the Executive Board in 2013. The statement also describes Cargotec's long-term incentive plan.

Board of Directors

The Annual General Meeting decides on the remuneration of members of the Board of Directors, on the basis of a proposal made by the Board's Nomination and Compensation Committee. In determining such remuneration, the Committee takes account of the Board members' responsibilities and obligations towards the company. Furthermore, the Committee compares the Board's remuneration packages to those paid by other companies of the same size (sales) operating in a comparable business environment.

Based on the decision of the Annual General Meeting of 20 March 2013, the Board's annual remunerations for the year 2013 are as follows:

- Chairman: EUR 80,000
- Vice Chairman: EUR 55,000
- Chairman of the Audit and Risk Management Committee: EUR 55,000
- Other Board members: EUR 40,000

In addition, a fee of EUR 500 is paid for attendance of meetings of the Board and its committees.

Of the total annual remuneration, 30 percent is paid in Cargotec's class B shares and the rest in cash. The shares will be purchased at market price on a quarterly basis. Board members must keep the shares they have obtained as annual remuneration under their ownership for at least two years from the day they obtained them.

Tapio Hakakari, Vice Chairman of Cargotec's Board of Directors, worked as interim President and CEO until 28 February 2013. In addition to remuneration related to Board and Committee memberships, Tapio Hakakari received separate compensation for his work as interim President and CEO. Excluding Tapio Hakakari's temporary arrangement, the Board members receive only remuneration related to their Board and Committee memberships and Board work from the company. Board members are not included in Cargotec's short-term or long-term incentive plans.

Remuneration paid to Board members in 2013 is shown in the following table.

Member of the Board	Remuneration for Board membership and Board work, EUR*	Number of class B shares obtained as remuneration**	Remuneration for the work done for the company, EUR
Ilkka Herlin, Chairman	92,740	991	
Tapio Hakakari, Vice Chairman	64,740	682	70,040
Jorma Eloranta, member 1)	35,500	234	
Peter Immonen, member	49,500	496	
Karri Kaitue, member 2)	11,500	262	
Antti Lagerroos, member	49,000	496	
Teuvo Salminen, member	60,750	584	
Anja Silvennoinen, member	49,000	496	
Total	412,730	4,241	70,040

* Including annual remuneration, meeting attendance fees and fringe benefits

** Value included in remuneration for Board membership and Board work

1) 20 Mar-31 Dec 2013

2) 1 Jan-20 Mar 2013

President and CEO and the Executive Board

Cargotec's reward principles are applied in determining the total remuneration of the President and CEO and the Executive Board. The Nomination and Compensation Committee (NCC) decides on base salaries, the short- term incentive plans and other benefits of the Executive Board members. Based on a proposal by the NCC, the Board of Directors decides on the annual base salary, incentive plans and benefits of the President and CEO. In addition, the Board of Directors decides on long-term incentive programmes and on the target group and allocation of such programmes based on a proposal by the NCC.

The total remuneration structure of the President and CEO and the Executive Board comprises a fixed base salary including fringe benefits and incentive plans, for which both short and long-term targets have been defined. The variable salary component consists of a share-based incentive programme and an option programme, both linked to the company's long-term targets, as well as short-term bonus.

In 2013, the short-term bonus plan included financial and strategic individual targets. Based on the 2013 short-term incentive plan, the maximum annual bonus level for President and CEO **Mika Vehviläinen** is 100 percent of the annual base salary. For other members of the Executive Board it is 60 percent of the annual base salary at the maximum. The bonus payout based on 2013 targets will be made in 2014.

For the financial period 2013 (as of 1 March 2013), the base salary of Cargotec's President and CEO Mika Vehviläinen was EUR 498,710 including fringe benefits. In addition costs incurred when cancelling benefits included in his previous contract was compensated with a single non-recurring payment amounting to EUR 80,000. The President and CEO is covered by Cargotec's share-based incentive programme, option programme and short-term incentive programme. Cargotec's Board of Directors has granted Mika Vehviläinen 60,500 Cargotec 2010A stock options. He will be 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.

The remuneration paid in 2013 (until 28 February 2013) to the Interim President and CEO, **Tapio Hakakari**, was EUR 70,040. Tapio Hakakari is not a participant in the share-based incentive programme, option programme nor the short-term incentive programme.

The monetary remuneration paid to the President and CEO, Interim President and CEO, and Executive Board members in 2013 is stated in the tables below.

	Base salary including fringe benefits, EUR	Short-term bonus payout, EUR
Interim President and CEO Tapio Hakakari 1 Jan–28 Feb 2013	70,040	
	Base salary including fringe benefits, EUR	**Short-term bonus payout, EUR**
President and CEO Mika Vehviläinen 1 Mar–31 Dec 2013	498,710	
	Base salary including fringe benefits, EUR	**Short-term bonus payout, EUR**
Other members of Executive Board 1 Jan–31 Dec 2013*	1,442,328	295,947

* Eeva Sipilä, Mikko Pelkonen (as of 12 Aug 2013), Eric A. Nielsen (as of 16 Sep 2013), Olli Isotalo, Mikael Mäkinen (President, MacGregor 1 Jan–15 Sep 2013), Axel Leijonhufvud (President, Hiab 1 Jan–24 Oct 2013).

The total number of shares and share-related rights granted to the President and CEO Mika Vehviläinen and Executive Board is summarised in the following table. Realisation of the shares and share-related rights is based on the earnings criteria described in the section Long-term incentive plan.

Number of shares and share-related rights granted	President and CEO Mika Vehviläinen	Other members of Executive Board
2013		
Share-based incentive programme, earnings period H2/2013 (on target performance), number of class B shares (gross)	11,500	21,900
2012		
Option programme in 2012, 2010C option rights		16,000
Share-based incentive programme, earnings period 2012–2014, number of class B shares (gross)		20,000
2011		
Option programme in 2011, 2010 B option rights		16,000
Share-based incentive programme, earnings period 2011–2013, number of class B shares (gross)		15,000
2010		
Option programme in 2010, 2010A option rights	60,500	17,500
Share-based incentive programme, earnings period 2010–2012, number of class B shares (gross)		14,000

The members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. 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.

Long-term incentive plan

Share-based incentive programme 2013

In August 2013, the Board of Directors has approved a new share-based incentive programme for key personnel of Cargotec. The purpose of the programme is to encourage the key persons to work to increase long-term shareholder value and also to commit them to the company. The programme consists of an earnings period based on the H2 2013 financial performance and a holding period of approximately two years following the performance period.

The potential reward will be delivered in Cargotec class B shares. The shares will be delivered in spring 2014 and will be released in two tranches during year 2015. The minimum earnings criterion was corporate operative cash flow of EUR 127.8 million for H2 2013, which was fulfilled. Additionally, business area specific earnings criterion was fulfilled by 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 will be rewarded.

Earnings period	Earnings criteria	Target group	Outcome
H2 2013	Cargotec corporation and business area specific operative cash flow	43 participants, including Executive Board members	20 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. This programme aims to ensure the alignment of shareholders' objectives with those of executives, in order to increase the value of Cargotec, while committing the executives to the company and offering them a competitive incentive programme based on ownership in the company.

The programme includes three earnings periods, each lasting for three calendar years, which commence in 2010, 2011 and 2012. The Board of Directors has decided on the target group, earnings criteria and the targets to be established for them, as well as the maximum amount of payable reward for each earnings period.

In 2013, 2014 and 2015 the potential payment will partly be in Cargotec's class B shares and partly in cash. The proportion to be paid in cash is intended to cover taxes and tax-related costs arising from the reward. Rewards to be paid on the basis of the earnings periods 2010–2012, 2011–2013 and 2012–2014 will correspond to a maximum total of 300,000 Cargotec class B shares (including the proportion to be paid in cash). If the employment terminates before the share payment, the participant will lose the right to the share reward.

In the spring of 2011, the Board of Directors decided to alter the terms of its share-based incentive programme in such a way that persons covered by the system receive full rights to rewarded shares at the time of payment. The terms of the share-based incentive programme, which forbade the transfer of shares for two years from each reward payment, were removed. In this way, the programme's duration for each share lot was shortened from five to three years.

The minimum earnings criterion for the first earnings period 2010–2012 and for the second earnings period 2011–2013 were not fulfilled and hence there is no payout based on the first and second earnings periods. Information concerning the share-based incentive programme's earnings criteria and target group is summarised in the table below.

Earnings period		Earnings criteria	Target group	Outcome
First earnings period	2010–2012	Operating profit margin and sales for financial year 2012	Executive Board in spring 2010	Targets not fulfilled
Second earnings period	2011–2013	Operating profit margin and sales for financial year 2013	Executive Board in spring 2011	Targets not fulfilled
Third earnings period	2012–2014	Operating profit and sales for financial year 2014	Executive Board in spring 2012	

Option programme

The Annual General Meeting on 5 March 2010 confirmed that stock options will be issued to the key personnel of Cargotec and its subsidiaries. This programme is intended to encourage key personnel to engage in long-term work in increasing the company's shareholder value, as well as to commit key personnel to the employer. The maximum total number of stock options reserved for the programme is 1,200,000. On an annual basis, in the spring of the years 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options), the Board has decided on the programme's target group, earnings criteria and option issuance.

In the spring of 2010, 2010A option rights were issued to 54 persons, including the members of Cargotec's Executive Board. In the case of the 2010A option right, the share subscription price is EUR 21.35 per share (the trade volume weighted average price of the company's class B share on NASDAQ OMX Helsinki Ltd during the period 8–19 March 2010). Any annual dividends paid are deducted from the subscription price. 2010A option rights entitling to 400,000 Cargotec class B shares, either new or treasury shares held by the company, were subject to a criterion regarding the operating profit for 2010. Since the operating profit target was fulfilled, share subscription for all 332,000 2010A stock options granted began in April 2013, as per the programme terms and conditions.

In the spring of 2011, the Board issued 2010B stock options to nearly 80 persons, including the members of Cargotec's Executive Board. In the case of the 2010B option right, the share subscription price is EUR 31.23 per share (the trade volume weighted average quotation of the class B share on NASDAQ OMX Helsinki Ltd. during 14–25 March 2011). Any annual dividends paid are deducted from the subscription price. 2010B option rights entitle their holders to subscribe for a total maximum of 400,000 class B shares in Cargotec, either new or treasury shares held by the company. The earnings criteria for stock option 2010B included a provision on the operating profit for 2011; this operating profit target was partly fulfilled. Share subscription for 25,456 2010B stock options will begin in April 2014, as per the programme terms and conditions.

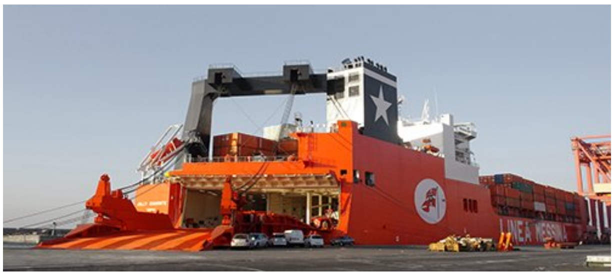
In the spring of 2012, the Board issued 2010C stock options to nearly 80 persons, including the members of Cargotec's Executive Board. In the case of the 2010C option right, the share subscription price is EUR 28.80 per share (the trade volume weighted average quotation of the class B share on NASDAQ OMX Helsinki Ltd. during 26 March–6 April 2012). Any annual dividends paid are deducted from the subscription price. 2010C option rights would have entitled their holders to subscribe for a total maximum of 400,000 class B shares in Cargotec, either new or treasury shares held by the company. The minimum earnings criterion for stock options 2010C subscription to commence was 2012 operating profit of EUR 230 million. The target was not fulfilled.

If the employment terminates before the share subscription period has begun, the participant will lose the right to the options.

The subscription periods and earnings criteria for Cargotec's option programme's are as follows:

	Subscription price, dividends deducted, EUR (as of 1 April 2013)	Subscription period	Earnings criteria	No. of stock options for subscription
Stock options 2010A	19.02	1 April 2013–30 April 2015	Operating profit 2010	400,000
Stock options 2010B	29.51	1 April 2014–30 April 2016	Operating profit 2011	25,456
Stock options 2010C	28.08	1 April 2015–30 April 2017	Operating profit 2012	0

MacGregor in brief



MacGregor provides integrated cargo and load handling solutions and services for the maritime transportation and offshore industries.

MacGregor serves its customer segments 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, environmental impact and profitable service lifetime.

MacGregor's offering for ships includes hatch covers, lashing systems, cranes, RoRo cargo and passenger access equipment , self-unloading systems, winches, steering gear, compressors and deck handling equipment. For ports and terminals, MacGregor delivers linkspans, shore ramps and passenger gangways. For the offshore industry, our product portfolio includes a broad range of advanced solutions for subsea load handling, anchor handling and towing and mooring operations. MacGregor provides all customer support in the form of maintenance and service solutions that span the entire lifetime of equipment.

MacGregor is a truly global business, with approximately 70 offices in 32 countries. In 2013, MacGregor's sales totalled EUR 794 million (2012: EUR 995 million). MacGregor has 2,354 employees.

" The fourth quarter of 2013 will no doubt be regarded as a major milestone in both the history of MacGregor as well as the marine equipment industry. We completed Hatlapa acquisition and announced the acquisition of mooring and loading systems unit of Aker Solutions. This all fits perfectly to MacGregor and makes us an even stronger team than before.

Eric A. Nielsen
President,
MacGregor

Key figures

1,011
Orders received, MEUR
(2012: 645)

980
Order book, MEUR
(2012: 848)

794
Sales, MEUR
(2012: 995)

62.7
Operating profit, MEUR*
(2012: 130.8)

7.9
Operating profit, %*
(2012: 13.2)

*Excluding restructuring costs

Strategy and roadmap

MacGregor's strategy focuses on profitable growth by continuously developing new technologies, products and services. The goal is to expand into developing geographies and new territories with existing products, as well as expanding and developing new applications. By doing so, MacGregor aims to be the market leader in all of its businesses. The markets are consolidating and MacGregor has played an active role in this development. Profitable growth – organic and inorganic – has been an important element in MacGregor's strategy over the years.

MacGregor aims to be the market leader in all of its businesses.

Strategic roadmap 2013

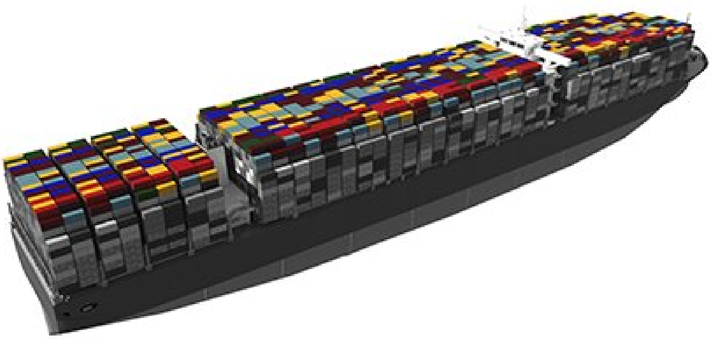
In 2013, MacGregor announced two strategic acquisitions. The acquisition of Hatlapa, a leading marine equipment manufacturer with a product portfolio including a wide range of deck machinery, strengthens MacGregor's line of premium winch products, as well as expands its offering to include steering gear, compressors and deck handling equipment.

The acquisition of the mooring and loading systems unit from Aker Solutions gives an excellent fit with MacGregor's existing offshore offering. The unit provides mooring equipment, loading and offloading systems, and a wide range of deck machinery for the global offshore and shipping markets.

The merchant ship segment focused on broadening its offering to more comprehensive deliveries, and also on including maintenance agreements already in the new building phase. MacGregor introduced a 'Customer Solutions' concept that creates added value for customers, with the first breakthrough order being received in November.

Bringing about improvements in the area of business excellence and developing a geographical presence are also high on the agenda. The need for fuel efficiency and the imminence of environmental regulations, such as EEDI and SEEMP, are making owners increasingly aware of 'eco' design. MacGregor continues to develop efficient and environmentally friendly solutions, such as electrically driven RoRo cargo access equipment, light-weight car deck panels, electric cranes and winches, as well as electrically operated hatch covers. MacGregor's efficient cargo handling systems ensure short port turnaround times, allowing slow-steaming and maximising the number of payload containers and thereby minimising emissions per TEU carried. In the case of electrically operated cargo cranes, the ship owner can save up to 35 percent of energy.

Safety is equally important. MacGregor is continuously striving for solutions that improve the safe handling and operation of its products; whether they involve handling rolling cargo, containers or bulk material, or are used during mooring/anchor handling or when operating a subsea crane offshore in harsh weather conditions.



Strategy case:

Increasing ship revenue through efficient cargo systems

Difficult economic conditions and the high price of bunker fuel have driven shipowners to look carefully at the efficiency of their businesses in general and the efficiency of their ships in particular. Today, this has led shipowners to focus mainly on cost savings, although optimised cargo handling and securing solutions could help to improve their ships' incomes substantially and also be a healthy choice for the environment. The notion of increased incomes is not new, but what now makes it possible to move the focus from cost savings to earnings improvement potential is MacGregor's Dry Cargo business line's way of validating in practice how an early recognition of the cargo profile and incorporating its requirements into the system planning can actually improve ships' profits by several million a year.

Systematic development of products and services to improve ship productivity

The potential of ship productivity improvements has been on MacGregor's agenda for several years and in 2013 it led to the establishment of a project to systematically develop services and the product portfolio in a way that maximises cumulative cash flow to customers. Extensive development work is done through a combination of MacGregor's strong in-house knowledge and partnerships with several domestic and international parties such as the PBI Research Institute, Åbo Akademi and Turku School of Economics in Finland, and Safety at Sea from Glasgow, Scotland.

Combining high quality products with tailor-made services is fundamental to attaining improved earnings

MacGregor can influence the ship's cash flow firstly by designing an efficient cargo system based on our existing product portfolio, and through R&D to improve the system's lifetime earning potential, and secondly through the services it offers. Productivity can be optimised for newbuilds and it can be improved for vessels that are already sailing. The key to an optimal combination for each newbuild or upgrade is to analyse the anticipated cargoes, routes and ports and to build up the system according to their requirements. The detailed start-up information for this is required from the ship's owner.

MacGregor’s tools help customers choose the optimal cargo system

MacGregor´s analysis and simulation tools developed for this project now make it possible to compare the increase in the utilisation rate potential between alternative cargo systems, and at the same time to produce proven information to serve as a basis for decision-making. The chosen system will then be evaluated both from an investment and a technical point of view by calculations and by lashing mock-up tests, for example. With the calculations and verifications in place, MacGregor supports the shipowner in making the final cargo system order specification, both for newbuilds and for upgrades. Benefits are also apparent in the building phase, because one system supplier means fewer interfaces and easier project coordination for the shipyard and the shipowner.

First breakthrough order received

The first projects have focused on container vessel productivity and in November 2013, MacGregor received an order worth EUR 58 million for optimised cargo handling systems for five A-14-series and five A-18-series container vessels from Hyundai Heavy Industries Co Ltd in South Korea. The 14,000 TEU and 18,000 TEU ships (TEU = one twenty-foot equivalent unit) are to be built for the United Arab Shipping Company (UASC) and they are scheduled for delivery between 2014 and 2015. An important emphasis for these new vessels is productivity as well as efficient and environmentally-friendly operations. To achieve this, the cargo system design started at an early stage in close cooperation with the shipowner and the shipyard. The cargo system was designed as an integrated element, and as a result, MacGregor has been able to maximise the number of payload TEUs on board, resulting in maximised vessel productivity.

Markets and market outlook

Merchant ship market development and outlook

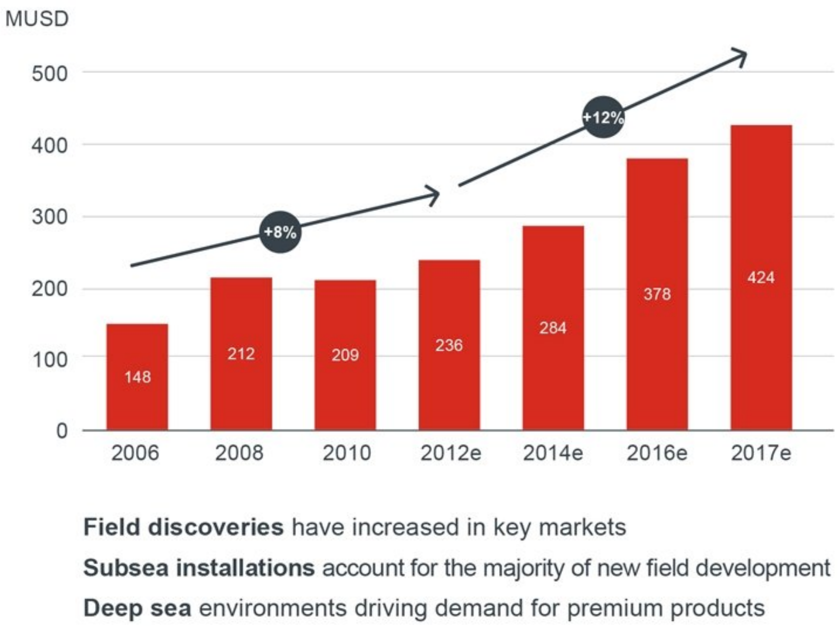
Seaborne trade grew 3.7 percent in 2013 (according to preliminary figures available at the time of writing). In the medium-term, the tonnage requirement demand is projected to grow at an annual rate of 4.5 percent, mainly driven by an increase in Chinese demand for dry bulk and oil. Non-OECD trade overtook OECD world seaborne trade in 2008 and is expected to exceed 60 percent in 2017. Orders for a total of 2,206 vessels with a combined 144.8 million deadweight tonnage were placed globally during 2013, representing a 153 percent annualised increase in the number of vessels and a 265 percent increase in the volume of tonnage ordered. Delivery volumes were still in decline, however the volume of cancellations was considerably less in 2013 than in recent years, at around 7 percent of tonnage on order.

There are some signs that financing is easing across the industry. Fuel efficiency and impending environmental regulations are making owners increasingly conscious of 'eco' designs, which could lead to increased scrapping. Asian owners continue to increase their market share, generally consolidation among customers is ongoing and major players are merging.

Offshore market development and outlook

The main drivers of the offshore industry are the development of global energy demand and oil price development, which have a direct impact on exploration and production (E&P) spending and investment in the oil industry. At the moment, the global offshore business is seeing record levels of activity. Technology requirements are being driven by the monetisation of gas, deep-water oil and harsh environments. Newly exploitable resources are located in deeper, more remote and harsh locations. Increased E&P spending is driving investments in subsea construction and the offshore support vessel fleet, where MacGregor advanced load handling solutions are needed. The equipment supplier's service availability is critical to decision-making, since offshore support vessels operate in remote areas where downtime is very expensive. Supply and demand for anchor handling and platform supply vessels is balanced.

Global offshore exploration and production spending/year



Source: Clarkson 2013, DNV Shipping 2020, EIA, OECD

The offshore shipbuilding market is shifting towards Asia, while the USA and Norway remain the main locations of ship owners. MacGregor has widened its geographical presence by securing major offshore orders from South Korea.

Products and services

MacGregor offers integrated cargo and load handling solutions and services for the maritime transportation and offshore industries. It is the market leader in hatch covers, RoRo equipment and cargo cranes. MacGregor serves its main customer segments, merchant marine and offshore, with solutions that integrate cargo access, stowage, care and handling functions to suit a particular ship's cargo profile. This benefits the customer's productivity, environmental impact and profitable service lifetime.

MacGregor's comprehensive product portfolio includes:

- Hatch covers, lashing systems, cranes, RoRo cargo and passenger access equipment, self-unloading systems, winches, steering gear, compressors and deck handling equipment for ships.
- Linkspans, shore ramps and passenger gangways for ports and terminals
- Advanced solutions for subsea load handling, anchor handling and towing and mooring operations for the offshore industry
- Lifetime support, in the form of maintenance and service solutions that span the entire lifetime of equipment

In 2013, MacGregor's order intake improved significantly from the previous year despite an overall challenging merchant ship market.

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In offshore business, significant profitability improvements were achieved

In MacGregor's offshore business, significant profitability improvements were achieved through improved project execution and volume increases.

MacGregor develops simulation and training targeted at offshore crane users, operational managers and for MacGregor engineers in order to assist them in the accurate planning and illustration of complex systems operating in a 'real-world' environment. Simulation not only improves the systems, crew performance and safety of MacGregor's customers, but also allows them to demonstrate the benefits to their own customers.

MacGregor systematically measures customer satisfaction, in cooperation with the PBI Research Institute. The results of customer satisfaction surveys are analysed and action plans drawn up and followed. These results show that 82 percent of customers are satisfied with MacGregor's overall performance, the industry benchmark being 71%. A further 62 percent of respondents believe that MacGregor performs better than its competitors. The results are reported to the management team.

MacGregor cooperates with FIMECC, the Finnish Metals and Engineering Competence Cluster, which aims to increase research cooperation between companies, universities and institutes. MacGregor also participates in the FIMECC MANU programme (on future digital manufacturing technologies and systems), with the aim of improving change and information management within its global network.

Personnel

At the end of 2013, MacGregor had 2,354 employees in 32 countries. The largest countries were Norway, Germany and China. The biggest additions relate to the acquisition of Hatlapa with 585 employees. At the end of October, MacGregor entered into an agreement to acquire Aker Solutions' mooring and loading systems unit. Once completed, this acquisition will bring another 372 employees.

In September 2013, **Eric A. Nielsen** was appointed President of MacGregor. Current and upcoming integration work relating to the acquired companies, alongside the establishment of MacGregor as a separate legal entity within Cargotec, have presented MacGregor employees with opportunities to take part in this organisational transformation.

MacGregor aligns its HR plans and actions with its business strategy and Cargotec's HR cornerstones: fact-based people management, organisational efficiency, leadership and talent management as well as performance culture. The development work continues in 2014.

Training and Development

Two key training and development initiatives were undertaken throughout 2013: Cargotec Account Management (CAM) training and the Cargotec Online Academy. CAM training is intended to strengthen customer relationships by training Key Account Managers in how to systematically manage key accounts in order to enhance customer value. The Cargotec Online Academy offers a broad range of online training programs tailored specifically to the needs of individual employees. This e-learning platform enables MacGregor employees to access the learning portal both in the office and remotely on their office computers.

MacGregor provides technical training for service engineers, with over 100 engineers taking part in various internal and external training sessions in order to maintain MacGregor's superior level of service quality.

Performance Management

MacGregor has continued supporting its personnel through its performance management processes, enhancing the relationship between employee and employer by setting mutually beneficial targets and creating effective development plans. These biannual discussions enable the organisation to better align MacGregor´s strategy with the development of its personnel. MacGregor conducts both external and internal audits in order to ensure that its employees are paid competitive salaries, aligning the rewarding strategy in order to secure accountability, transparency and fairness throughout. This process lays the foundations of MacGregor´s deeply rooted performance culture.

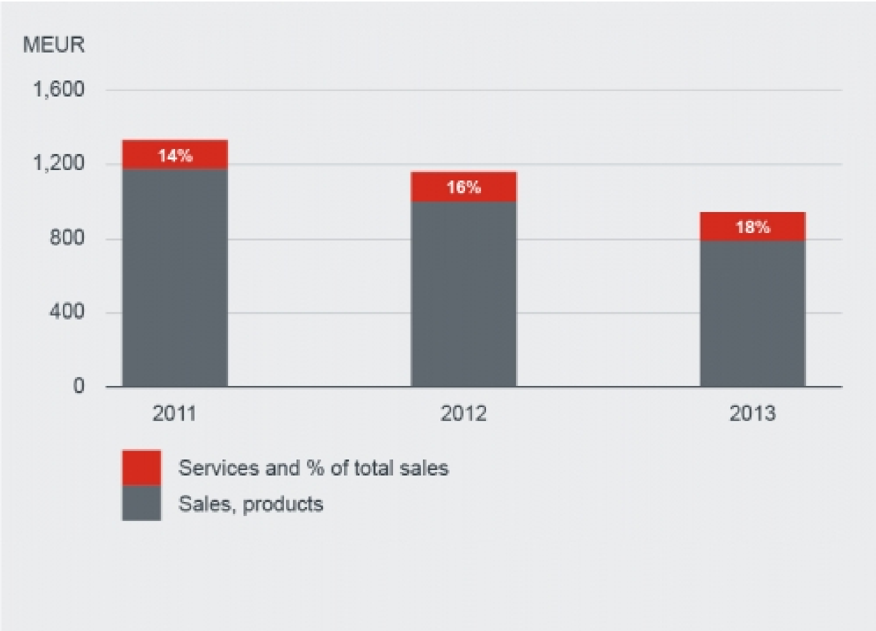
Workforce Diversity

With operations in 32 countries worldwide, MacGregor has had the opportunity to develop its business through the innovative capacity of its culturally diverse workforce. MacGregor underlines the importance of having dedicated managers and personnel, who are aware of local cultures and able to manage effectively, attending to the needs of employees, customers and the stakeholder environment. Over the last year MacGregor has improved its gender diversity, with 21% of the workforce now female, up two percentage points from 2012.

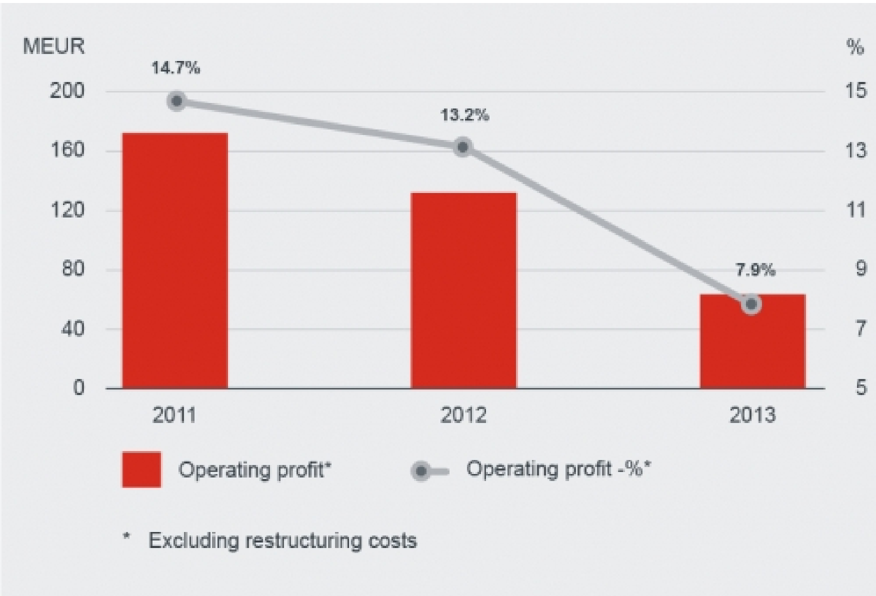
Development 2013

- At the beginning of 2013, a project was begun aimed at systematically developing MacGregor's services and product portfolio in order to help customers improve the productivity of their vessels. To assist in this, MacGregor engaged project partners, including several Finnish institutes, such as PBI Research Institute, Åbo Akademi, Turku School of Economics, and also Safety at Sea of Glasgow, Scotland.
- During the first quarter, MacGregor introduced **a new offshore crane**, which enables three-dimensional motion compensation. The crane can be used to transfer containers of tools and equipment to the top of offshore windmill foundations.
- During the first quarter, MacGregor also introduced **a new simulation platform**. This platform allows MacGregor engineers and equipment users to accurately plan and illustrate complex systems in operation in a "real-world" environment and in real-time mode.
- At the beginning of the year, MacGregor finalised development work related to a new lashing bar. This new lashing bar allows new and existing container ships to employ an external lashing system, which can enable a ship to carry more payload containers.
- A project for developing offshore wire luffing cranes was initiated at the beginning of the year to enable MacGregor to expand into new ship types.
- Another project, with MacGregor developing new crane technology, was announced in July. MacGregor will supply **a crane equipped with a glass capsule** to Royal Caribbean. This engineering innovation will offer cruise passengers a 360-degree view from around 91 metres above the ocean.
- In October MacGregor acquired **Hatlapa**, a leading marine equipment manufacturer. This acquisition further strengthens MacGregor's line of premium winch products, as well as expands its offering to include steering gear, compressors and deck handling equipment.
- The announcement of the acquisition of **the mooring and loading systems unit of Aker Solutions** in October confirmed that MacGregor is well on its way in executing its strategy and building a strong platform for growth. The acquisition was completed in January 2014.
- MacGregor made preparations for its separation as a sub-group within the Cargotec group of companies. The listing was delayed in October 2013 from the earlier announced first half of 2014 as MacGregor focuses on the integration of the acquisitions.

Sales - MacGregor



Operating profit excluding restructuring costs - MacGregor



Main orders received in 2013

In 2013, the offshore market was healthy, characterised by strong demand for sophisticated subsea handling equipment. Customers are seeking solutions for handling larger loads in harsh environment and MacGregor is responding to this demand.

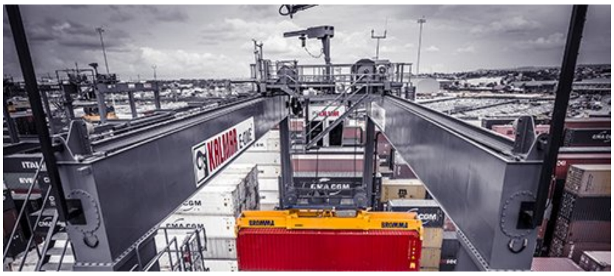
During 2013, MacGregor received several major orders:

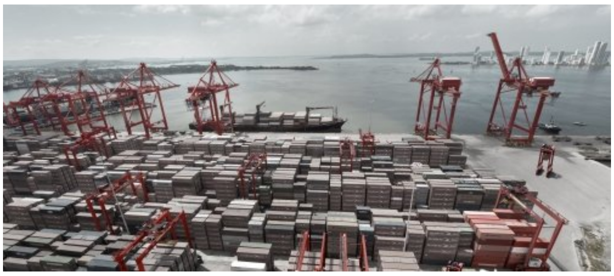
- Four offshore cranes for US **Hornbeck Offshore Services**
- **An active-heave compensated offshore crane** – the largest in the market so far – for a support vessel to be built in South Korea
- **Two subsea cranes** for a Norwegian-owned Arctic construction vessel
- **Offshore winches** for 22 anchor handling vessels to be built in China, as well as 45 winches for a heavy lift vessel from **Hyundai Samho Heavy Industries** in South Korea

The merchant ship market is showing gradual improvement in activity, driven by new building prices and fuel efficiency. Fuel efficiency and impending environmental regulations are leading to increasing interest from owners in ‘eco’ designs. MacGregor is the forerunner in providing electrically operated cargo handling solutions, an area in which it has an impressive track record.

- An order for 64 electric cranes from two Chinese shipyards
- The first breakthrough order for the **Customer Solutions** -concept
- Electrically-operated **side-rolling hatch covers** for five Greek bulk carriers
- 12 electric cranes and hatch covers for **China Navigation**’s four multi-purpose vessels
- **20 cargo cranes** for multi-purpose vessels in China and
- RoRo cargo access equipment orders for **five Container/RoRo (ConRo) vessels** in South Korea and for **another five vessels** in China.

Kalmar in brief





Kalmar offers the widest range of cargo handling solutions and services to ports, terminals, distribution centres and for industrial applications.

It has a long heritage in innovation and is a forerunner in port automation and energy-efficient products. Kalmar is a unique player in the market because it enables the seamless integration of equipment, different terminal processes and terminal operating systems.

Kalmar's offering includes cargo handling equipment such as ship-to-shore and yard cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors, forklift trucks, Bromma spreaders and Siwertell bulk handling systems. It also provides terminal automation and integration solutions and Navis terminal operating systems (TOS). Kalmar's automation product and service offering includes both equipment and process automation solutions.

Kalmar is a global business, with personnel in 33 countries. In 2013, Kalmar's sales totalled EUR 1,550 million (2012: EUR 1,495 million). Kalmar has 5,269 employees.

” Kalmar's underlying profitability is healthy and improving. I believe Kalmar is well equipped to respond to the industry trends and to grow profitably.

Olli Isotalo
President, Kalmar

Key figures

1,430
Orders received, MEUR
(2012: 1,565)

799
Order book, MEUR
(2012: 983)

1,550
Sales, MEUR
(2012: 1,495)

64.0
Operating profit, MEUR*
(2012: 42.3)

4.1
Operating profit, %*
(2012: 2.8)

*Excluding restructuring costs

Strategy and roadmap

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

1. Automation and integration
2. Services
3. High quality and innovative products
4. Closeness to customers
5. Project business capabilities

Automation and services are the two spearheads of Kalmar's strategy. The foundations of its offering lie in high quality and innovative products. Another success factor involves being close to and building long-term relationships with customers. This is possible through Kalmar's global sales and service network, which is the most extensive in the container handling industry. In addition, Kalmar continues to invest in its employees and project business competences.

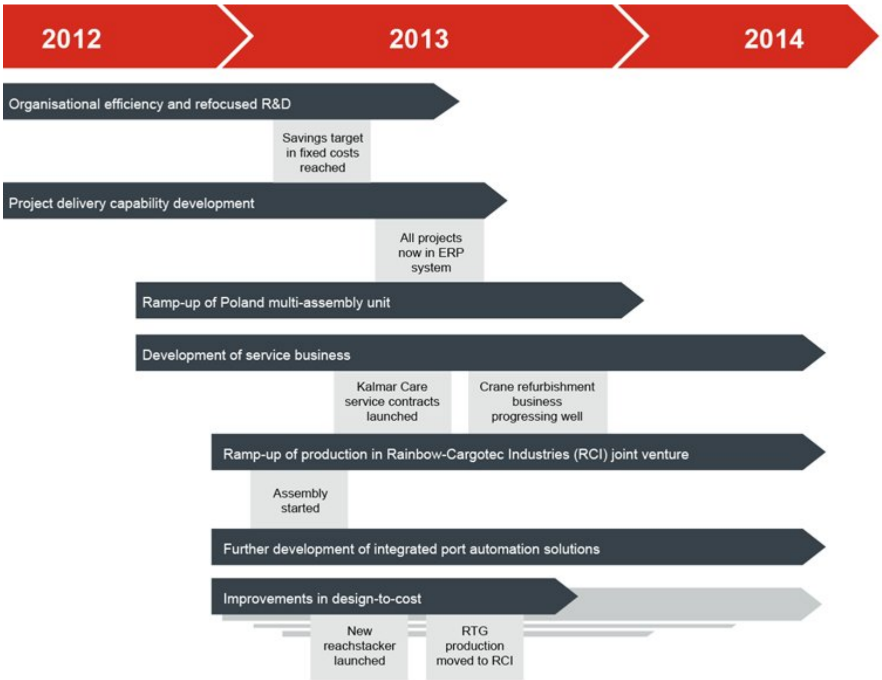
The following values guide the way in which Kalmar's employees interact with customers, partners and colleagues:

- We drive innovation
- We do it together
- We deliver on promises
- We provide lifetime care

Strategic roadmap 2013

Kalmar's main improvement initiatives in 2013 focused on profitability and operational efficiency. They were supported by an organisation with clear profit and loss responsibilities allocated to the business lines, the search for reductions in overhead costs and the development of Kalmar's future supply footprint.

Kalmar improvement initiatives



Automation differentiates

Kalmar believes that its ability to integrate and link equipment into a single seamless process brings true value to terminal operators as well as differentiating Kalmar. In 2013, Kalmar continued to promote Kalmar SmartPort process automation solutions for terminal customers. Technology roadmaps were further integrated with Navis, the leading terminal operating system (TOS) provider, which has been part of Cargotec since 2011.

Optimising the flow of containers in a terminal requires improved efficiency in all phases, from ship to truck. Together with Navis, Kalmar is the only vendor that can provide a complete solution for terminals, ranging from TOS to equipment and process automation, alongside the associated supporting services. In 2013, Kalmar invested in new technologies in the area of navigation systems, for example. It strengthened its resources in automation sales and a series of webinars was begun for customers and port consultants in order to create awareness of process automation.

Services a growth area

During the year, Kalmar launched the new concept of modularised Kalmar Care service contracts. These contracts are tailored to meet customers' business needs, which may range from basic maintenance to a completely outsourced solution. Crane refurbishments are viewed as an important growth area in services driven by the need within terminals to accommodate larger container vessels and modernise aging ship-to-shore cranes.

Kalmar's capabilities in this area were strengthened by the acquisition of the Spanish company Mareiport S.A. Another future focus area will be the development of services and software support for automated terminals. The enterprise resource planning system implemented within Kalmar's central parts supply operations in 2013 is expected to realise major benefits within the parts supply chain.

High quality and innovative products backed up by footprint development

Kalmar continued to develop its supply footprint during 2013, with the aim of improving operational efficiency and profitability, while ensuring long-term competitiveness in global markets. In addition, design-to-cost measures were begun in the Cranes and Mobile Equipment divisions. Major product launches in these divisions included new-generation reachstackers and hybrid straddle and shuttle carriers.

The Kalmar production system (KPS) was introduced in assembly units. Built on the previously used Cargotec production system, KPS is based on the ‘lean’ philosophy. Safety is a key aspect, with one of the targeted results being the safety of all Kalmar products and working environments.

Closeness to customers through account management

Kalmar began implementing the account management way of working as an extension of its existing strategic account management. This means that most of Kalmar’s key customers will have one Kalmar representative who coordinates all contacts with them.

Kalmar has been using a systematic global process to collect and act on customer feedback since 2010. This process has been gradually extended to cover more business lines. Such activity leads to immediate corrective action and longer term action plans within business lines. The results for 2013 suggest that customers were satisfied with the availability and competencies of Kalmar personnel, while customer communication was mentioned as an area in need of improvement.

Project business capabilities strengthened

An important part of the automation strategy is complete system deliveries, including integration. This calls for a strong project management culture and the right competencies. Kalmar strengthened its project organisation and roles, built its capabilities through training and professional certifications, and adopted improved project management tools. Project business capabilities are being supported by implementing an integrated management system, IMS, as well as the enterprise resource planning system. These are expected to improve project visibility, thereby avoiding cost overruns experienced during the year.

Main strengths, opportunities and challenges

For Kalmar, automation and services offer the greatest growth potential. Automation is driven by multiple factors such as space constraints in terminals, the rising cost and limited availability of labour, as well as increasing demands on terminal operators for efficiency, occupational safety, security and sustainability. As vessels grow in size, terminals must increase either their capacity or their efficiency – or both. Growth in vessel size is also leading to greater demand for crane upgrades and refurbishments. The services market is also growing because outsourcing is becoming more common.

> For Kalmar, automation and services offer the greatest growth potential.

Kalmar’s strengths lie in its solid track record in automation and energy efficiency, with a continued focus on the related technologies. This can be seen in the hybrid straddle and shuttle carriers and the pilot for a dual-fuel reachstacker using diesel and liquefied natural gas (LNG). Mega deliveries include financial and technological risks due to the nature of the projects. In addition, continued success in the ramp-up of Rainbow-Cargotec Industries (RCI) is important to ensuring the full realisation of this joint venture’s benefits within Kalmar’s heavy crane business.

Strategy case:

Kalmar aims to become a major provider of crane refurbishments

Demand for upgrading ship-to-shore (STS) cranes is higher than ever.

The trend towards reducing transport costs by introducing higher and wider container ships is being further boosted by the forthcoming enlargement of the Panama Canal.

Crane heightening and refurbishment is a good solution for terminal operators seeking improved STS crane capacity, at minimum cost, through higher stacking height and extended reach. What's more, most of the approximately 6,000 units of quay cranes now in operation globally have been in use for over ten years and are in need of refurbishments and upgrades.

Crane refurbishment projects have been identified as a key growth area within Kalmar's services. Kalmar's strategic intent is to become a major global crane refurbishment and services provider. In spring 2013, it acquired total ownership of the Spanish Mareiport, S.A., located in Algeciras. Through this acquisition, Kalmar expanded its crane services capabilities in Southern Europe, the Middle East and Africa in particular. Combined with its existing competence centres in the Netherlands, Malaysia and the United States, this acquisition will enable Kalmar to respond to growing customer needs globally.

Dedicated technology and experienced team

Kalmar crane services include consultancy and life-time inspections, repairs and refurbishments, as well as upgrades and modernisations. These projects are complex service deliveries requiring a high level of engineering, planning and risk control. Kalmar has developed specialist know-how, tools and capabilities for working on any brand of crane. As an original equipment manufacturer, Kalmar has an excellent understanding of critical technical considerations. Based on dedicated technology and an experienced team, Kalmar can complete most projects in a few weeks, while securing minimum equipment downtime. To date, Kalmar has heightened and extended close to a hundred STS cranes globally.

To date, Kalmar has heightened and extended close to a hundred STS cranes globally.

Kalmar also serves as a designer, supplier and expert in the electrification of any brand of rubber-tyred gantry (RTG) crane. For example, in Turkey, Kalmar has overseen the electrification of more than 60 RTGs since mid-2011. RTGs are a widely used solution for moving and stacking containers in yards. Many of these still run on diesel fuel, which is rising in price and produces greenhouse gas emissions as well as local pollution. Following electrification, the cranes run on diesel only around 10 percent of the time. This reduces carbon dioxide emissions by around a half, while noise levels fall and local air quality is improved.

Markets and market outlook

Kalmar's main customer segments are ports and terminals, which are served globally, and logistics and industrial applications, which are served in selected geographical markets, mainly the United States and Europe.

The top 22 companies handle around 75 percent of the world's container traffic and operate around 40 percent of all terminals. Consolidation between terminal operators is highlighting the importance of customer relationship management, long-term supplier relationships and operational scale.

Main market drivers

Growth in overall gross domestic product (GDP) is the main driver behind activities in ports and terminals and in the industrial sector. World trade, which correlates to but is more volatile than GDP, is primarily driven by global export and import activities.

Container traffic is an important driver of around 70 percent of Kalmar's business operations. Drewry Container Terminal Operators estimates that global container throughput will grow by around five percent per year, 186 MTEU (TEU = one twenty-foot equivalent unit) by 2017. Growth in Asia-Pacific is expected to be double that of the rest of the world. Terminal automation has developed slowly, with fewer than 40 terminals out of a thousand now automated to a more significant degree. However, due to improved technologies, increasing labour costs and intensifying pressures for efficiency and sustainability, faster growth in automation is expected, primarily in greenfield terminals where the business rationale is strongest. In the case of process automation, the growth figures are even higher, also for brownfield operations.

The table below details the main operational pressures on container terminals. These are also having an impact on Kalmar's business.

Drivers for ports and terminals	Business demands on Kalmar
Increased competition	Higher utilisation of capital goods, need for overall operational efficiency, automation, container flow planning
Lack of terminal space	Container flow planning, higher stacking, individual equipment utilisation
Bigger vessels	Bigger ship-to-shore cranes, container flow planning, automation, yard traffic planning, predictive maintenance
Guaranteed priorities to shipping lines	Operational planning, reliable equipment, container flow planning
Labour costs, safety, efficiency, sustainability and local reasons	Automation, container flow planning

Manufacturing indices are a common market driver for industrial applications. Products of this kind are sold for a broad range of applications, but in Kalmar's case most commonly for the pulp and paper industry, steel handling, wood handling and various production-related applications.

Competitive landscape

The competitive situation varies greatly at the level of individual products and depending on the geographical location in question. Kalmar's market share is strong in straddle and shuttle carriers, reachstackers, empty container handlers and terminal tractors. Kalmar is also the leader in integrated automation solutions, spreaders and dry bulk handling systems.

Kalmar has the industry's most comprehensive product offering for container-handling customers. Kalmar's uniqueness lies in its ability to integrate products with terminal operating systems and various process automation solutions. Kalmar is a technology leader with high quality products and the most extensive reach through its comprehensive service network and global spare parts logistics. The high brand value is demonstrated by the high resale value of Kalmar equipment.

Products and services

Solutions provided by Kalmar include container and cargo handling equipment such as ship-to-shore (STS) and yard cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors, forklift trucks, Bromma spreaders, Siwertell dry bulk handling systems, terminal automation and integration solutions and Navis terminal operating systems (TOS). Kalmar Services covers maintenance, crane services, preowned equipment sales and spare parts.

Navis' terminal operating systems coordinate and automate the planning and management of container and equipment moves in complex business environments, resulting in efficiency benefits in shipping and terminal operations. These systems assist in the running of terminal operations in a single location, or across several terminals in multiple geographic locations.

Kalmar's automation product and service offering covers both equipment and process automation. Automated equipment includes automated stacking cranes, automated straddle and shuttle carriers, and automated lashing platforms. Kalmar was the first supplier to help create a fully automated container terminal; this was accomplished in Patrick Brisbane, Australia, in 2005 using Kalmar AutoStrad™ automated straddle carriers. According to the customer, a 75 percent reduction in safety incidents was achieved in the first year, increasing to a 90 percent reduction in the following years. In 2012, the customer reported cost savings of approximately EUR 34 million on 1.1 MTEU (TEU = one twenty-foot equivalent unit) in volume.

Process automation solutions are software-based and can improve productivity, equipment utilisation rates and safety by reducing the risk of human error. When using manual processes, starting a job can take several seconds, whereas delays of this kind are eliminated by automated solutions. For example, a 3-second delay in an exchange between a crane and a truck during discharge would be equivalent to a delay of 10.4 days annually in a terminal with 300,000 moves. Even in environments where labour costs are lower, the safety benefits make process automation worthwhile. For example, automated twistlock handling not only speeds up the deconing and coning of twistlocks by 20 seconds per container, but also eliminates the possibility of loose items or containers falling on people during the process.

R&D and product safety

In Kalmar, each division is responsible for the entire value chain, including research and development. Product development focuses on environmental, efficiency and safety considerations, with continued efforts made to meet the latest criteria in each regard. Safety is considered as early as the design phase, with failure mode and effect analysis forming part of product development. In Europe, Kalmar products comply with EU legislation and are granted the CE marking. Kalmar equipment leads the way in safety in port operations; its all-electric rubber-tyred gantry cranes, automated stacking cranes and straddle carriers comply with the EN ISO 13849-1 machinery safety standard. To increase productivity and avoid worksite accidents, Kalmar complies with the Machinery Directive 2006/42/EC across the entire range of its cranes. Customer trainings as well as documentation provided upon delivery ensure that the equipment is used in a safe, efficient and environmentally conscious way. Kalmar products are always delivered accompanied by the relevant information on safe product use.

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Extensive field tests and advanced tools are used to examine aspects such as the energy system, noise levels and vehicle stability.

Opened in 2012, Kalmar's Technology and Competence Centre in Tampere, Finland, features up-to-date facilities and modern R&D tools. The centre has the world's largest test field for automated container handling equipment. During product development, extensive field tests and advanced tools are used to examine aspects such as the energy system, noise levels and vehicle stability. For example, using a real-time simulator for virtual testing leads to improved quality and operator safety and can help shorten product development times. The benefits of the new centre have already been proven by successful test runs in customer delivery projects as well as the launch of the new hybrid straddle and shuttle carriers. In March, the centre was awarded the BREEAM certification for best practice in sustainable building design, construction and operation.

Siwertell won the International Bulk Journal's 'Best Ship Loading/Unloading System' award for a second time as the most efficient, safe and innovative dry bulk cargo flow systems in the market.

Partnership initiatives

- During the first quarter, as part of a consortium Kalmar received a commendation award in the Next Generation Container Port (NGCP) Challenge. This involved designing the biggest, most efficient and sustainable terminal in the world, for construction within the next ten years. **Kalmar's proposal** was for a port that is highly sustainable in both financial and environmental terms.
- Kalmar partnered with a customer, Global Service in Italy, to create a dual-fuel (liquefied natural gas and diesel) reachstacker under the EU-funded **Greencranes** initiative.
- Kalmar cooperates actively within **FIMECC**, the Finnish Metals and Engineering Competence Cluster, which focuses on both technology and business-related strategic research programmes.

Product launches during the year

- The **Kalmar Care** service contract concept was launched, including four contract types standardised globally and across all customer segments. These contracts are modular and fully scalable, covering everything from day-to-day support to comprehensive servicing and maintenance requirements.
- The **Gloria reachstacker** range was introduced. This includes a new generation of reachstackers, with improved productivity, operator comfort and safety. These machines come with built-in safety options, such as reverse warning and a personal proximity aid system. The cabin offers over 90 percent guaranteed all-round visibility, even in the worst weather conditions. Eco models provide a saving on fuel of up to 20 percent. A further 10 percent fuel saving can be achieved with the new start-stop function. A tyre air pressure control system contributes to fuel savings and extends the lifetime of tyres by up to 10 percent.
- The world's first real **hybrid straddle and shuttle carriers** were introduced. These consume up to 40 percent less fuel than existing machinery and bring considerable sustainability benefits. Annual carbon dioxide emissions can be cut by 50 tonnes per machine. These machines feature active stability control, quieter operation and automation readiness, as well as an ergonomic cabin.
- **A mid-capacity range of new forklifts**, already introduced in Europe, was launched in North America. Certain design features were developed in cooperation with customers in order to meet local needs.
- A more intuitive three-dimensional graphical **user interface** was introduced for the Kalmar AutoStrad™ automated straddle carrier control system, reducing the time needed for training and decision making.

Personnel

At the end of 2013, Kalmar had 5,269 employees in 33 countries. The largest countries were the United States, Sweden, Malaysia, China, Finland, Poland, the Netherlands, India and Spain.

Kalmar has defined its people strategy, plans and actions in support of realising the Kalmar business strategy. This strategy is supported by the four cornerstones of Cargotec's HR: fact-based people management, organisational efficiency, leadership and talent management and Kalmar's performance culture.

Fact-based people management is important in a global and fragmented organisation like Kalmar's. For example, attention has been paid to headcount follow-up, in support of achieving our target for the monitoring of indirect and direct costs.

Organisational efficiency was the starting point of Kalmar's new set-up, which was rolled out in the latter half of 2012. The business area is now divided into divisions and further into business lines with profit and loss responsibilities. Synergies are provided by a common enterprise resource planning system, and joint projects and offering development. Responsible for customer relationship management and the distribution network, Kalmar's front line units support all divisions in sales and service operations close to customers. The aim is to further decrease organisational complexity to ensure that the management is as close as possible to daily business.

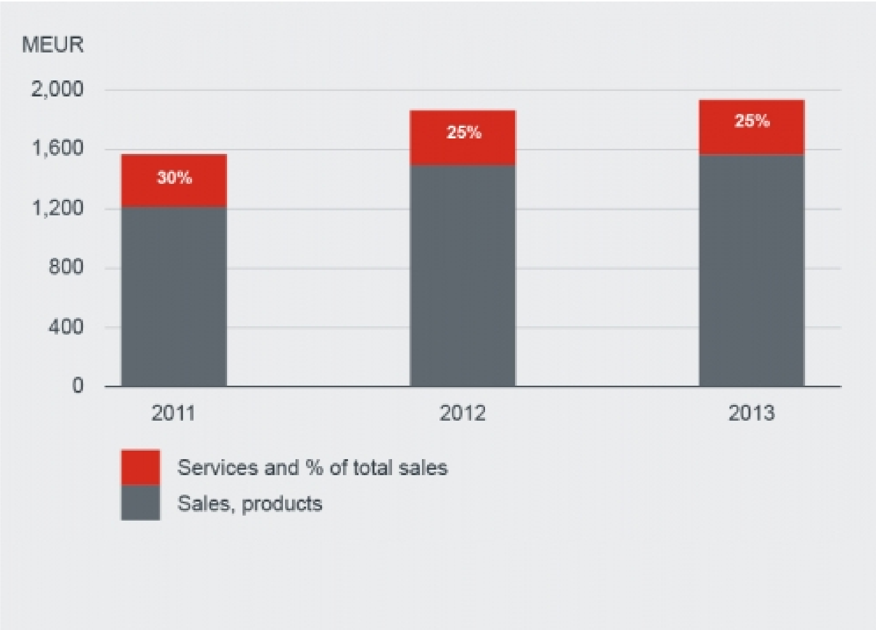
Kalmar applies common Cargotec tools and processes to talent management and performance development. Key training programmes during the year focused on terminal operations, account management and project business skills. Approximately 150 persons participated in global training programmes at Kalmar. The Performance and Development Plan (PDP) completion rate was 100 percent amongst the top three management levels.

Development 2013

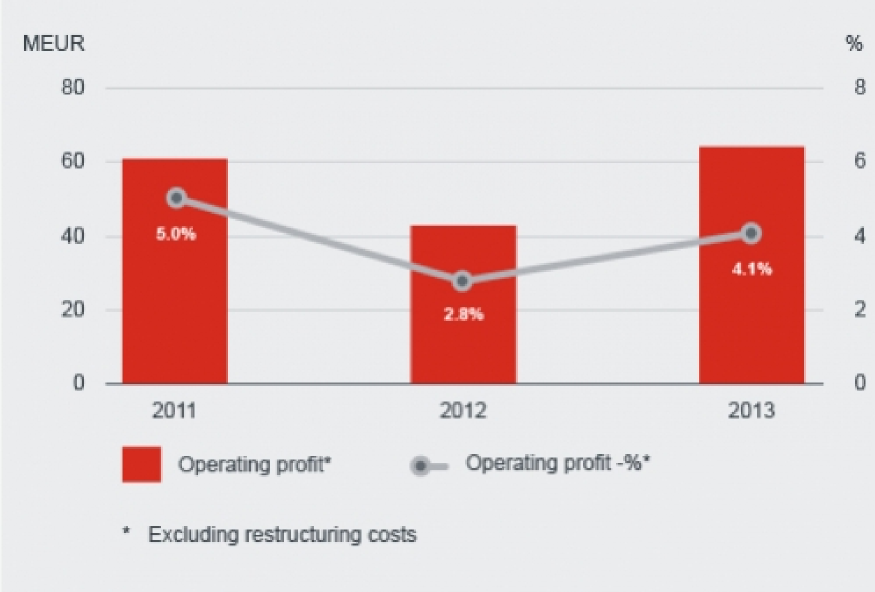
Demand for smaller container handling equipment and automation solutions used in ports was healthy, while demand for larger container handling equipment picked up during the year. Demand for services was healthy in general, although in some European ports demand was affected by low capacity utilisation among customers. Profitability was mainly burdened by cost overruns in ship-to-shore projects and mega projects.

Kalmar was engaged in several large-scale terminal projects involving automated systems, including DP World's London Gateway and Brisbane projects, APM Terminals' Maasvlakte II project in Rotterdam, and TraPac in Los Angeles. In total, Kalmar had nine major ongoing projects at a total value of EUR 400 million. London Gateway opened for commercial operations in November 2013, while the other mega projects will go live in 2014. The first customer delivery by the Rainbow-Cargotec Industries joint venture consisted of 12 rubber-tyred gantry cranes for PCT in Greece.

Sales - Kalmar



Operating profit excluding restructuring costs - Kalmar



Major orders

- Kalmar received a repeat order associated with **TraPac**'s fully automated container terminal project in Los Angeles, USA. This involved the delivery of 17 automated stacking cranes and 11 automated straddle carriers as a follow-up to a similar-sized order received in 2011. Kalmar has steadily built a track record in the field of port automation and this project was its first large automation order in the Americas region. Kalmar also received an order for 11 automated stacking cranes from ECT in Rotterdam, the Netherlands. In South America, the Argentinean TecPlata chose multiple Kalmar SmartPort solutions for its greenfield container terminal.
- **The MSC Home Terminal** in Antwerp, Belgium, was the first to adopt the new-technology hybrid straddle carrier. Further orders for straddle carriers were received from the Port of Tacoma in the USA, TTI Algeciras in Spain and Port Otago in New Zealand.
- **The Port of Oslo** in Norway placed a major order for eight semiautomated RTGs and for several process automation solutions. RTGs were also ordered by Kenya Ports Authority, by Concor in India and by a new customer, TPS, in Indonesia.
- Port operator **GIPEC** ordered 25 reachstackers for five key ports in Algeria. In Australia, Kalmar's dealer Pacific Materials Handling placed an order for 20 reachstackers and 20 forklift trucks. The US Department of Defense ordered 18 rough-terrain container handlers to replace older equipment. Ship-to-shore crane services and refurbishment projects were carried out for customers in South Africa, Argentina, Spain, Hong Kong and Belgium, among other countries.
- Peel Ports Group ordered the Navis terminal operating system (TOS) across eight terminal sites located in the UK and Ireland. A Navis TOS will also be implemented by Contship Italia Group, the largest Italian terminal operator, at its five terminals, and by APM Terminals at Maasvlakte II. Further TOS orders were received from DP World for Jeddah, Saudi Arabia, and from the Port of Auckland in New Zealand.
- Bromma received a steady flow of orders with a wide geographical distribution, emphasising its leading position on all continents. A notable trend lay in the relatively high share of ship-to-shore spreaders.
- Siwertell won dry bulk handling equipment orders destined for Russia, the Ukraine, South America, Turkey and Denmark. Siwertell bulk loaders and unloaders are based on a unique high-capacity screw technology with a totally enclosed system, which eliminates dust emissions and spillage.

Mergers, acquisitions and divestments

- In March, the Kalmar log stacker business was sold to SKS Toijala Works Oy, a long-standing assembly and production partner.
- In May, Kalmar acquired total ownership of the Spanish crane refurbishment and maintenance service company **Mareiport, S.A.** Kalmar has been a minority shareholder with a 30 percent ownership in the company since 2007. Mareiport employs approximately 250 people and the company's sales totalled around EUR 20 million in 2012.
- In June, Cargotec signed an agreement on the sale of its Technology and Competence Centre facilities in Tampere, Finland to W.P. Carey, a real estate investment trust in the United States. Cargotec will continue its business at the premises as a leaseholder with a 20-year contract. This transaction was worth around EUR 38.5 million.

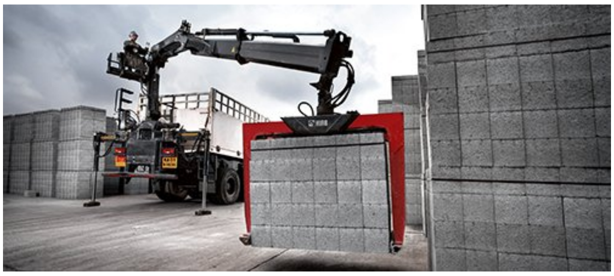
Supply footprint development

Reachstacker and empty container handler assembly was relocated from Lidhult, Sweden, to the multi-assembly unit (MAU) in Stargard, Poland. To be completed in early 2014, this measure resulted in a reduction of 106 posts in Lidhult. Bromma spreader production was further concentrated in Malaysia by relocating production of certain spreader models from Poland to MAU Ipoh.

In the United States, the decision was taken to transfer forklift truck production from Ottawa, Kansas, to Cibolo in Texas. Ottawa will continue as the terminal tractor centre in North America and Cibolo will focus on rough terrain container handlers and forklifts from the second quarter of 2014. This measure will result in an estimated reduction of 14 employees in Ottawa.

Production of rubber-tyred gantry (RTG) cranes was relocated from Kalmar's Shanghai multi-assembly unit (MAU) to the Rainbow-Cargotec Industries joint venture. This measure was a continuation of the process begun in July 2011, when Cargotec announced plans to establish a joint venture with its long-standing partner in China, Jiangsu Rainbow Heavy Industries. The joint venture is now fully operational and the first RTGs were shipped from its new state-of-the-art facility in Taicang, Jiangsu province. The relocation resulted in a reduction of 79 positions in Shanghai.

Hiab in brief



Hiab is a leading provider of on-road load handling equipment and services.

With Hiab's products, the customer can move, hoist, load and unload products, equipment and materials. The high performance product range includes Hiab loader cranes, Jonsered forestry and recycling cranes, Loglift forestry cranes, Multilift demountables, Moffett and Princeton truck-mounted forklifts, as well as Del, Waltco and Zepro tail lifts.

Hiab's products are used in various sectors of on-land transport and delivery, including construction, distribution, forestry, warehousing, waste and recycling, and defence. Customers include transportation companies, municipalities and governments, fleet operators, single truck owners, rental companies and truck manufacturers.

Hiab's products and services enable customers to optimise their businesses, while running efficient and profitable operations. A broad product offering, leading technology and solid global know-how make Hiab solutions the most reliable and efficient on the market.

With operations in more than 120 countries and more than 750 sales and service locations worldwide, Hiab aims to set the industry benchmark for customer satisfaction, by providing products and services that meet customer needs globally. In 2013, Hiab's sales totalled EUR 841 million (2012: EUR 840 million). Hiab's workforce numbers 2,823 people.

" Hiab's strategic targets are to provide better customer satisfaction than any other player in on-road load handling, improve profitability and grow faster than the market. In 2013, we put a strong focus on actions that accelerate Hiab's profitability improvement.

Mika Vehviläinen
Acting President of Hiab

Key figures

869
Orders received, MEUR
(2012: 850)

203
Order book, MEUR
(2012: 192)

841
Sales, MEUR
(2012: 840)

24.4
Operating profit, MEUR*
(2012: 27.1)

2.9
Operating profit, %*
(2012: 3.2)

* Excluding restructuring costs

Strategy and roadmap

In 2013, Hiab defined its vision, mission and values as part of its business strategy and new brand strategy.

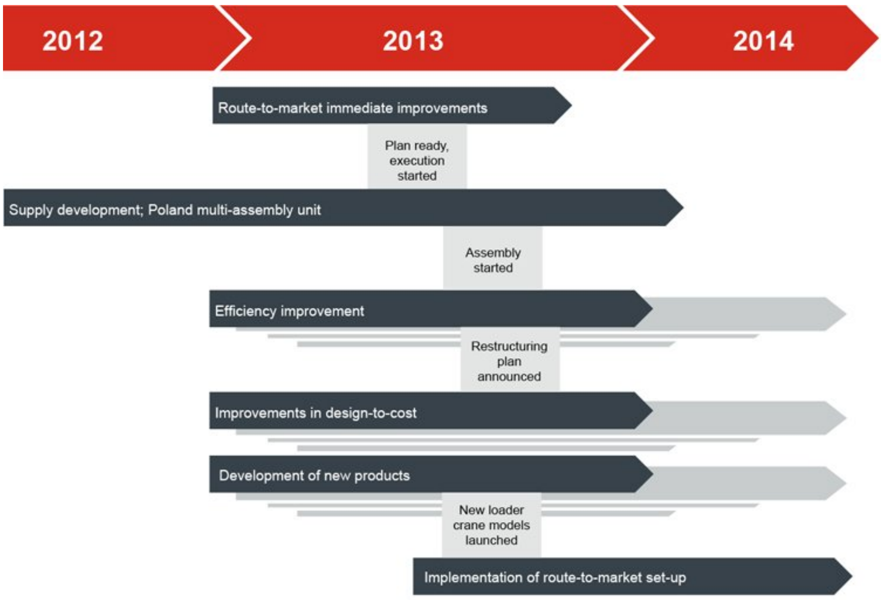
- **Hiab's vision** is to unlock the full potential of load handling as a major contributor to industrial productivity.
- **Hiab's mission** is to deliver load handling products that are reliable and efficient, so customers can run their businesses with sustainable profitability, pride and peace of mind.
- **Hiab's values** are trustworthy, innovative, genuine and caring.

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

Strategic roadmap 2013

One of the building blocks of Hiab's strategy is its route to the market: the channels and processes used to sell products and services to customers. Actions were taken in 2013 to harmonise, simplify and strengthen the way of reaching customers in order to serve them as professionally and productively as possible. An increased focus was placed on cost control and building a performance culture. New tools, such as key performance indicator (KPI) dashboards, were introduced for transparent follow-up and to enable fast and pro-active measures for improving performance and cost efficiency. To support this transformation, Hiab's sales, services and central sales support organisations were adjusted accordingly.

Hiab improvement initiatives



Through continuous research and product development, Hiab is advancing its product offering to meet customers' needs and expectations globally, with products that are durable, reliable, safe and easy to use. Main product launches during the year include four new Hiab loader cranes, which were developed based on extensive research findings among customers and experts in the field. This new **X-Series** represents Hiab's biggest launch in years, bringing unique benefits to customers in the areas of durability, performance and user friendliness. The latest models of Moffett E-Series Pro Future™ truck-mounted forklifts brought onto the market are setting new standards in placing environmentally responsible technology on the back of a truck or trailer, while significantly reducing the total cost of ownership.

In services, the development of the spare parts business was one of the key focus areas of 2013 in order to improve profitability. Main actions included exploring the possibility of improving efficiency by optimising the physical distribution of spare parts to customers and by restructuring the global service network as part of the route-to-market set-up. Consistency in the branding of spare parts was improved by providing suppliers with precisely defined branding rules for products and packaging.

In the area of supply development, the construction of Hiab's new multi-assembly unit (MAU) in Stargard Szczecinski in Northern Poland was completed and the assembly of loader cranes was begun in the new facility in September. The ramp-up of the new painting process is planned for 2014. In November, truck-mounted forklift production in Ottawa, Kansas was successfully consolidated to MAU Dundalk in Ireland. To improve cost efficiency and flexibility, outsourcing of component manufacturing from Hudiksvall and Dundalk to low cost countries was completed during the year.

Cross-functional teams were established to continuously improve product quality in all MAUs. This resulted in a reduction of claims by 21% compared to previous year. The planning, supply chain and logistics function was strengthened in order to develop Hiab's future supply chain and logistic system. Implementation of the refined Hiab Production System (HPS), which is a philosophy based on lean and continuous improvement, was reinforced in all production units; good results were achieved, particularly with respect to truck-mounted forklifts and tail lifts. HPS has been built on the previously used Cargotec Production System.

In 2013, Hiab firmed up its environmental programme, according to which:

- Hiab promotes environmental-friendliness and commits itself to reducing energy consumption in products, operations and services in line with the Cargotec Environmental Policy and external commitments.
- Hiab commits itself to adopting a precautionary approach to any environmental challenges it encounters in its operations.
- Hiab ensures compliance with the applicable legal and other requirements.
- Continuous improvement lies at the core of Hiab's environmental management system and can be achieved through a management commitment, by identifying the environmental aspects of our activities, products and services, and through continuous follow-up, review and analysis of environmental performance against the set objectives and targets.

Major environmental aspects are identified using an environmental impact analysis tool, analysis of reported indicators, the expectations of interested parties and on-site assessments and visits.

In the area of supply, energy efficiency was selected as a performance indicator for measuring the environmental impact of operations, and an action plan was drawn up for improving energy efficiency. There are plans to extend this process to other areas of Hiab in the future. Systematic measurement and reporting of safety performance were begun as part of policy deployment. Actions were accordingly implemented locally within production units.

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Customer satisfaction is the first priority for Hiab.

Customer satisfaction is the first priority for Hiab, as well as for Hiab dealers and service points. Twice a year, Hiab approaches customers who have received a Hiab product within the last three to six months, with a survey measuring their satisfaction with Hiab. Covering 19 countries worldwide, the questionnaire covers all aspects of their relationship with Hiab, from sales to products, after sales service and Hiab overall. The results of these surveys are incorporated in Hiab’s processes, with the aim of continuously improving its products and service quality. In 2013, 88 percent of customers who responded to the survey indicated that they were satisfied.

In 2014, Hiab will accelerate its strategy execution in order to improve its financial performance. A strong emphasis will be placed on improving its cost structure and building its performance culture. Hiab’s product brands command strong market positions and high customer satisfaction. Best-in-class product quality is guaranteed by innovative technical leadership.

Strategy case:

Hiab X-Series – Product development based on customer feedback

Hiab's priority is to help customers succeed in their day-to-day work. This strong focus on the customer has guided the development of Hiab's new X Series of cranes: the X-CLX 178, X-DUO 178 and X-HIDUO 188 and X-HIPRO 192 models.

The new X-Series is the result of extensive customer input. Hiab employees travelled around the world to meet customers and discuss their greatest needs. Several studies and in-depth interviews were also undertaken during 2012–2013, collecting input from a total of nearly 1,500 customers and experts in the field. Customers were clear about what they wanted to see in the new crane design: performance, durability and user friendliness.

Hiab's customers work in very different sectors and have different demands of the cranes. Based on customer feedback it was, however, evident that the common denominator for all customers is that all crane operators want speed, precision and lifting capacity. Hiab's new X-Series aim to get the job done faster, more precisely and at a lower cost. The new boom extension works nearly twice as fast as the previous system.

> The new X-Series of cranes was born from listening to customer feedback.

In the feedback collected, Hiab's customers also expressed the need for durable and reliable cranes with minimum downtime. With this in mind, Hiab has worked on several details that improve durability and ensure functionality over a long period of time. The new loader cranes are equipped with functional solutions to protect and prolong the lifetime of parts that are susceptible to potential damage and wear and tear. The cranes also have high-quality soft seal hydraulic couplings throughout the crane to ensure dry, clean and healthy machines.

The X-Series has also been developed with user-friendliness in mind. The purpose is to make the crane operator's day-to-day work easier, safer and more ergonomically sound. The X-Series has a new ergonomically designed workstation and a new highly-precise joystick control is available for remote controlled cranes. Furthermore, an entirely new design for the stabiliser legs means that they can be tilted easily and safely. A new, simplified design also means that the installation process for the new cranes has become smoother, resulting in lower installation costs and shorter installation times for the customer.

As the new X-Series of cranes was born from listening to customer feedback, Hiab will also continue to maintain an active dialogue with customers to gather their feedback regarding the performance of the cranes. This dialogue is part of Hiab's systematic approach to collecting customer feedback twice a year. Feedback is carefully analysed and incorporated into Hiab's processes by continuously improving products and service quality. The X-Series is a prime example of how ideas and suggestions from customers result in the development of new products and features.

Markets and market outlook

Hiab’s customers range from large national or regional companies to local and relatively small enterprises. They include transportation companies, municipalities and governments, fleet operators, single truck owners, rental companies and truck manufacturers. The majority of Hiab’s customers are located in Europe, Middle East and Africa (EMEA). Customers’ business areas include construction, infrastructure, distribution, forestry, landscaping and agriculture, warehousing, waste and recycling, and defence. 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 forest businesses also affect Hiab. An increasing focus on health, safety and environmental issues among truck owners is expected to have a positive effect on Hiab’s business.

Residential houses, the associated roof constructions and other construction elements are increasingly built elsewhere and transported to their location. In mature markets, this creates a need for Hiab products, especially for high capacity equipment. In emerging markets, the trend involves a move away from small transportation packages. Larger elements and palletised goods are increasingly used, since they speed up the construction process and enable standardised load handling. The need to move larger elements is creating demand for the more advanced products that Hiab can offer.

Market development

Hiab's market development on a global level was flat in 2013, but the outlook is more optimistic for 2014. The US market is expected to continue improving based on an increase in housing projects and greater utilisation of construction equipment. Utilisation rates are also rising in the rental business. Truck sales in EMEA are forecast to improve in 2014. In 2013, the load handling equipment market was characterised by variations within European countries with respect to both new equipment and services demand.

In Asia-Pacific, the overall load handling market is showing growth. While the Chinese market is slowing, with signs of gradual consolidation within domestic brands at local level, the market share of western brands is growing.

European Union regulations are imposing stricter limits on pollutant emissions from light passenger and commercial vehicles, with common requirements associated with motor vehicle emissions and specific replacement parts. This will have an impact on truck sales. Since January 2011, the Euro 5 standard applies to the registration and sale of new types of cars, and the Euro 6 standard will enter into force in September 2014 with respect to the approval of vehicles, and from January 2015 with respect to the registration and sale of new types of vehicles.

Towards the end of the year, truck manufacturers increased their production of Euro 5 trucks, in response to demand for the existing technology while it is still available. This also influenced Hiab’s order intake towards the end of the year. Truck demand associated with the Euro 6 standard remained modest on average.

The competition was active in 2013, particularly with respect to loader cranes, but also in relation to truck-mounted forklifts in key European markets. Competitors are broadening their product portfolios and offerings. Hiab has one main global competitor and several regional and local competitors in various markets.

Hiab is a leader with a strong heritage and a comprehensive product and service offering.

Hiab is a leader with a strong heritage and a comprehensive product and service offering. Hiab's product range includes products that are durable, reliable, safe and easy to use. They have best-in-class quality, high service availability and the best life-time cost performance. Hiab's highly competent and performing people have deep insight into customers' businesses, ensuring customer-driven solutions and greater customer satisfaction.

Products and services

Hiab's product range includes:

- Hiab loader cranes
- Jonsered forestry and recycling cranes
- Loglift forestry cranes
- Multilift demountables
- Moffett and Princeton truck-mounted forklifts
- Del, Waltco and Zepro tail lifts

Through its global sales and service network, Hiab offers customers spare parts and services ranging from basic inspections, installations, repair and maintenance, to completely outsourced maintenance solutions and consultancy services.

Hiab helps customers to enhance their efficiency and productivity, through its customer-driven product and solution development. Hiab's service offering ensures the safe functioning of equipment throughout long life cycles and secures the best lifetime cost performance.

R&D and product development

Improvements in design-to-cost were achieved through strengthened collaboration and cross-functional way of working between and within Hiab's product lines, sourcing and research and development (R&D) throughout 2013. This is a key enabler of greater consistency in processes and cross-functional practices, of speedy decisions and faster action and, ultimately, of competitive pricing. Cross-functional benchmarking workshops help to generate ideas for improving existing products and for new product development, and identify strengths when seeking to differentiate Hiab from the competition through fact-based sales arguments.

Hiab's R&D network was further developed during the year. New R&D units were established in Lingang, China, and Stargard, Poland, and staffed with local R&D engineers. The Lingang unit focuses on product development for the Chinese market. The R&D unit in Meppel, the Netherlands, was partly closed and its operations were consolidated with those of the R&D unit in Stargard. Hiab currently has a network of ten R&D units around the globe.

At the beginning of 2013, Hiab received EUR 1.4 million in funding from the European Union for **a three-year research cooperation project** with three academic partners in Europe. This project will boost research and development aimed at creating more sustainable load handling equipment. Under the project, a new control systems approach is being developed in order to improve operational safety conditions and the efficiency of load handling equipment. The project will also involve the creation of design strategies for advanced light materials used in load handling structures, aimed at reducing both vehicle weight and fuel consumption.

Good progress has been made in the related research programme, particularly in developing a new control systems approach. Knowledge provided by the results achieved so far in loader cranes is being used also in other product lines. The creation of design strategies for advanced light materials is also advancing well.

Hiab has always been a forerunner in adopting new safety regulations.

Pro Future™ is Cargotec's own marking for products and solutions with a smaller environmental impact. These products and solutions have fulfilled certain industry-leading criteria in terms of energy efficiency, power source, emissions, noise pollution and recyclability. By investing in equipment bearing the Pro Future™ seal, customers gain the ability to develop their operations on the basis of improved sustainability, while considerably reducing their operating costs. In 2013, Hiab’s product organisation implemented a series of single measures related to Pro Future™. A long-term plan to incorporate the Pro Future™ criteria in all product development processes has yet to be developed. Twice a year, Hiab’s management conducts a quality, environmental, health and safety (QEHS) review of its operations.

A major highlight was the new Moffett E-Series Pro Future™, a range of super-quiet, all-electric and totally emission free truck-mounted forklifts, which was brought onto the market in April. The new models are setting new standards in placing environmentally responsible technology on the back of a truck or trailer, while significantly reducing the total cost of ownership. Based on current fuel and servicing costs, operators can also expect major savings of up to 70 percent on the running costs of E-Series forklifts compared to diesel-powered forklifts. The environmental impacts of engine oil and filter changes and disposal have also been eliminated.

Hiab has always been a forerunner in adopting new safety regulations. Although no new safety regulations are planned for 2014, Hiab is already preparing for a safety standard upgrade expected in 2017. This includes the introduction of a new method of system design meeting the requirements set for the safety-related parts of control systems under standard EN 13849-1. The new method will not only enable adherence to newly planned safety regulations, but also allow Hiab to self-certify mobile elevated working platforms rather than relying on third party certification.

Personnel

At the end of 2013, Hiab had 2,823 employees in 35 countries. The largest countries were Sweden, the United States, Finland, Spain, Ireland, the United Kingdom and Poland.

In human resources (HR) management, Hiab focused on three key areas in 2013, in order to support the implementation of its business strategy and achieving its strategic objectives: having the right people in the right place; creating a performance culture; and strengthening leadership.

According to Hiab's principle to base its decisions on facts, an extensive review of the organisation was performed during the year in order to achieve a better understanding of the organisational structure and levels, team sizes and personnel by country and site. These analyses are serving as a basis for improving organisational efficiency in a transparent manner, while securing qualitative and quantitative competencies and resourcing based on business needs.

In the markets and sales organisation, the development of Hiab's route-to-market set-up was preceded by an intensive pre-study, in order to understand business needs in market areas and countries. As a result, market areas were consolidated, support functions centralised and roles and responsibilities clarified in order to improve organisational efficiency and make the most of resources and competences, with the aim of serving customers in the most professional and productive manner. These fact-based measures are building a foundation for the more structured, consistently aligned development of leadership and talent management.

In order to strengthen its leadership culture, Hiab identified four key areas within Hiab's leadership profile: ownership, performance, improvement and teamwork. These reflect the expectations set for Hiab leaders and are included as criteria in the new performance evaluation rating. The leadership profile is also a key element in Hiab's leadership training programme introduced in 2013. The training programme has a strong focus on supporting strategy implementation and building performance culture. A total of 30 Hiab leaders participated in the first programme. On management team level, actions to develop team work and measure team effectiveness were taken in all units.

Hiab identified four key areas within its leadership profile: ownership, performance, improvement and teamwork.

Key HR processes and tools are essential and efficient drivers of Hiab's performance culture. In Hiab, the completion rate of annual, individual performance and development plans (PDP) was 100 percent at the top three management levels. A new five-tier performance evaluation rating, which allows more differentiation at the low and high ends of the scale, was adopted in 2013. This will support line managers in identifying high performers and those requiring improvement in certain areas. To drive high performance, differentiation in reward levels is crucial. Hiab's performance management processes are linked to talent management. Its annual talent review process is used to assess managers and key experts, ensure successor planning, identify talented individuals and draw up development plans for key talents and future leaders. Hiab's leadership culture forms a key element in performance and talent management.

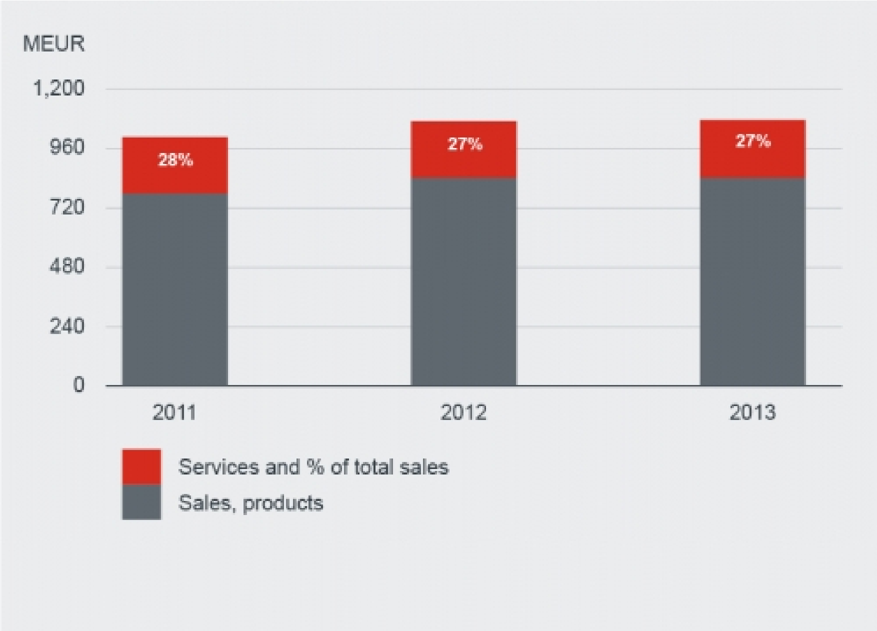
The training offering on Cargotec's Online Academy e-portal is available to Hiab personnel globally. Training is also arranged locally to meet needs in various regions. A specific Values-for-Customers training programme was developed in order to build a customer-focused mind-set within Hiab. To ensure the successful implementation of this programme, dedicated ambassadors throughout the organisation have been inducted in how to train teams.

In October, Hiab announced plans to restructure its operations in order to speed up its strategy implementation, improve its operational efficiency and profitability and ensure its long-term competitiveness in the global markets. The planned changes were aimed at reducing complexity and included adjustments to Hiab's sales, services and central support organisations. Measures to improve efficiency and reduce costs were also introduced in other areas, in order to minimise overlaps in operations and create synergies. By the end of the year, the cooperation negotiations were completed in most of the affected countries. In these countries, the measures affected 220 employees.

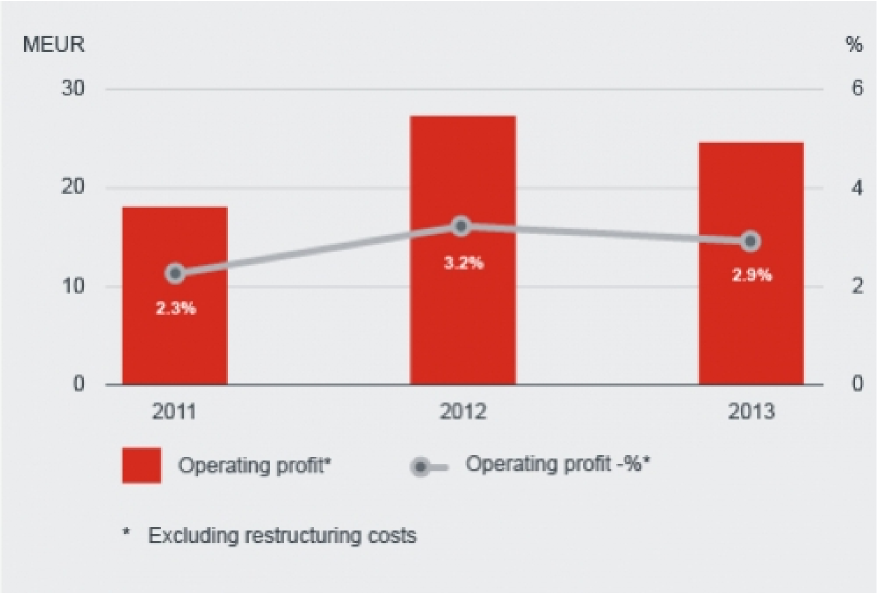
Development 2013

In 2013, Hiab defined a new brand strategy as part of its business strategy. Going forward, Hiab will operate a multi-brand strategy under which its current product brands – Hiab, Jonsered, Loglift, Multilift, Moffett, Princeton, Del, Waltco and Zepro – will have equally strong positions.

Sales - Hiab



Operating profit excluding restructuring costs - Hiab



Major product launches

- Four new Hiab loader crane models entered the market in Hiab's biggest product launch in many years: the **new X-Series**. This series' key features were developed based on findings resulting from extensive research which assembled input from almost 1,500 customers and experts in the field. The result was a project focused on developing loader cranes with unique benefits in terms of durability, performance and user-friendliness.
- The **Loglift 108S forestry crane** was designed around the favourite features of both the Jonsered and Loglift forestry crane ranges. In addition, a new spacious C912 cabin was introduced, which offers an unrestricted view in all directions and easy access to buttons and levers. The cabin is combined with the smart control system TimberTronics.
- The Moffett E-Series Pro Future™, a new range of super-quiet, emission-free, all-electric truck-mounted forklifts, was brought onto the market. These models set new standards in placing environmentally responsible technology on the back of a truck or trailer, while significantly reducing total cost of ownership. Based on current fuel and servicing costs, operators can also expect significant savings of up to 70 percent in the running costs of E-Series forklifts, compared to those of diesel-powered forklifts.
- The Multilift XP Classic range of hooklifts, with a lifting capacity of 14 to 30 tonnes, was launched in the Asia-Pacific region. This is a top-of-the-line range of hooklifts with low lifetime costs, high operational efficiency and maximum possible safety. The full XP range is produced in the multi-assembly unit in Shanghai, China, close to the product range's main markets.
- The **Second-Generation Control System** (2GCS) is designed to provide Multilift users with maximum uptime as well as unparalleled durability, comfort and safety. The new 2GCS controls all hooklift functions and safety features, making hooklift operation more efficient. In addition to time saving, the 2GCS also has a positive environmental impact, due to its lower carbon dioxide emissions and reduced fuel consumption.

The Hiab business is characterised by a high number of individual, small orders. In October, Hiab announced a large order to supply 70 loader cranes to **Marshalls**, the UK's largest manufacturer of hard landscaping materials. This deal included a long-term repair and maintenance package. In December, Hiab won a major contract to supply 200 loader cranes to **Chausson Matériaux**, one of France's largest independent buildings materials suppliers.

The joint venture is expected to become a major player in the truck crane business in the near future.

After receiving the required regulatory approvals in November in China, Cargotec established **Sinotruk (Shandong) Hiab Equipment Company Ltd.**, a joint venture with China National Heavy Duty Truck Group Co., Ltd. (CNHTC). Cargotec has 50 percent ownership in the joint venture. CNHTC is a leading Chinese manufacturer of heavy duty trucks and is the parent company of Sinotruk. By combining CNHTC's extensive network with both companies' technical know-how and product development capabilities, the joint venture is expected to become a major player in the truck crane business in the near future, particularly in China, which is one of Hiab's strategic growth markets.

During the year, Hiab launched its Integrated Management System (IMS), which integrates Hiab's commitments, processes and operational procedures into one complete framework. Hiab IMS is based on the existing management systems procedures, common processes that Hiab began implementing in 2012, and work done earlier under Cargotec's process development initiative. Hiab IMS forms a basis for continuous improvement in Hiab's operations.

In October, Hiab announced plans to restructure its operations in order to speed up its strategy implementation, improve operational efficiency and profitability, and ensure its long-term competitiveness in the global markets. By the end of the year, the cooperation negotiations were completed in most of the affected countries. In these countries, the measures affected 220 employees.

In October, the recruitment process for a new head of the Hiab business area was initiated after the resignation of Hiab's President **Axel Leijonhufvud**. President and CEO **Mika Vehviläinen** took over as the interim head of the Hiab business area.