Cargotec's financial statements review 2014: Profit improvement measures enhanced operating profit; Q4 operating profit improved significantly

The figures in this financial statements review are based on Cargotec Corporation's audited 2014 Financial statements.

October–December 2014 in brief

- Orders received decreased 5 percent and totalled EUR 914 (958) million.
- Order book amounted to EUR 2,200 (31 Dec 2013: 1,980) million at the end of the period.
- Sales grew 5 percent to EUR 963 (914) million.
- Operating profit excluding restructuring costs was EUR 71.5 (38.6) million, representing 7.4 (4.2) percent of sales.
- Operating profit was EUR 63.0 (15.3) million, representing 6.5 (1.7) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 84.0 (133.9) million.
- Net income for the period amounted to EUR 40.6 (7.7) million.
- Earnings per share was EUR 0.63 (0.12).

January–December 2014 in brief

- Orders received increased 9 percent and totalled EUR 3,599 (3,307) million.
- Sales grew 6 percent to EUR 3,358 (3,181) million.
- Operating profit excluding restructuring costs was EUR 149.3 (126.5) million, representing 4.4 (4.0) percent of sales.
- Operating profit was EUR 126.6 (92.5) million, representing 3.8 (2.9) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 204.3 (180.9) million.
- Net income for the period amounted to EUR 72.0 (55.4) million.
- Earnings per share was EUR 1.11 (0.89).
- The Board of Directors proposes a dividend of EUR 0.54 per class A share and EUR 0.55 per class B share be paid.

Outlook for 2015

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

Cargotec's key figures

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
Orders received	**914**	958	-5%	**3,599**	3,307	9%
Order book, end of period	**2,200**	1,980	11%	**2,200**	1,980	11%
Sales	**963**	914	5%	**3,358**	3,181	6%
Operating profit excluding restructuring costs	**71.5**	38.6	85%	**149.3**	126.5	18%
Operating profit excluding restructuring costs, %	**7.4**	4.2		**4.4**	4.0	
Operating profit	**63.0**	15.3	313%	**126.6**	92.5	37%
Operating profit, %	**6.5**	1.7		**3.8**	2.9	
Income before taxes	**53.4**	11.0		**98.2**	78.7	
Cash flow from operations	**84.0**	133.9		**204.3**	180.9	
Net income for the period	**40.6**	7.7		**72.0**	55.4	
Earnings per share, EUR	**0.63**	0.12		**1.11**	0.89	
Net debt, end of period	**719**	578		**719**	578	
Gearing, %	**59.2**	46.7		**59.2**	46.7	
Personnel, end of period	**10,703**	10,610		**10,703**	10,610	

Cargotec's President and CEO Mika Vehviläinen:
Our results for 2014 are a clear indication that our profit improvement programmes have progressed well and that we are implementing the issues defined in our strategy, one step at a time. Both fourth-quarter orders and sales grew on the previous quarter. Operating profit improved across the business areas towards the year-end with the fourth quarter clearly outperforming the previous quarters. I am also delighted with the improvement in cash flow.

Even though the overall financial results for 2014 were below our expectations, I am more convinced that we can meet our future targets. Our market position is strengthened by several successful new product launches. In North America in particular, market activity is expected to continue positive both for Hiab and Kalmar. We face challenging markets in MacGregor, but there is still much room for improvement in our own operations. In 2015, we will continue the profit improvement programmes in Kalmar and Hiab and the development programmes launched in MacGregor in order to improve the business area's profitability over the cycle.

Press conference for analysts and media
A press conference for analysts and media, combined with a live international telephone conference, will be arranged on the publishing day at 10:00 a.m. EET at Cargotec's head office, Porkkalankatu 5, Helsinki. The event will be held in English. The report will be presented by President and CEO Mika Vehviläinen and Executive Vice President, CFO Eeva Sipilä. The presentation material will be available at www.cargotec.com by 10:00 a.m. EET.

The telephone conference, during which questions may be presented, can be accessed using the following numbers ten minutes before the beginning of the event with access code Cargotec/950798:

FI: +358 9 2313 9201
SE: +46 8 5052 0110
UK: +44 207 1620 077
US: +1 334 323 6201

The event can also be viewed as a live webcast at www.cargotec.com. An on-demand version of the conference will be published at Cargotec's website later during the day.

A replay of the conference call will be available until midnight 12 February 2015 in the following numbers: US callers +1 954 334 0342, non-US callers +44 20 7031 4064, access code 950798.

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

Cargotec's financial statements review 2014

Operating environment

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

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

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

Orders received and order book

Orders received during the fourth quarter decreased five percent from the comparison period and totalled EUR 914 (958) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on orders received. Orders received grew in Kalmar and declined in MacGregor and Hiab compared to the comparision period. In MacGregor, the contribution of the two recently acquired businesses to orders received was EUR 121 (25) million. Service orders grew 15 percent from the comparison period, as orders grew in all geographical areas.

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

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

Orders received by reporting segment

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
MacGregor	**304**	361	-16%	**1,210**	1,011	20%
Kalmar	**378**	357	6%	**1,482**	1,430	4%
Hiab	**232**	241	-4%	**909**	869	5%
Internal orders	**0**	-1		**-1**	-3	
Total	**914**	958	-5%	**3,599**	3,307	9%

Orders received by geographical area

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
EMEA	**426**	394	8%	**1,524**	1,343	14%
Asia-Pacific	**256**	372	-31%	**1,195**	1,079	11%
Americas	**232**	192	21%	**880**	885	-1%
Total	**914**	958	-5%	**3,599**	3,307	9%

Sales

Fourth-quarter sales grew five percent from the comparison period, to EUR 963 (914) million. Compared to the comparison period, currency rate changes had a two percentage point negative impact on sales. The contribution of the acquired businesses in MacGregor to sales was EUR 61 (18) million. Sales in services grew 10 percent from the comparison period and totalled EUR 220 (201) million, representing 23 (22) percent of consolidated sales.

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

Sales by reporting segment

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
MacGregor	**301**	218	38%	**1,034**	794	30%
Kalmar	**452**	468	-3%	**1,487**	1,550	-4%
Hiab	**211**	229	-8%	**840**	841	0%
Internal sales	**-1**	-2		**-3**	-3	
Total	**963**	914	5%	**3,358**	3,181	6%

Sales by geographical area

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
EMEA	**426**	409	4%	**1,437**	1,385	4%
Asia-Pacific	**304**	262	16%	**1,013**	1,003	1%
Americas	**233**	243	-4%	**908**	793	15%
Total	**963**	914	5%	**3,358**	3,181	6%

Financial result

Operating profit for the fourth quarter clearly improved from the comparison period, totalling EUR 63.0 (15.3) million. Operating profit includes EUR 8.5 (23.4) million in restructuring costs. EUR 1.9 (1.4) million of the restructuring costs are related to MacGregor, EUR 0.7 (5.0) million to Kalmar, EUR 5.9 (16.9) million to Hiab, and EUR 0.0 (0.1) million to corporate administration and support functions.

Operating profit for the fourth quarter, excluding restructuring costs, was EUR 71.5 (38.6) million, representing 7.4 (4.2) percent of sales. Excluding restructuring costs, operating profit for MacGregor amounted to EUR 24.0 (14.5) million, Kalmar EUR 34.3 (25.5) million, and Hiab EUR 17.8 (3.9) million. In MacGregor, operating profit was improved by higher delivery volumes thanks to growth in order book at the end of the previous year, and successful deliveries in general. Hiab's operating profit clearly improved as a result of actions taken to improve profitability. Profit improvement measures had a positive impact also in Kalmar.

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

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

Net interest expenses for interest-bearing debt and assets for the fourth quarter totalled EUR 8.7 (7.4) million. Net financing expenses totalled EUR 9.6 (4.3) million. Net interest expenses for interest-bearing debt and receivables in 2014 totalled EUR 30.1 (21.9) million and net financing expenses EUR 28.4 (13.9) million. Net interest expenses and net financing expenses increased due to an increase in debt and prepayment cost of the Hatlapa capital loan originally due in October 2015.

Net income for the fourth quarter totalled EUR 40.6 (7.7) million, and earnings per share EUR 0.63 (0.12). Net income in 2014 totalled EUR 72.0 (55.4) million, and earnings per share EUR 1.11 (0.89).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Acquisitions and divestments

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

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

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

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

Personnel

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

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

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

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

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

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

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

MacGregor listing in Asia

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

Executive Board

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

Sustainability

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

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

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

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

Internal control and risk management

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

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

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

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

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

Reporting segments

MacGregor

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
Orders received	**304**	361	-16%	**1,210**	1,011	20%
Order book, end of period	**1,131**	980	15%	**1,131**	980	15%
Sales	**301**	218	38%	**1,034**	794	30%
Sales of services	**62**	41		**224**	147	
% sales	**21**	19		**22**	18	
Operating profit/loss (EBIT)	**22.1**	13.0		**51.7**	60.0	
% sales	**7.3**	6.0		**5.0**	7.6	
Operating profit/loss (EBIT)*	**24.0**	14.5		**53.9**	62.7	
% sales*	**8.0**	6.6		**5.2**	7.9	
Personnel, end of period	**2,737**	2,354		**2,737**	2,354	

*excluding restructuring costs

MacGregor's orders for the fourth quarter declined 16 percent from the comparison period and amounted to EUR 304 (361) million. The contribution of the two recently acquired businesses to orders received was EUR 121 (25) million. Orders for cargo handling equipment and services for offshore vessels accounted for more than half of all orders received. Orders for 2014 grew 20 percent and totalled EUR 1,210 (1,011) million. Orders for cargo handling equipment and services for offshore vessels and bulk ships accounted for 70 percent of orders received. The contribution of the acquired businesses to orders received was EUR 339 (25) million. In addition, based on its new combined offering, MacGregor received new orders totalling EUR 32 million in 2014.

Major orders received by MacGregor in 2014 included:

- order worth around EUR 20 million for a Pusnes permanent mooring system from Shell,
- optimised equipment package including MacGregor cranes and hatch covers, electrically-driven Hatlapa deck equipment and steering gear for three eco-bulkers,
- Triplex deck handling equipment, shark jaws and towing pins and Hatlapa stern rollers for six AHTS vessels for Maersk Supply Service,
- four offshore cranes to China,
- deck equipment package from the combined MacGregor and Hatlapa portfolio for two anchor-handling/offshore support vessels,
- RoRo cargo and passenger access equipment for two cruise ships to France,
- electric mooring systems for two tender assist drilling rigs to China,
- deck machinery packages for 18 offshore support vessels to China,
- two subsea cranes for platform support vessels to China,
- equipment package including winches and Triplex shark jaws and guide pins from the combined MacGregor and Hatlapa portfolio, for two anchor handling tug supply vessels to China,
- a repeat order for optimised cargo handling systems for seven large container vessels to South Korea,
- electric hatch covers for ten bulk vessels to be built in South Korea,

- deck equipment from the combined MacGregor and Hatlapa portfolio for two anchor handling tug vessels to Indonesia,
- 60 bulk cargo handling cranes for 15 bulk carriers built for various owners in China,
- deck equipment packages, which include equipment from the combined MacGregor Hatlapa portfolio, for eight bulk carriers under construction in China, as well as
- six active heave-compensated (AHC) subsea cranes for a Dutch shipbuilder.

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

MacGregor's fourth-quarter sales grew 38 percent from the comparison period, totalling EUR 301 (218) million. The contribution of the acquired businesses to sales was EUR 61 (18) million. The share of services sales grew to 21 (19) percent, or EUR 62 (41) million. Sales in 2014 grew 30 percent from the comparison period to EUR 1,034 (794) million. The contribution of the acquisitions to sales was EUR 232 (18) million. Sales for services totalled EUR 224 (147) million, representing 22 (18) percent of sales.

MacGregor's operating profit for the fourth quarter clearly improved from the comparision period and totalled EUR 22.1 (13.0) million. Operating profit includes EUR 1.9 (1.4) million in restructuring costs. Operating profit also includes EUR 2.5 (0.6) million in amortisation and depreciation of fixed assets related to business acquisitions. Operating profit, excluding restructuring costs, amounted to EUR 24.0 (14.5) million, representing 8.0 (6.6) percent of sales. Operating profit margin excluding restructuring costs and amortisation and depreciation of fixed assets related to business acquisitions was 8.8 (6.9) percent. Operating profit was improved by higher delivery volumes thanks to growth in order book at the end of the previous year, and successful deliveries in general.

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

Kalmar

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
Orders received	**378**	357	6%	**1,482**	1,430	4%
Order book, end of period	**805**	799	1%	**805**	799	1%
Sales	**452**	468	-3%	**1,487**	1,550	-4%
Sales of services	**110**	110		**395**	386	
% sales	**24**	23		**27**	25	
Operating profit/loss (EBIT)	**33.6**	20.5		**55.3**	56.9	
% sales	**7.4**	4.4		**3.7**	3.7	
Operating profit/loss (EBIT)*	**34.3**	25.5		**56.8**	64.0	
% sales*	**7.6**	5.5		**3.8**	4.1	
Personnel, end of period	**5,219**	5,269		**5,219**	5,269	

*excluding restructuring costs

In the fourth quarter, orders received by Kalmar grew by six percent from the comparison period and totalled EUR 378 (357) million. Orders received in 2014 grew four percent from the comparison period and totalled EUR 1,482 (1,430) million. Demand for terminal tractors and forklift trucks was brisk.

Major orders received by Kalmar in 2014 included:

- nine zero-emission rubber-tyred gantry cranes (RTG) to Greece and five to Poland,
- control systems of automatic stacking cranes and automated shuttle carriers as well as a terminal logistic system to Australia,
- 12 automated stacking cranes and 11 automated shuttle carriers, as well as the related automation technology for a new container terminal in Australia,
- 12 straddle carriers to France and 10 to Italy,
- four zero-emission RTGs to Brazil, as well as
- five reachstackers for an intermodal terminal in Poland and four for a port in the United Kingdom,
- 12 terminal tractors, seven fork lift trucks and one reachstacker to Russia,
- heightening project for three ship-to-shore cranes in Spain,
- two G generation reachstackers, 125 terminal tractors and 12 empty container handlers to Dubai,
- more than 400 terminal tractors for North American dealers,
- heightening of ten RTGs cranes as a follow-up to an earlier modification project for two RTGs for a customer in Chile, as well as
- several Siwertell bulk handling equipment orders from various customers.

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

Kalmar’s fourth-quarter sales decreased three percent from the comparison period and amounted to EUR 452 (468) million. Sales for services remained unchanged and totalled to EUR 110 (110) million, representing 24 (23) percent of sales. Sales for 2014 declined four percent from 2013 and were EUR 1,487 (1,550) million. Sales for services grew to EUR 395 (386) million, or 27 (25) percent of sales.

Kalmar's fourth-quarter operating profit clearly improved from the comparison period and totalled EUR 33.6 (20.5) million. Operating profit includes EUR 0.7 (5.0) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 34.3 (25.5) million, representing 7.6 (5.5) percent of sales. Profit improvement measures had a positive impact on the development of operating profit.

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

Hiab

MEUR	**Q4/14**	Q4/13	Change	**Q1-Q4/14**	Q1-Q4/13	Change
Orders received	**232**	241	-4%	**909**	869	5%
Order book, end of period	**264**	203	30%	**264**	203	30%
Sales	**211**	229	-8%	**840**	841	0%
Sales of services	**49**	50		**196**	197	
% sales	**23**	22		**23**	23	
Operating profit/loss (EBIT)	**11.9**	-13.1		**42.5**	0.4	
% sales	**5.6**	-5.7		**5.1**	0.1	
Operating profit/loss (EBIT)*	**17.8**	3.9		**61.0**	24.4	
% sales*	**8.4**	1.7		**7.3**	2.9	
Personnel, end of period	**2,572**	2,823		**2,572**	2,823	

*excluding restructuring costs

Hiab’s orders received for the fourth quarter fell by four percent on the comparison period and were EUR 232 (241) million. In 2014, orders received increased five percent from 2013, and totalled EUR 909 (869) million. In 2014, Hiab received a major order, worth over EUR 40 million, for demountables and loader cranes from Rheinmetall MAN Military Vehicles GmbH of Germany. In addition, Hiab received an order worth over EUR 6 million for hooklifts, loader cranes and demountables from the Finnish Defence Forces, as well as an extensive order for loader cranes and the related services from a leading UK-based building material supplier. Otherwise orders consisted of small, individual orders typical of the business. The order book grew 30 percent from 2013 year-end, totalling EUR 264 (31 Dec 2013: 203) million at the end of 2014.

Hiab’s fourth-quarter sales declined eight percent from the comparison period and totalled EUR 211 (229) million. Sales for services amounted to EUR 49 (50) million, representing 23 (22) percent of sales. Sales in 2014 were at the 2013 level and amounted to EUR 840 (841) million. Sales for services totalled EUR 196 (197) million, or 23 (23) percent of sales.

Operating profit for Hiab in the fourth quarter clearly improved from the comparison period and totalled EUR 11.9 (-13.1) million. Operating profit includes EUR 5.9 (16.9) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 17.8 (3.9) million, representing 8.4 (1.7) percent of sales. Operating profit clearly improved as a result of actions taken to improve profitability.

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

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

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

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

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

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

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

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

Shares and trading

Share capital, own shares and share issue

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

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

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

Share-based incentive programmes

Share-based incentive programme 2014

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

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

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

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

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

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

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

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

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

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

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

Events after the financial period
In early February 2015, Hiab decided to further develop its operating structure into a model of five operative and more integrated business lines (Loader Cranes, Forestry Cranes, Demountables, Truck Mounted Forklifts and Tail lifts) with profitability and cash flow responsibility in order to accelerate growth. Each of the five business lines will focus on its market positioning, offering, product development and supply chain operations. Sales and Markets, Sourcing, and Technology

and Quality Development will be executed by common global functions to build on the competence and synergies already existing.

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

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

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

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

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

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

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

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

Financial calendar 2015

Financial Statements and annual report 2014 week 7
Annual General Meeting, Wednesday, 18 March 2015
January–March 2015 interim report, Tuesday, 28 April 2015
January–June 2015 interim report, Tuesday, 21 July 2015
January–September 2015 interim report, Wednesday, 21 October 2015

Helsinki, 9 February 2015
Cargotec Corporation
Board of Directors

Consolidated statement of income

MEUR	**10-12/2014**	**10-12/2013**	**1-12/2014**	**1-12/2013**
Sales	**963.2**	**913.9**	**3,357.8**	**3,181.0**
Cost of goods sold	-764.8	-749.8	-2,723.3	-2,598.3
Gross profit	**198.3**	**164.1**	**634.5**	**582.8**
Gross profit, %	*20.6*	*18.0*	*18.9*	*18.3*
Other operating income	15.7	15.6	48.1	44.0
Selling and marketing expenses	-50.6	-48.4	-190.5	-182.0
Research and development expenses	-19.7	-16.2	-69.3	-58.8
Administration expenses	-63.2	-54.6	-228.4	-201.5
Restructuring costs	-8.5	-23.4	-22.7	-34.0
Other operating expenses	-10.9	-22.2	-50.5	-57.7
Costs and expenses	-137.2	-149.1	-513.2	-490.0
Share of associated companies' and joint ventures' net income	1.8	0.3	5.3	-0.2
Operating profit	**63.0**	**15.3**	**126.6**	**92.5**
Operating profit, %	*6.5*	*1.7*	*3.8*	*2.9*
Financing income and expenses	-9.6	-4.3	-28.4	-13.9
Income before taxes	**53.4**	**11.0**	**98.2**	**78.7**
Income before taxes, %	*5.5*	*1.2*	*2.9*	*2.5*
Income taxes	-12.8	-3.3	-26.1	-23.3
Net income for the period	**40.6**	**7.7**	**72.0**	**55.4**
Net income for the period, %	*4.2*	*0.8*	*2.1*	*1.7*
Net income for the period attributable to:				
Equity holders of the company	40.5	7.4	71.4	54.8
Non-controlling interest	0.1	0.3	0.6	0.6
Total	**40.6**	**7.7**	**72.0**	**55.4**
Earnings per share for profit attributable to the equity holders of the company:				
Basic earnings per share, EUR	0.63	0.12	1.11	0.89
Diluted earnings per share, EUR	0.63	0.12	1.11	0.89

Consolidated statement of comprehensive income

MEUR	10-12/2014	10-12/2013	1-12/2014	1-12/2013
Net income for the period	40.6	7.7	72.0	55.4
Items that will not be reclassified to statement of income:				
Defined benefit plan actuarial gains (+) / losses (-)	-9.2	6.1	-10.1	6.1
Taxes relating to items that will not be reclassified to statement of income	1.7	-1.3	1.8	-1.4
Total	**-7.5**	**4.7**	**-8.3**	**4.7**
Items that may be reclassified subsequently to statement of income:				
Gain/loss on cash flow hedges	-20.2	-3.6	-45.1	-0.5
Gain/loss on cash flow hedges transferred to statement of income	0.7	0.6	10.4	-9.7
Translation differences	-35.6	-31.5	-54.8	-75.4
Taxes relating to items that may be reclassified subsequently to statement of income	15.0	7.5	26.6	14.3
Total	**-40.1**	**-27.0**	**-62.9**	**-71.3**
Comprehensive income for the period	**-6.9**	**-14.6**	**0.8**	**-11.2**
Comprehensive income for the period attributable to:				
Equity holders of the company	-6.9	-14.6	0.0	-11.7
Non-controlling interest	0.0	0.0	0.8	0.5
Total	**-6.9**	**-14.6**	**0.8**	**-11.2**

The notes are an integral part of this consolidated financial statements review.

Consolidated balance sheet

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

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

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

The notes are an integral part of this consolidated financial statements review.

Consolidated statement of changes in equity

MEUR	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 company								
Equity on 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						-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**
Equity on 31 Dec 2013	**64.3**	**98.0**	**64.1**	**5.7**	**73,5**	**927.8**	**1,233.3**	**6.2**	**1,239.4**
Equity on 1 Jan 2014	**64.3**	**98.0**	**64.1**	**5.7**	**73,5**	**927.8**	**1,233.3**	**6.2**	**1,239.4**
Net income for the period						71.4	71.4	0.6	72.0
Cash flow hedges				-25.7			-25.7		-25.7
Translation differences			-37.4				-37.4	0.2	-37.2
Defined benefit plan actuarial gains (+) / losses (-)						-8.3	-8.3		-8.3
Comprehensive income for the period*			**-37.4**	**-25.7**	**-**	**63.1**	**0.0**	**0.8**	**0.8**
Dividends paid						-26.9	-26.9	-0.7	-27.6
Acquisition of treasury shares					-0,9		-0.9		-0.9
Stock options exercised					2,3		2.3		2.3
Share-based incentives*						1.1	1.1		1.1
Transactions with owners of the company					**1,4**	**-25.8**	**-24.4**	**-0.7**	**-25.1**
Transactions with non-controlling Interests							**-**	**-1.3**	**-1.3**
Equity on 31 Dec 2014	**64.3**	**98.0**	**26.7**	**-20.1**	**74,9**	**965.0**	**1,208.8**	**5.0**	**1,213.8**

*Net of tax

The notes are an integral part of this consolidated financial statements review.

Consolidated statement of cash flows

MEUR	**1-12/2014**	**1-12/2013**
Net income for the period	72.0	55.4
Depreciation, amortisation and impairment	81.2	76.7
Financing items	28.4	13.9
Taxes	26.1	23.3
Change in receivables	-118.3	-5.4
Change in payables	161.5	-101.8
Change in inventories	-34.9	120.6
Change in net working capital	8.3	13.5
Other adjustments	-11.8	-1.8
Cash flow from operations	**204.3**	**180.9**
Interest received	3.9	1.7
Interest paid	-32.5	-22.5
Other financial items	-45.4	26.2
Income taxes paid	-20.0	-97.2
Cash flow from operating activities	**110.2**	**89.1**
Acquisitions, net of cash acquired	-187.3	-70.5
Divestments, net of cash sold	4.6	0.2
Investments to associated companies and joint ventures	-3.4	-4.5
Investments to intangible assets*	-13.4	-17.5
Investments to property, plant and equipment*	-65.9	-90.9
Proceeds from sales of fixed assets	34.0	62.2
Cash flow from investing activities, other items	1.6	4.1
Cash flow from investing activities	**-229.8**	**-117.0**
Stock options exercised	2.3	0.2
Proceeds from sale of treasury shares	-	73.3
Acquisition of treasury shares	-0.9	-
Proceeds from long-term borrowings	300.0	200.0
Repayments of long-term borrowings	-230.7	-39.0
Proceeds from short-term borrowings	42.2	36.8
Repayments of short-term borrowings	-70.7	-64.1
Dividends paid	-27.6	-44.3
Cash flow from financing activities	**14.7**	**163.0**
Change in cash	**-104.9**	**135.2**
Cash, cash equivalents and bank overdrafts at the beginning of period	303.3	183.9
Effect of exchange rate changes	5.0	-15.8
Cash, cash equivalents and bank overdrafts at the end of period	**203.4**	**303.3**
Bank overdrafts at the end of period	2.0	3.0
Cash and cash equivalents at the end of period	**205.4**	**306.2**

*Investments to intangible assets and property, plant and equipment include in 2014 EUR 0.1 (2013: 0.2) million capitalised interests.
The notes are an integral part of this consolidated financial statements review.

Key figures

		1-12/2014	1-12/2013
Equity / share	EUR	18.76	19.18
Interest-bearing net debt	MEUR	718.6	578.3
Total equity / total assets	%	35.9	39.5
Gearing	%	59.2	46.7
Return on equity	%	5.9	4.5
Return on capital employed	%	6.2	5.0

Notes to the financial statements review

1. 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's class B shares are listed on the NASDAQ OMX Helsinki since 1 June 2005.

2. Accounting principles and new accounting standards

The financial statements review has been prepared according to IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2013 and comply with changes in IAS/IFRS standards effective from 1 January 2014. These changes have no material impact on the financial statements review. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum figure.

3. Segment information

Sales, MEUR	Q4/2014	Q4/2013	1-12/2014	1-12/2013
MacGregor	301	218	1,034	794
Kalmar	452	468	1,487	1,550
Hiab	211	229	840	841
Internal sales	-1	-2	-3	-3
Total	**963**	**914**	**3,358**	**3,181**

Operating profit, MEUR	Q4/2014	Q4/2013	1-12/2014	1-12/2013
MacGregor	22.1	13.0	51.7	60.0
Kalmar	33.6	20.5	55.3	56.9
Hiab	11.9	-13.1	42.5	0.4
Corporate administration and support functions	-4.6	-5.3	-22.8	-24.8
Total	**63.0**	**15.3**	**126.6**	**92.5**

Operating profit, %	Q4/2014	Q4/2013	1-12/2014	1-12/2013
MacGregor	7.3	6.0	5.0	7.6
Kalmar	7.4	4.4	3.7	3.7
Hiab	5.6	-5.7	5.1	0.1
Cargotec	6.5	1.7	3.8	2.9

Operating profit excl. restructuring costs, MEUR	Q4/2014	Q4/2013	1-12/2014	1-12/2013
MacGregor	24.0	14.5	53.9	62.7
Kalmar	34.3	25.5	56.8	64.0
Hiab	17.8	3.9	61.0	24.4
Corporate administration and support functions	-4.6	-5.2	-22.4	-24.6
Total	**71.5**	**38.6**	**149.3**	**126.5**

Operating profit excl. restructuring costs, %	Q4/2014	Q4/2013	1-12/2014	1-12/2013
MacGregor	8.0	6.6	5.2	7.9
Kalmar	7.6	5.5	3.8	4.1
Hiab	8.4	1.7	7.3	2.9
Cargotec	7.4	4.2	4.4	4.0

Sales by geographical area, MEUR	Q4/2014	Q4/2013	1-12/2014	1-12/2013
EMEA	426	409	1,437	1,385
Asia-Pacific	304	262	1,013	1,003
Americas	233	243	908	793
Total	**963**	**914**	**3,358**	**3,181**

Sales by geographical area, %	Q4/2014	Q4/2013	1-12/2014	1-12/2013
EMEA	44.3	44.8	42.8	43.5
Asia-Pacific	31.6	28.6	30.2	31.5
Americas	24.2	26.6	27.0	24.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

Orders received, MEUR	Q4/2014	Q4/2013	1-12/2014	1-12/2013
MacGregor	304	361	1,210	1,011
Kalmar	378	357	1,482	1,430
Hiab	232	241	909	869
Internal orders received	0	-1	-1	-3
Total	**914**	**958**	**3,599**	**3,307**

Order book, MEUR	31 Dec 2014	31 Dec 2013
MacGregor	1,131	980
Kalmar	805	799
Hiab	264	203
Internal order book	0	-2
Total	**2,200**	**1,980**

Number of employees at the end of period	31 Dec 2014	31 Dec 2013
MacGregor	2,737	2,354
Kalmar	5,219	5,269
Hiab	2,572	2,823
Corporate administration and support functions	176	164
Total	**10,703**	**10,610**

Average number of employees	1-12/2014	1-12/2013
MacGregor	2,702	1,832
Kalmar	5,273	5,288
Hiab	2,694	2,932
Corporate administration and support functions	168	157
Total	**10,838**	**10,210**

4. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	1-12/2014	1-12/2013
Intangible assets	13.4	17.5
Property, plant and equipment	65.9	90.9
Total	**79.3**	**108.4**

Depreciation, amortisation and impairment, MEUR	1-12/2014	1-12/2013
Intangible assets	29.4	27.6
Buildings	8.8	8.1
Machinery & equipment	43.0	41.0
Total	**81.2**	**76.7**

5. Taxes in statement of income

MEUR	1-12/2014	1-12/2013
Current year tax expense	42.4	29.9
Deferred tax expense	-11.2	-7.4
Tax expense for previous years	-5.1	0.8
Total	**26.1**	**23.3**

6. Interest-bearing net debt and liquidity

MEUR	31 Dec 2014	31 Dec 2013
Interest-bearing liabilities*	931.8	893.1
Loans receivable and other interest-bearing assets	-7.9	-8.5
Cash and cash equivalents	-205.4	-306.2
Interest-bearing net debt	**718.6**	**578.3**
Equity	1,213.8	1,239.4
Gearing	**59.2%**	**46.7%**

*The fair values do not materially differ from book values. One exception is the hedging of currency risk relating to the USD 205 (31 Dec 2013: 300) million Private Placement bond, which affected the interest-bearing liabilities on 31 Dec 2014 by EUR -14.6 (31 Dec 2013: 8.2) million.

MEUR	31 Dec 2014	31 Dec 2013
Cash and cash equivalents	205.4	306.2
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities in following 12 months	-193.2	-299.5
Total liquidity	**312.3**	**306.7**

7. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 31 Dec 2014	Negative fair value 31 Dec 2014	Net fair value 31 Dec 2014	Net fair value 31 Dec 2013
Currency forward contracts	20.5	64.7	-44.2	0.6
Cross-currency and interest rate swaps	15.5	-	15.5	-5.6
Total	**35.9**	**64.7**	**-28.8**	**-5.0**
Non-current portion:				
Currency forward contracts	-	0.2	-0.2	0.3
Cross-currency and interest rate swaps	15.5	-	15.5	-3.1
Non-current portion	**15.5**	**0.2**	**15.3**	**-2.8**
Current portion	**20.5**	**64.6**	**-44.1**	**-2.2**

Cross-currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007.

Financial assets and liabilities recognised at fair value through profit and loss comprise solely currency derivatives as well as cross-currency and interest rate swaps, which are classified to level 2, observable input information, in the fair value hierarchy.

Nominal values of derivative financial instruments

MEUR	31 Dec 2014	31 Dec 2013
Currency forward contracts	3,277.3	3,558.6
Hedge accounting	1,165.0	1,662.7
Cross-currency and interest rate swaps	168.8	217.5
Total	**3,446.1**	**3,776.2**

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.

8. Commitments

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

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

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

The future minimum lease payments under non-cancellable operating leases

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

The aggregate operating lease expenses totalled EUR 30.8 (1-12/2013: 17.1) million.

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.

9. Acquisitions and disposals

Acquisitions 2014

Mooring and loading systems

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

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

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

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

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

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

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

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

Deep Water Solutions
MacGregor acquired on 21 February 2014 a Norwegian company Deep Water Solutions AS (“DWS”) for the consideration of EUR 0.7 million. The acquired entity is specialised in offshore load-handling applications and the acquisition is strengthening MacGregor's business within this area. Four persons transferred to Cargotec as part of the acquisition.

Acquisition cost includes a cash consideration of EUR 0.5 million paid at the acquisition date and a contingent consideration with maximum value of EUR 0.2 million based on certain sales milestones during 2014.

The fair value measurement of acquired assets resulted an identification of technology-related intangible assets amounting to EUR 0.5 million and a goodwill of EUR 0.7 million. Acquisition-related costs were insignificant. The acquired operations have been merged as part of MacGregor Norway.

Disposals 2014

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

Acquisitions 2013

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

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

Acquired net assets and goodwill, MEUR	
Intangible assets	45.4
Property, plant and equipment	28.9
Investments	0.7
Inventories	35.2
Deferred tax assets	4.1
Accounts receivable and other non-interest-bearing assets	30.7
Cash and cash equivalents	5.9
Deferred tax liabilities	-4.9
Interest-bearing liabilities	-59.0
Accounts payable and other non-interest-bearing liabilities	-37.5
Net assets	**49.5**
Purchase price, paid in cash	71.5
Issued debt	40.1
Total consideration	**111.7**
Non-controlling interest	1.8
Goodwill	**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 45.4 million at acquisition date. The acquired property, plant and equipment of EUR 28.9 million consists mostly of production facilities in Germany, Norway and Korea.

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

The goodwill of EUR 64.0 million that resulted from the acquisition has been allocated to MacGregor segment for impairment testing.

The debt portion of the consideration transferred consists of a convertible capital loan issued to sellers. The fair value of the capital loan at the date of acquisition was SGD 67.8 million (EUR 40.1 million). 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 was mostly paid 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.

10. Events after the financial period

In early February 2015, Hiab decided to further develop its operating structure into a model of five operative and more integrated business lines (Loader Cranes, Forestry Cranes, Demountables, Truck Mounted

Forklifts and Tail lifts) with profitability and cash flow responsibility in order to accelerate growth. Each of the five business lines will focus on its market positioning, offering, product development and supply chain operations. Sales and Markets, Sourcing, and Technology and Quality Development will be executed by common global functions to build on the competence and synergies already existing.

Key exchange rates for the Euro

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

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

Calculation of key figures

Equity / share, EUR	=		Total equity attributable to the equity holders of the company / Number of outstanding shares at the end of period
Interest-bearing net debt, MEUR	=		Interest-bearing debt* - interest-bearing assets
Total equity / total assets (%)	=	100 x	Total equity / Total assets - advances received
Gearing (%)	=	100 x	Interest-bearing debt* - interest-bearing assets / Total equity
Return on equity (%)	=	100 x	Net income for the period / Total equity (average for the period)
Return on capital employed (%)	=	100 x	Income before taxes + interest and other financing expenses / Total assets - non-interest-bearing debt (average for the period)
Basic earnings / share, EUR	=		Net income for the period attributable to the equity holders of the company / Average number of outstanding shares during the period
Diluted earnings / share, EUR	=		Net income for the period attributable to the equity holders of the company / Average number of outstanding diluted shares during the period

*Including cross-currency hedging of the USD 205 million Private Placement corporate bonds.

Quarterly figures

Cargotec		**Q4/2014**	**Q3/2014**	**Q2/2014**	**Q1/2014**	**Q4/2013**
Orders received	MEUR	914	829	993	863	958
Order book	MEUR	2,200	2,327	2,285	2,111	1,980
Sales	MEUR	963	840	804	751	914
Operating profit	MEUR	63.0	45.8	-6.0	23.8	15.3
Operating profit	%	6.5	5.4	-0.7	3.2	1.7
Operating profit*	MEUR	71.5	48.4	4.7	24.6	38.6
Operating profit*	%	7.4	5.8	0.6	3.3	4.2
Basic earnings/share	EUR	0.63	0.43	-0.15	0.20	0.12

MacGregor		**Q4/2014**	**Q3/2014**	**Q2/2014**	**Q1/2014**	**Q4/2013**
Orders received	MEUR	304	253	338	315	361
Order book	MEUR	1,131	1,199	1,181	1,128	980
Sales	MEUR	301	255	261	217	218
Operating profit*	MEUR	24.0	7.3	14.9	7.7	14.5
Operating profit*	%	8.0	2.9	5.7	3.6	6.6

Kalmar		**Q4/2014**	**Q3/2014**	**Q2/2014**	**Q1/2014**	**Q4/2013**
Orders received	MEUR	378	380	394	330	357
Order book	MEUR	805	883	855	773	799
Sales	MEUR	452	385	323	327	468
Operating profit*	MEUR	34.3	30.7	-19.4	11.2	25.5
Operating profit*	%	7.6	8.0	-6.0	3.4	5.5

Hiab		**Q4/2014**	**Q3/2014**	**Q2/2014**	**Q1/2014**	**Q4/2013**
Orders received	MEUR	232	197	261	218	241
Order book	MEUR	264	245	249	211	203
Sales	MEUR	211	200	221	208	229
Operating profit*	MEUR	17.8	14.2	15.6	13.4	3.9
Operating profit*	%	8.4	7.1	7.1	6.4	1.7

* Operating profit excluding restructuring costs