Annual report 2012

CARGOTEC

CARGOTEC ANNUAL REPORT 2012

Essentials

Financials

For investors

Dear Reader,

Looking back, 2012 began a new era for Cargotec. In order to improve profitability and cash flow, we launched a new operating model based on independent businesses.

MacGregor, Kalmar and Hiab have now reached an important milestone. In September 2012, we announced our decision to reorganise our operations toward a business-driven organisation. This change in our operating model will enable us to improve shareholder value. Correspondingly, our Services business area and region EMEA (Europe, Middle East and Africa) organisations were integrated into MacGregor, Kalmar and Hiab as of 1 January 2013.

In 2012, MacGregor achieved a strong result in a challenging market environment. Orders received were good in offshore logistics, merchant shipping and bulk handling alike.

Kalmar had a good start to the year, but its result fell short of expectations due to major cost overruns in certain projects.

For Hiab, 2012 was a good year in many market areas. In the United States, for example, Hiab performed strongly in 2012 from start to finish. Profitability improvement was a key target. This was achieved, as Hiab managed to develop its operating profit margin.

Although Cargotec attempted to improve profitability and cash flow throughout the year, some targets were not reached. Every change process includes sacrifices and, for Cargotec, employee cooperation negotiations were an unavoidable consequence of reprioritising our actions and focusing on profitability. Unfortunately, we were forced to let go of employees who had given a solid performance.

Although we have a great deal to accomplish in 2013, we are confident that shareholder value will greatly improve by the turn of 2014. Our goal is to ensure that each business area generates sufficient cash flow for its operations.

Although cash flow and profitability were a concern for us last year, we are in an excellent position to turn the situation around. We engaged in changes aimed at achieving streamlined operations, profitable growth and greater market share by 2014. MacGregor, Kalmar and Hiab stand apart from their respective competitors in an important way: all three are global market leaders and the best known brands in their field.

“We have a great deal to accomplish in 2013, but are confident that, by the turn of 2014, shareholder value will be greatly improved.

Competitive in China and anywhere in the world

The strength of our brands is a particular advantage in China, a key market area in which we have invested a great deal and where we have established joint ventures. Today, a company that is competitive in the Chinese market is competitive anywhere in the world – correspondingly, it is impossible to be a world leader in your field without being a strong player in China.

Our foremost target for the upcoming year and foreseeable future is to maximise shareholder value through improved profitability, performance, cash flow and customer value. Many of the changes announced in 2012 are still underway as this annual report comes out. Among the most notable is our plan to list MacGregor in Asia. Subject to market conditions, at present the plan is to advance the listing and have Cargotec retain a majority stake in the listed subsidiary.

Solutions for a sustainable future

In our line of business, sustainable solutions are not only a competitive advantage; they are a prerequisite for achieving growth everywhere in the world. Regardless of their location – be it China, the Americas, Europe or elsewhere around the globe – our customers require solutions that are both energy- and water-efficient. We have long-term experience of providing environmentally friendly, safe and sustainable solutions and take genuine pride in our efforts and investments in developing new products and services that are energy-efficient and environmentally friendly in terms of emissions, noise pollution and recyclability. Cargotec supports the ten principles of the **UN Global Compact**, which asks companies, within their sphere of influence, to embrace, support and enact a set of internationally defined core values in the areas of human rights, labour standards, the environment and anti-corruption. Offering sustainable cargo handling solutions that bring genuine value and competitive advantage to our customers is at the heart of all of our businesses: MacGregor, Kalmar and Hiab.

Cargotec is dedicated to providing its customers and partners with the best solutions for creating a sustainable future. I would like to end with a sincere thank you to our customers and partners. Your unwavering trust in MacGregor, Kalmar and Hiab products and services enables us to provide you with optimum cargo handling solutions also in the future. I would also like to thank our personnel for their dedication and hard work during the year.

Tapio Hakakari
Vice Chairman of Board of Directors
Interim President and CEO

Highlights in 2012

Cargotec is moving towards a business-driven operating model and has renamed Marine, Terminals and Load Handling after their industry-leading brands. As of 1 January 2013, Cargotec's business areas and reporting segments are MacGregor, Kalmar and Hiab.

In 2012, we sought to improve profitability and cash flow. However, we did not achieve all our targets.

MacGregor achieved a strong result despite a challenging market environment, with a good order intake both in offshore and merchant shipping, and an excellent year for bulk handling.

In the Kalmar business area, demand for smaller container handling equipment for ports continued to be strong during the first half of the year despite the challenging market situation, but slowed towards the end of the year due to increasing economic uncertainty in Europe. Demand for large projects and automation solutions was brisk.

“ As of 1 January 2013, Cargotec's business areas and reporting segments are MacGregor, Kalmar and Hiab.

In the Hiab business area, the US market showed steady, positive development throughout the year. In Europe, demand slowed during the second half of the year, due to the general economic uncertainty. The main target during the year was to improve profitability, which was achieved as Hiab's operating profit margin picked up in 2012.

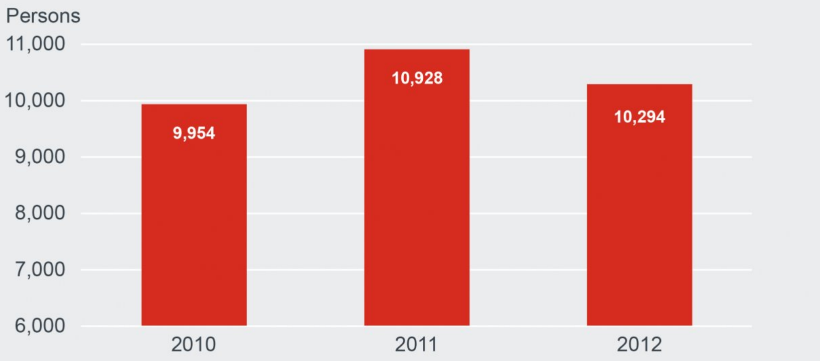
Key figures

		Financial period 2012	Financial period 2011	Financial period 2010
Orders received	MEUR	3,058	3,233	2,729
Order book	MEUR	2,021	2,426	2,356
Sales	MEUR	3,327	3,139	2,575
Operating profit excluding restructuring expenses	MEUR	157.2	207.0	141.9
Operating profit	MEUR	131.0	207.0	131.4
Net income for the period	MEUR	89.2	149.3	78.0
Dividend per class B share*	EUR	0.72	1.00	0.61
Return on equity	%	7.4	13.3	8.0
Return on capital employed	%	8.1	13.3	8.6
Cash flow from operations	MEUR	97.1	166.3	292.9
Net debt	MEUR	478	299	171
Gearing	%	38.8	25.4	16.0
Average number of personnel		10,522	10,692	9,673

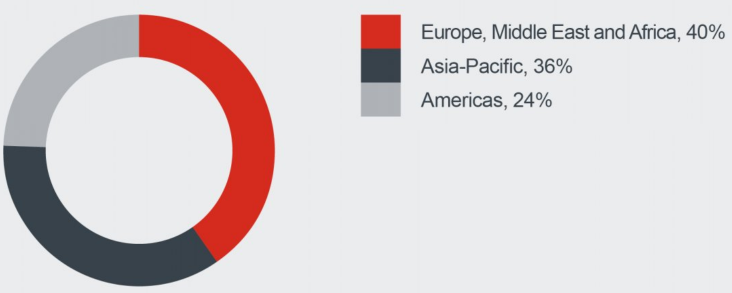
* 2012 Board's proposal

Orders received and order book

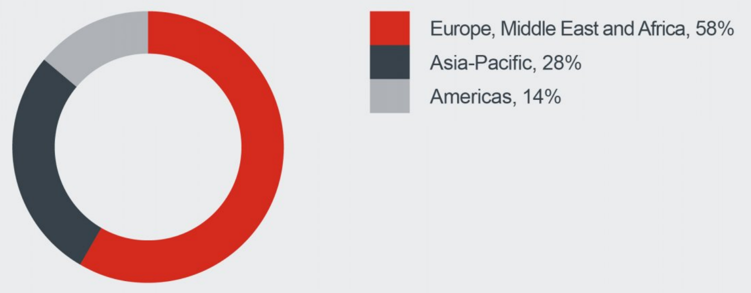
Number of employees at the end of year



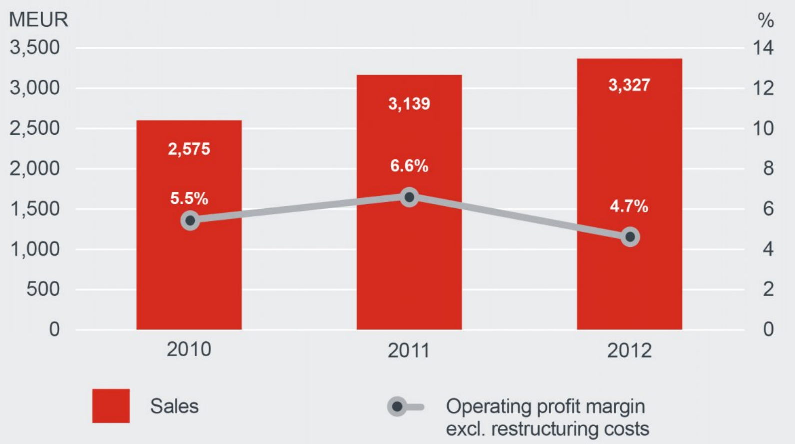
Sales by market area 2012



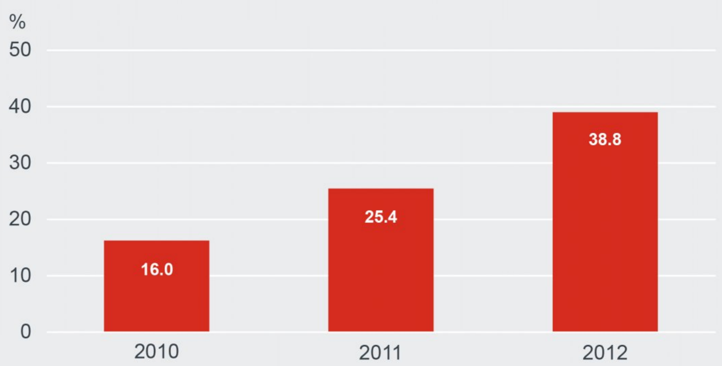
Employees by region on 31 December 2012

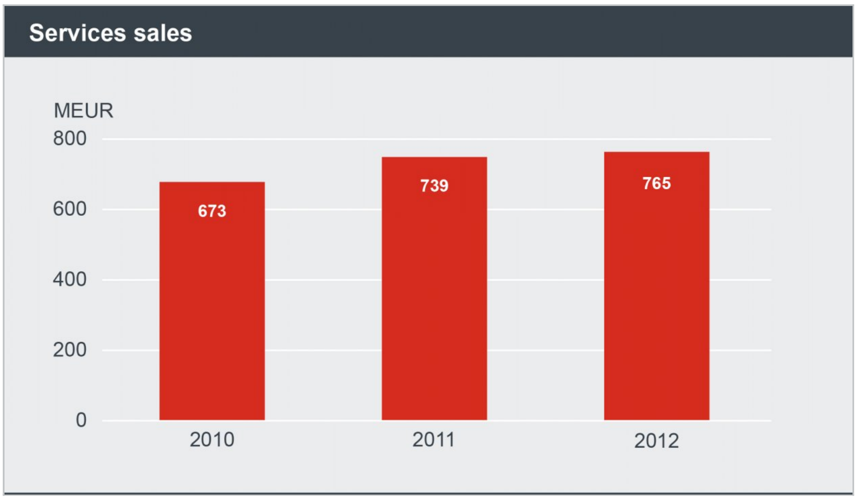


Sales and operating profit margin



Gearing





Towards a business-driven operating model

Cargotec launched a major restructuring in order to improve profitability and change its governance towards a business-driven operating model. Through these changes, Cargotec is seeking greater efficiency and lower fixed costs. The restructuring will also support MacGregor's preparations for its listing.

Preparations were initiated for the listing of MacGregor on an Asian stock exchange. Since an increasing proportion of MacGregor's customers are located in Asia, moving closer to the customer base will strengthen MacGregor's presence in the market and provide opportunities for business growth.

The Services organisation and the regional organisation of EMEA (Europe, Middle East and Africa) were operationally integrated into the business areas. Furthermore, corporate functions were reorganised in line with a holding type of company structure to enable businesses of a more independent type.

Business focus on profitability and customer orientation

Profitability was a major focus in all business areas. In project implementation, the focus areas included cost control, cooperation between sales and supply organisations, operations in line with the common project management model and learning from best practices.

- In MacGregor, growth focused on emerging markets and the offshore sector, where the emphasis was on product development and the service business. Preparations are underway for MacGregor's listing, with the aim of strengthening its presence in Asia and securing profitable growth.
- Kalmar focused on improving its profitability by increasing its organisational efficiency and cutting fixed costs. Its long-term strategic focus is to develop port automation solutions and the related competences. This development work is supported by the technology and competence centre inaugurated in Tampere, Finland, in December. In June, Cargotec acquired automation technology related to automatic straddle carriers and the AutoStrad™ brand from the Australian company Asciano.
- In Hiab, a new strategy was created based on profitability, customer needs and customer satisfaction. Over the year, measures launched at all organisational levels to increase operational efficiency began to yield positive results on profitability.

Strengthening our presence in Asia-Pacific

In Asia-Pacific, Cargotec focused on strengthening its presence and supply capacity in all of its business areas.

In China, Cargotec established Rainbow-Cargotec Industries Co Ltd (RCI), a joint venture with Jiangsu Rainbow Heavy Industries Co., Ltd. (RHI). Cargotec's ownership in the joint venture is 49 percent and its equity investment approximately EUR 30 million. The ground breaking ceremony for the new RCI facility was celebrated in Taicang, Jiangsu, in June. Over the year, Cargotec and RHI focused on starting up RCI's operations. RCI will provide heavy crane solutions globally and grasp growth opportunities in the Chinese and global markets. It will specialise in quay cranes, rubber-tyred gantry cranes and marine specialty cranes.

In July, Cargotec announced its intention to establish a joint venture with China National Heavy Duty Truck Group Co., Ltd. (CNHTC), a leading Chinese manufacturer of heavy duty trucks and the parent company of Sinotruk. Cargotec's ownership in the joint venture would be 50 percent and the estimated equity investment over the first year EUR 10 million. CNHTC's extensive network, including dealers and service stations all over China, would be used by the joint venture for the distribution, sale and service of Cargotec's Hiab loader cranes and hooklifts. The joint venture would also further develop the existing truck-mounted crane offering and production base for the Chinese market. The transaction is subject to the relevant regulatory approvals, which are expected in early 2013.

Awards

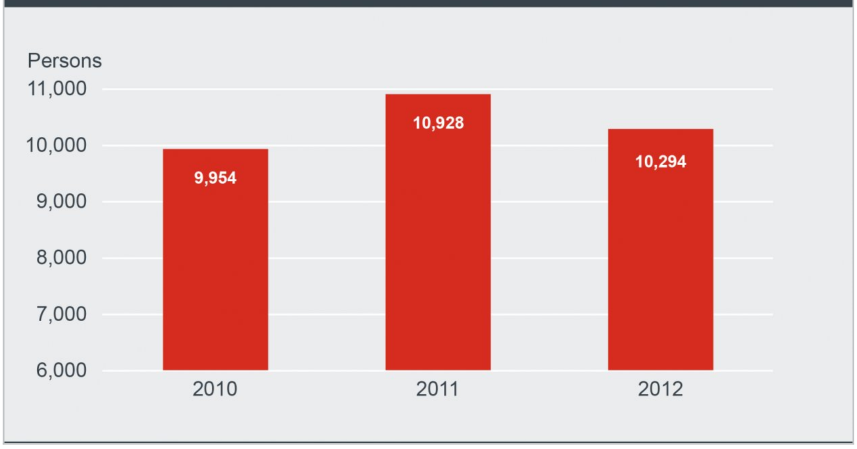
- The **MacGregor chain wheel manipulator** won the Offshore Support Journal’s Innovation of the Year award in February 2012.This award recognises a product, system or service considered to have made a significant impact on the design, build or operational aspects of offshore support vessels.
- In September, Cargotec was elected the Cargo Handling Equipment Supplier of the Year at the MALA Awards, a prominent maritime and logistics industry event in India.
- In November, **Hiab Moffett E-Generation**, the world’s first electric truck-mounted forklift, was given the John Connell Technology Award by the Noise Abatement Society in the United Kingdom as a pioneering, innovative and practical solution.
- Also, in November, the Tampere technology and competence centre received an award for good building construction from the city of Tampere. Cargotec has aimed at reducing the environmental impact of its own operations at the new facility. For example, the new office building is among the most energy efficient in Finland.

Company overview

Cargotec is a leading provider of cargo handling solutions. Our products are present in every major cargo hub worldwide. They are used in ships, ports, terminals, distribution centres, heavy industry and in on-road load handling.

Sales and operating profit margin

Number of employees at the end of year



Cargotec was formed in 2005. However, the businesses within Cargotec have much longer histories during which their know-how, product offering and customer relationships have grown. These deep roots and accumulated knowledge are reflected in Cargotec's strong expertise.

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

With operations in more than 120 countries and more than 750 sales and service locations worldwide, we have a unique service network and can serve our customers locally ensuring the continuous operation of their products.

Our corporate base is in Helsinki, Finland, while our production facilities are located in China, Finland, India, Ireland, Malaysia, Poland, South Korea, Spain, Sweden and the United States. Part of our manufacturing has been outsourced to partner plants located mainly in Asia.

Business environment

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

- World trade development
- Cargo volumes and container traffic
- Investments in ports and logistics terminals
- Ship building
- Truck registration
- Construction industry activity
- Offshore industry activity including deepsea oil drilling

Vision, mission and values

Cargotec’s mission is to improve the efficiency of cargo flows. Our vision is to be the world’s leading provider of cargo handling solutions.

Our core values are global presence – local service, working together and sustainable performance. These help us to realise our customer promise: we keep cargo on the move™.

- **Global presence – local service.** Cargotec is a truly global company, employing people from all backgrounds and offering services close to the customer.
- **Working together.** Cargotec's unique combination of global presence and local service would not be possible without working together. In Cargotec, collaboration encompasses both internal processes and customer relationships.
- **Sustainable performance.** Our third value is present in everything we do. Our commitment to sustainable business shows what we are striving for as a company. For our customers and other stakeholders, sustainable performance translates into reliability, high uptime, competitiveness and profitability. Sustainable performance also means developing solutions that comply with the highest environmental standards.

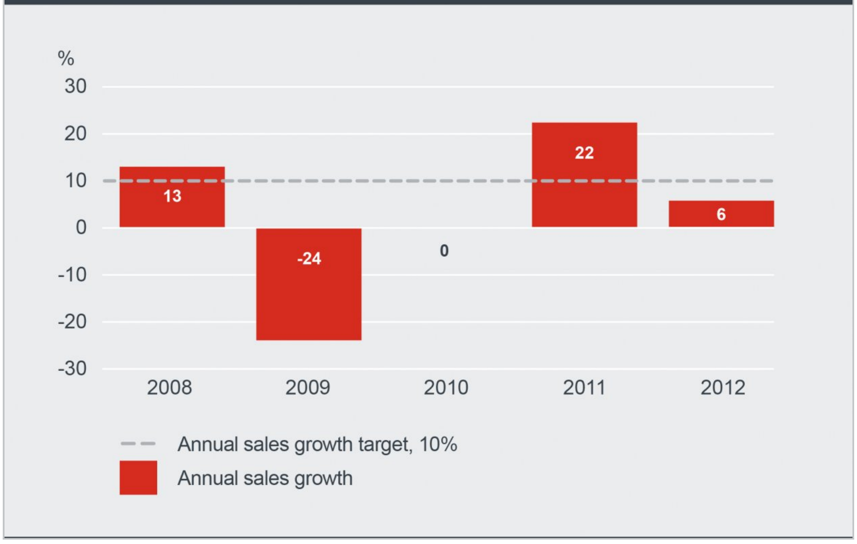
Financial targets

Cargotec's strategy identifies four focus areas critical for future success: customers, services, emerging markets and internal clarity.

Cargotec's financial targets are:

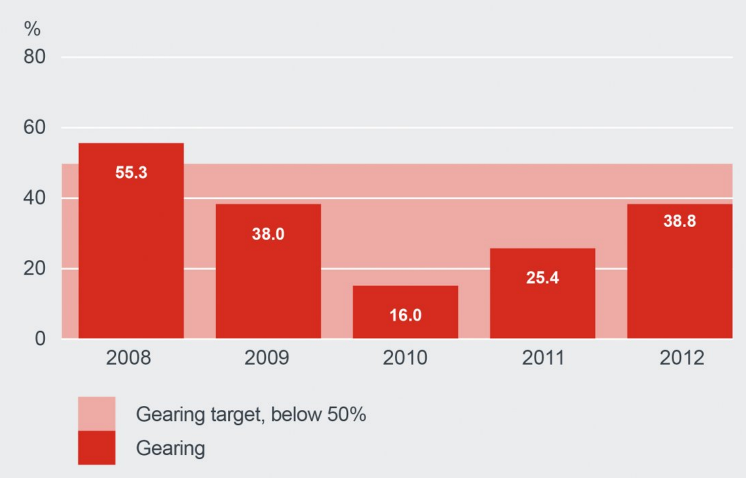
- Annual sales growth exceeding 10 percent, including acquisitions
- Raising the operating profit margin to 10 percent
- Gearing below 50 percent (over the cycle)
- Dividend at 30–50 percent of earnings per share

Annual sales growth 2008–2012

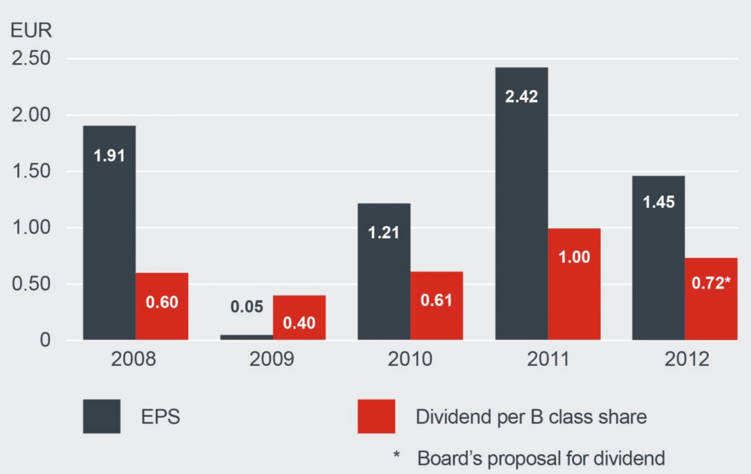


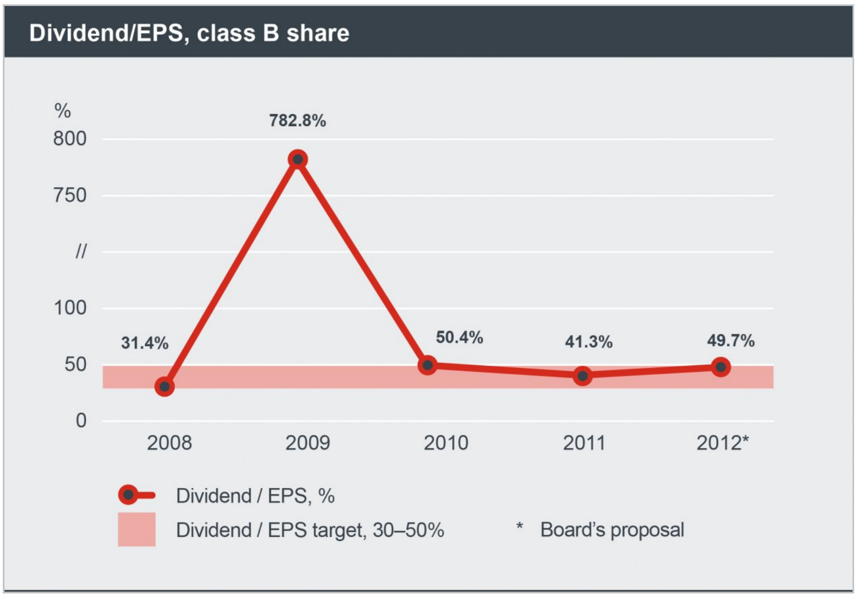
Operating profit margin 2008–2012

Gearing 2008–2012



Earnings per share and dividend




Dividend/EPS, class B share
%
800
750
//
100
50
0
782.8%
31.4%
50.4%
41.3%
49.7%
2008
2009
2010
2011
2012*
Dividend / EPS, %
Dividend / EPS target, 30–50%
* Board's proposal

Customers

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

The customers of MacGregor solutions are ship owners, ship and terminal operators, shipbuilders, ports, navies and the offshore industry.

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

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

Offering

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

- MacGregor solutions include hatch covers, cranes, RoRo equipment, port equipment, cargo lashing systems and offshore load handling systems.
- Kalmar solutions include automation and integration solutions for terminals, quay and yard cranes, straddle and shuttle carriers, reachstackers and log stackers, empty container handlers, terminal tractors and forklift trucks as well as Navis terminal operating systems (TOS), Bromma spreaders and Siwertell bulk handling systems.
- Hiab solutions include loader cranes, demountables, forestry and recycling cranes, truck-mounted forklifts and tail lifts.

Cargotec's solutions are supported by a variety of services, from spare parts to on-call service, refurbishment work, preventive maintenance contracts and other customer-specific services.

Strategy

Cargotec exists to bring value to customers. Our strategy is founded on one clear aspiration: offering optimum cargo handling solutions to our customers, in order to help them succeed in their businesses. Cargotec's vision is to be the world's leading provider of cargo handling solutions, with the long-term goal of growing faster than the industry average.

At Cargotec, we believe that a company's strategy must always start with what the company can do for its customers. Hence, customer perspective lies at the heart of our strategy. Internal structures should never be set in stone: they have, and will, adapt and evolve according to client needs and the business environment.

We are currently in the process of transforming into an organisation which is more business-area driven. Key issues driving this strategic choice include maximising shareholder value, improving cash flow and increasing profitability in all operations.

In support of our new governance and operating model, we have renamed our business areas after their industry leading brands: as of 1 January 2013, Marine became the MacGregor business area, Terminals became the Kalmar business area and Load Handling was renamed the Hiab business area. MacGregor, Kalmar and Hiab are all strong brands with outstanding track records and expertise in their own specific markets.

Our goal is to facilitate faster decision-making and to improve efficiency. These changes call for agility and a forward-looking outlook from our entire personnel. Although we are working on important areas of development, our strategic focus areas remain customers, services, emerging markets and internal clarity.

The next steps for MacGregor, Kalmar and Hiab

Our aim is to streamline operations and enable agile responses to market needs. We are gradually dismantling Cargotec's matrix organisation, while preserving synergies we have created together. By making the most of our global presence, we will identify and profit from potential pockets of growth on a worldwide basis.

As part of the new operating model, our Services business area was integrated into MacGregor, Kalmar and Hiab as of January 2013, making services an integral part of their solutions offering and customer value chain.

From the beginning of 2013, MacGregor, Kalmar and Hiab will be responsible for preparing and executing their strategies as independent businesses.

Cargotec's business-driven operating model supports one of our most visible changes in the pipeline: MacGregor's incorporation in Asia and possible listing when market conditions are favourable. The new structure will also enable us to gain a sharper and more transparent picture of Cargotec's business performance within MacGregor, Kalmar and Hiab respectively. Our strategy is based on the notion that each business area should generate enough cash flow to support its own operations.

Ensuring future growth

In offering end-to-end cargo handling solutions, no single competitor can match the breadth of Cargotec's offering and global presence. Our geographic diversity can help us make the most of global turbulence. With operations in more than 120 countries, we have unique global coverage. Our aim is to use this presence to the best of our ability, in order to bring value to our customers. Our plans for future growth in emerging markets stems from local cooperation, an in-depth understanding of the markets and a strong local presence.

Moving forward as a business-driven organisation will empower our employees to make a difference. We are working hard to ensure that we remain the most recognised and reliable brand for our customers and partners in the years to come.

Cargotec is not approaching emerging markets as an outsider: we are already there, as an active part of the market. China is currently pivotal to our growth, while enhancing a strong presence in Asia is at the heart of our strategy. MacGregor’s planned listing on an Asian stock exchange is an important milestone along this path. We have invested a great deal of time and resources in the Asian market and are making good progress. Our joint venture, Rainbow-Cargotec Industries Co Ltd (RCI), and the planned joint venture with Sinotruk represent a stepping stone on our path towards achieving our aspirations.

Our strategy is providing MacGregor, Kalmar and Hiab with a strong foothold in their target markets and is providing them with the support and push they need to remain the market leaders in their area, to increase market share and to ensure profitable growth.

Risk management and risks

The risks associated with global economic development grew over the year. A major global recession was identified as a key strategic market-related risk for Cargotec, since developments in the economy and cargo flows have a direct effect on Cargotec's business.

- Cargotec continued to implement its revised risk management policy in 2012. Risk management forms an integral part of Cargotec's business processes, and risk reporting is part of the units' operations.
- In 2011, Cargotec formed a corporate quality, environment, health and safety (QEHS) function that began operating in 2012. The purpose of this was to move towards an integrated management system complying with the ISO and OHSAS standards. The risk management function participates in the coordination and development of this work.
- In 2012, Cargotec updated its Business Impact Analysis (BIA) by evaluating its critical production processes, buildings, machinery and suppliers.
- Under the direction of Cargotec corporate risk management, an external party conducts regular risk management audits of Cargotec's own supply units and key suppliers.
- In 2012, risk management issues were reported to the Audit and Risk Management Committee of the Board of Directors in April, September and December. The first meeting concentrated on the status and development needs of risk management and the second on reviews of strategic risks. The last meeting of the year discussed business and support process risks and the consolidated corporate risk review.

Occupational health and safety issues and the related risks are also discussed in the People section of this annual report. Occupational safety is further considered in the Research and development section.

Risk management at Cargotec

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

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

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

Risk classification

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

Process of risk management

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

Responsibilities

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

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

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

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

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

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

Main risks

In 2012, the annual corporate risk review involved all of the business units and main risk categories. Business risks were reviewed as part of the budget planning for the year 2013. This review covered all Cargotec business areas. Furthermore, the strategic and selected support process risk reviews were updated.

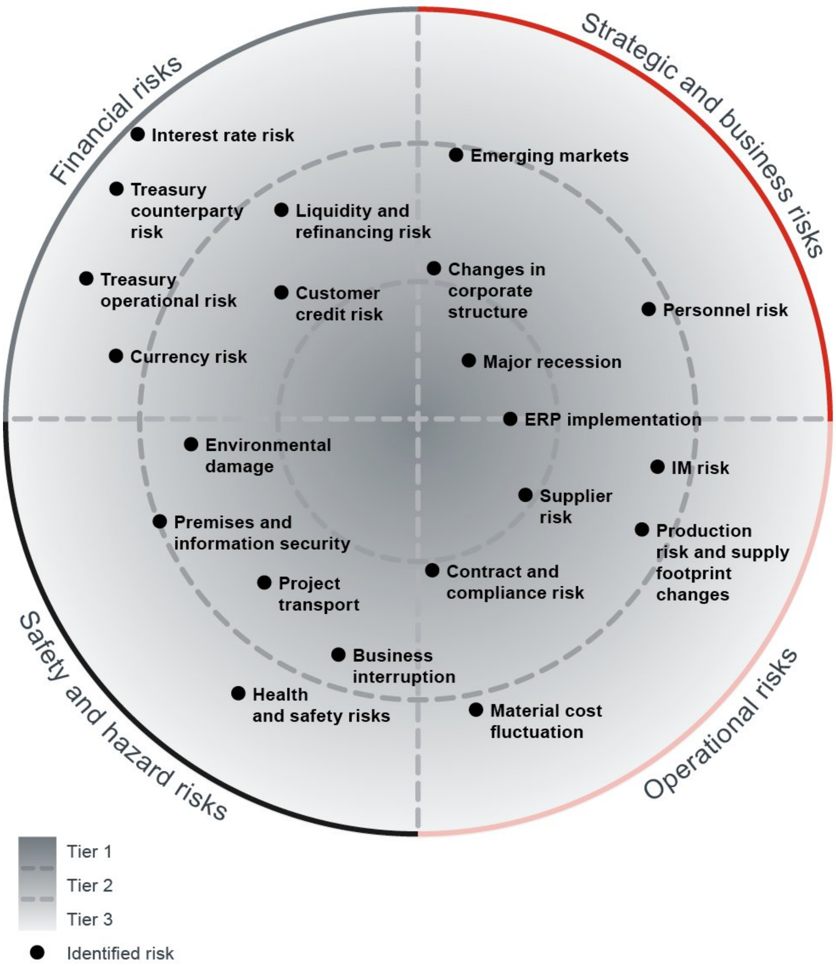
The corporate risk review consists of risk identification and assessment of risk impact and probability. For the most critical risks, mitigation plans are devised in order to bring the risks to a level acceptable to Cargotec.

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

The graph below presents the main risks identified in 2012 and their classification on the basis of their probability and impact.

Risk radar

Main risks identified in 2012



Strategic risks

Major recession

In the category of strategic risks, a major global recession was still deemed possible and identified as having the highest impact on our business.

Developments in the global economy and cargo flows have a direct effect on Cargotec's business. A major global recession would significantly affect global cargo volumes, while customers' investment activity could decline due to financing difficulties. Further significant business impacts might result from the postponement of orders, intensifying cost competition and financial instability among Cargotec suppliers and customers.

The risk of a global recession materialised in certain respects in 2012, particularly in Europe and to some extent also in the US and Asian markets. Over the year, Cargotec took various measures to mitigate the recession risk, in line with its business strategy and risk treatment plans.

Emerging markets

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

Changes in organisational structure

In 2012, Cargotec developed its governance model towards an organisation driven by three business areas: MacGregor, Kalmar and Hiab (until 31 December 2012, Marine, Terminals and Load Handling). These reorganisations may cause schedule changes and additional costs in various fields of operation and divert resources from actual business activities.

Mergers and acquisitions require that each business area be prepared to handle these situations independently. Delays may emerge in developing such preparedness.

Other M&A risks are typically contractual or related to handling liability and environmental matters or retaining key personnel. Moreover, it is not always possible to implement M&A plans to the desired extent; the goals set for them are not always achieved, or the integration of organisations does not succeed as planned.

It is likely that, in a global recession, the financing of acquisitions would become more difficult for Cargotec.

Personnel risk

Cargotec views the availability of competent human resources in emerging markets as an operational as well as a strategic risk. The change in the company's operating model and subsequent restructuring could lead to loss of key persons in existing locations. In the service business, the availability of skilled personnel is a key success factor.

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

Enterprise resource planning implementation

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

Cargotec will change its corporate and legal structure and decentralise its operations. This may cause problems in the implementation of the enterprise resource planning system. Other ERP related risks include keeping within the project cost estimate, and the availability of skilful local personnel during the implementation stage.

Large projects and automation

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

Operational risks

Information management risk

A major risk has been identified in the current business system platform implementation, which has also been categorised as posing a strategic risk to the company. Other critical information management risks are observed in the areas of infrastructure and business application continuity, as well as governance of development projects. The change in legal structure related to corporate governance may cause unexpected challenges, in terms of the schedules and costs associated with implementing the business system platform.

Supplier risk

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

Production risk and supply footprint changes

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

Contract and compliance (legal) risk

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

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

Material cost fluctuation

For Cargotec, the risk of material and component cost fluctuations is smaller during recessions. However, there is a risk that the economic upturn is not foreseen early enough, in which case rising material costs will not be immediately transferrable to Cargotec product prices.

There is a general risk that suppliers will not invest in new capacity in time, before the next turn of the cycle. This may cause bottlenecks in deliveries as demand picks up.

Financial risks

Cargotec's existing centralised corporate treasury processes have reduced interest, currency, counterparty, operational, liquidity and re-financing risks. Nevertheless, a major recession and global financial crisis would increase liquidity and re-financing risks. Another risk identified is the customer credit risk, including bankruptcy, order cancellations and delayed payments.

The change in Cargotec's corporate structure may generate new financial risks. More information on financial risks is available in Note 3 to the consolidated financial statements, **Financial risk management**.

Safety, hazard and environmental risks

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

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

Cargotec is paying continuous attention to employee, customer and third party health, safety and environmental risks. It is also following up the development of local legislation in emerging markets.

Environmental risks related to product and general liability may increase due to changes in legislation and business operations.

Sustainability in Cargotec

Although global discussion in 2012 focused on economic uncertainties, demand for the development of a sustainable society continued. Stakeholder needs and regulative pressures around corporate social responsibility prevail. To Cargotec, sustainable performance means balanced development between our financial result and the well-being of people and the environment.

Our development work has included common processes aimed at embedding sustainability practices in all of our operations. Moving towards business-driven operations gives us the possibility to ensure the efficient implementation of sustainability related processes in a more business-oriented way.

Cargotec has previously analysed the environmental impact of its operations and products, concluding that the most significant portion of this impact is generated through the use of Cargotec's products by customers. Focusing on enhancing customers' sustainability, by providing efficient solutions, was therefore made a priority in Cargotec's sustainability work. In 2012, as we were moving towards business-driven operations, the focus of sustainability was reconfirmed in business area management interviews. Business areas are continuing Cargotec's sustainability work and analyses, based on business-specific priorities.

Our stakeholders' view of sustainability reporting

Cargotec continued to deepen its understanding of priority areas of its sustainability work. It analysed stakeholder needs regarding sustainability management, with a specific focus on sustainability reporting. Since the main requirements for Cargotec's sustainability come from customers and investors, in 2012 we decided to interview key global customers and investor representatives.

Cargotec's current approach to sustainability reporting was considered satisfactory and the defined sustainability strategy was deemed relevant. However, some interviewees suggested that development would be beneficial, in order to provide stakeholders with transparent and value-adding information on Cargotec's operations.

The interviewees suggested the following development areas in sustainability reporting:

- Greater focus on life cycle management, particularly information on ethical considerations and valuing
- Increased transparency of sustainability: reporting with targets, values and history
- Greater transparency when interacting with stakeholders: discussion on a higher level and in various media

Megatrends

Megatrends, which were analysed in the 2010 strategy round, are seen as already impacting on customers' business decisions in the short term.

- **Urbanisation** is enhancing transportation between megacities and their hubs, based on larger vessels but in a more sustainable way. Ports can be relocated due to the changing urban environments in growing cities. In product design, account will be taken of the noise reduction required in larger cities, in order to minimise the noise impact of load handling in road transportation, especially during night time deliveries.
- **The global economic shift towards Asia** is raising consumption in the region and thus creating the need to develop a local and regional infrastructure and logistics. Developing solutions adapted to local markets will be enhanced and research and development must be performed closer to customers, in order to better understand their needs. Production should also be located close to the market.
- **Acceleration of technological change** is making equipment better able to communicate with both the operator, if any, and the operating environment. Cargotec has taken long-term strategic steps in automation development.
- **Lack of critical raw materials** is not yet seen as a major issue in the short term, except in offshore, where Cargotec's MacGregor offshore cranes are helping to supply deep-sea oil rigs with essentials, such as tools and spare parts, in increasingly difficult locations.

Cargotec and the environment

Cargotec's own operations have a relatively minor effect on the environment – and one which we are making continuous efforts to reduce. The most significant environmental impacts of Cargotec's own processes are related to those originating in the operations of assembly units, transportation, commuting to and from work, and business travel.

As a global operator, we have identified the challenges related to managing environmental issues in the countries in which we are present. Our aim is to achieve the best possible practices, taking local circumstances into account.

Cargotec actively monitors the environmental, health and safety (EHS) impacts of its operations. The next annual key EHS figures report on the related results will be published in April 2013. The previous report on key environmental figures was published on Cargotec's website in April 2012.

Almost all of Cargotec's production sites have certified quality systems and most of them have certified environmental systems as well as occupational health and safety management systems.

Quality, environmental, occupational health and safety management certificates in 2012

	ISO 9001	ISO 14001	OHSAS 18001	Number of production units
MacGregor	3	2	2	3
Kalmar	7	5	5	7
Hiab	7	6	5	8
Cargotec	17	13	12	18

Sustainable solutions

For Cargotec, providing sustainable solutions is the most efficient means of supporting sustainable development. As the move to new energy sources continues, increasingly complex systems are being delivered to customers. This is due to factors such as the higher amount of electrical and automation technology. In this field, Cargotec's competitive edge is supported by its broad expertise, which is enabling it to deliver truly comprehensive solutions. Increasing our understanding of each segment’s customer needs is the priority.

Product development aims to create more sustainable solutions in various ways, including:

- More efficient equipment that can handle the maximum amount of cargo with minimum energy input
- Lighter equipment leading to smaller total energy consumption
- Increased durability of equipment
- Ways of shortening logistics in ports by optimising processes
- Automation introducing advantages such as safety, energy efficiency and longer product lifetimes
- Alternative energy sources

Our global service network is the most extensive in the industry. We provide training and maintenance that help to extend the life cycle of equipment, reduce its impact on the environment and ensure safe usage. We work to broaden our customer support and service offering, with the intention of adding value in environmental, social and economic terms. Our customer training for operators can lower fuel consumption by 5–10 percent, while reducing machine wear. Training can also include failure and emergency simulations in various environmental conditions.

Key stakeholder groups

Cargotec engages its various stakeholder groups through open communication and dialogue. Stakeholder relationships are conducted with integrity, fairness and confidentiality, in compliance with stock exchange rules. Our key stakeholder groups include personnel, customers, suppliers, investors, authorities, research institutions and media.

Personnel: At Cargotec, we offer opportunities for professional development, as well as compensation systems. Constant dialogue between the company and employees is maintained by Performance and Development Planning discussions, employee surveys, quarterly personnel webcasts as well as cooperation based on statutory employee information and consultation requirements.

Customers: The success of our customers is the key to our own success. Cargotec's key customer groups include ship owners, ship and port operators, shipyards, distribution centres, fleet operators, logistics companies and truck owner-operators as well as the defence forces of various countries. Other major customers include heavy industry, terminals and municipalities. A customer feedback system is in use in all Cargotec's business areas to gather information from the market in a structured way. The process leads to immediate action when necessary and helps understand customers' development needs in the long term.

Suppliers: Suppliers are an integral part of our total supply chain. We choose our suppliers with care and on the basis of objective factors such as quality, reliability, delivery and price, without preference for personal reasons. Suppliers are expected to conduct their business in compliance with international human rights and environmental laws and practices.

Investors: We share information on Cargotec as an investment and serve Cargotec's shareholders and other capital markets participants through providing rapid and easy access to the latest company information. **Cargotec's investor pages** at www.cargotec.com aim to support fair valuation of the company's shares.

The **Annual General Meeting** is held annually. In addition, an extraordinary Shareholders' Meeting in respect of specific matters shall be held when considered necessary by the Board of Directors, or when requested in writing by a company auditor or by shareholders representing at least 10 percent of all the issued shares of the company.

Authorities: Cargotec cooperates with authorities and regulatory bodies at local, national and international levels.

Research institutions: In terms of research innovations, Cargotec believes in open interaction. This translates into active cooperation with research institutes, universities and companies. By networking with leading experts in various fields, Cargotec remains at the cutting edge of technological development.

Media: Cargotec has an active dialogue with various media including financial media, trade press and general media. Cargotec handles all media inquiries relating to corporate activities, businesses and industry.

International commitments

Cargotec is committed to several international sustainability development initiatives and commitments, and takes part in many cooperation projects around the world. International standards and commitments giving direction to Cargotec's operations include:

- UN Global Compact
- UN Declaration of Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- OECD Guidelines for Multinational Enterprises
- ICC Business Charter
- Clinton Global Initiative (CGI)
- The Baltic Sea Action Group (BSAG)

Cargotec’s membership of associations

Cargotec is an active member of many associations and the company's representatives participate in the work of various industry organisations.

The Baltic Sea Action Group (BSAG)

BSAG is devoted to rescuing the Baltic Sea with carefully chosen projects. Cargotec’s Chairman of the Board **Ilkka Herlin** is a co-founder and Chairman of the Board.

Cleantech Finland

Cleantech Finland is a network of top Finnish cleantech companies. Cleantech Finland gives clients, partners, investors and other stakeholders all over the world easy access to the best cleantech expertise.

ICC Finland

ICC Finland is the Finnish National Committee of the International Chamber of Commerce. Cargotec’s President and CEO **Mikael Mäkinen** (President, MacGregor as of 8 October 2012) was selected as Chairman of the Board for ICC Finland for the year 2012.

Finnish Metals and Engineering Competence Cluster (FIMECC)

FIMECC works to boost strategic research in metals and engineering industries in Finland. Cargotec’s Chief Technology Officer **Matti Sommarberg** is the Chairman of the Board.

Global Compact Nordic Network

UN Global Compact is the world's largest corporate citizenship initiative and promotes ten principles for responsible business practice. Its Nordic network includes 140 companies and business associations from the Nordic countries, all of whom have committed to the UN Global Compact.

Clinton Global initiative

As an invited member of the Clinton Global Initiative, Cargotec has made a commitment in 2008 to reduce the fuel consumption of its machines by ten percent over the next six to ten years.

Port Equipment Manufacturers Association (PEMA)

PEMA's Environment Committee provides a neutral information and education platform on the development and application of environmental technologies in the port and terminal industries.

Environmental, health and safety (EHS) management

Cargotec’s environmental, health and safety (EHS) management is in line with the company's strategy. In 2012, the corporate EHS function was responsible for ensuring and developing EHS processes and target setting globally. On the Executive Board, the Chief Technology Officer was responsible for EHS until 8 October 2012, when responsibility at Executive Board level was transferred to the interim President and CEO.

Human Resources was responsible for managing global health practices and well-being activities globally. Business and line organisations are responsible for adapting common environmental, health and safety processes to local operations.

We comply with environmental legislation and are committed to the UN Global Compact initiative promoting responsible business practices.

UN Global Compact

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

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

Human rights

Principle 1
Businesses should support and respect the protection of internationally proclaimed human rights.

Principle 2
Businesses should make sure that they are not complicit in human rights abuses.

Labour standards

Principle 3
Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4
Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5
Businesses should uphold the effective abolition of child labour.

Principle 6
Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7
Businesses should support a precautionary approach to environmental challenges.

Principle 8
Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9
Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10
Businesses should work against corruption in all its forms, including extortion and bribery.

GRI Index 2012

Independent third-party verification of GRI Guidelines Application Level

A third-party check, conducted by corporate sustainability reporting specialist Tofuture, confirmed that Cargotec's 2012 sustainability reporting meets the requirements for GRI's Application Level B.

●	Fully reported	Core indicators
◐	Partly reported	Additional indicators
○	Not reported	

	GRI content	Reference	Reported
1	**Strategy and analysis**		
1.1	Statement from the CEO	CEO's review	●
1.2	Description of key impacts, risks, and opportunities	CEO's review MacGregor business area review 2012 Kalmar business area review 2012 Hiab business area review 2012 Sustainability Main risks	●
2	**Organizational Profile**		
2.1	Name of the organization	Cargotec in brief	●
2.2	Primary brands, products, and services	Cargotec in brief	●
2.3	Operational structure	Cargotec in brief	●
2.4	Location of organization's headquarters	Cargotec in brief	●
2.5	Number of countries where the organization operates and locations of operation	Cargotec in brief	●
2.6	Nature of ownership and legal form	Corporate governance statement	●
2.7	Markets served	Highlights 2012 Customers MacGregor business area review 2012 Kalmar business area review 2012 Hiab business area review 2012	●
2.8	Scale of the reporting organization	Highlights 2012 Cargotec in brief	●
2.9	Significant changes during the reporting period	Highlights 2012 Corporate governance statement	●
2.10	Awards received in the reporting period	Highlights 2012	●
3	**Report parameters**		
	Report profile		
3.1	Reporting period	1 January 2012–31 December 2012	●
3.2	Date of most recent previous report	Annual report 2011 on 16 February 2012 Key EHS figures 2011 in April 2012	●
3.3	Reporting cycle	Annual	●
3.4	Contact point for questions regarding the report or its contents	communications(at)cargotec.com	●

	Report scope and boundary		
3.5	Process for defining report content	Sustainability Key EHS figures	●
3.6	Boundary of the report	Accounting principles for the consolidated financial statements Key EHS figures (EHS data)	●
3.7	Limitations on the scope or boundary of the report	Accounting principles for the consolidated financial statements Key EHS figures (EHS data) The reported societal data concerns whole of Cargotec. Key EHS figures concern Cargotec's production units.	●
3.8	Basis for reporting on joint ventures, subsidiaries and other relevant entities	Accounting principles for the consolidated financial statements Accounting principles for the parent company financial statements Key EHS figures	●
3.9	Data measurement techniques and the bases of calculations	Key EHS figures Accounting principles for the consolidated financial statements	●
3.10	Explanation of re-statements of information provided in earlier reports	Key EHS figures No restatements of information Consolidated financial statements	●
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	Key EHS figures No significant changes	●
	GRI content index		
3.12	Table identifying the location of the GRI Standard Disclosures in the report	GRI Index 2012	●
	Assurance		
3.13	Assurance policy and current practice	The quality of disclosed sustainability data is controlled internally. External assurance is not conducted. Key EHS figures	●
4	**Governance, commitments and engagement**		
	Governance		
4.1	Governance structure	Corporate governance statement	●
4.2	Position of the Chairman of the Board	Corporate governance statement	●
4.3	Independence of the Board members	Corporate governance statement	●
4.4	Mechanisms for shareholder and employee consultation	Corporate governance statement Cooperation and dialogue	●
4.5	Executive compensation and linkage to organization's performance	Rewarding and engagement Remuneration statement	●
4.6	Processes for avoiding conflicts of interest	Corporate governance statement Code of conduct	●
4.7	Process for determining the qualifications and expertise of the members of the Board	Corporate governance statement Board of Directors	●
4.8	Implementation of values and codes of conduct	Vision, mission and values Code of conduct	●

4.9	Procedures of the Board for overseeing sustainability management and performance	Corporate governance statement Code of conduct Risk management at Cargotec	●
4.10	Processes for evaluating the Board's own performance	Corporate governance statement Board of Directors	●
	Commitments to external initiatives		
4.11	Precautionary approach	UN Global Compact Risk management at Cargotec	●
4.12	Endorsement of external sustainability charters, principles and initiatives	Key stakeholder groups: International commitments	●
4.13	Memberships in associations	Key stakeholder groups: Cargotec's membership of associations	●
	Stakeholder engagement		
4.14	List of stakeholder groups	Key stakeholder groups	●
4.15	Identification and selection of stakeholders	Key stakeholder groups	●
4.16	Approaches to stakeholder engagement	Rewarding and engagement Cooperation and dialogue Corporate governance statement Key stakeholder groups Sustainability	●
4.17	Key topics and concerns raised through stakeholder engagement	Cooperation and dialogue Sustainability	●
	Performance indicators		
	Economic performance indicators		
EC	Management approach to material economic aspects	Corporate governance statement	●
EC1	Direct economic value generated and distributed	Data disclosed in the consolidated financial statements, not presented in an EC1 table format Consolidated financial statements	◐
EC2	Risks and opportunities due to climate change	Risks and opportunities are analysed Sustainability Sustainable solutions	◐
EC3	Coverage of the defined employee benefit plan obligations	Remuneration statement Note 29 to the consolidated financial statements: Employee benefits	●
EC4	Significant financial assistance received from government	No significant financial assistance received from government.	●
	Environmental performance indicators		
EN	Management approach to material environmental aspects	Sustainability Sustainable solutions	●
EN3	Direct energy consumption	Key EHS figures: Direct energy use	●
EN4	Indirect energy consumption	Key EHS figures: Indirect energy use	●
EN5	Energy saved due to conservation and efficiency improvements	Actions described, energy savings not disclosed Sustainable solutions Key EHS figures: Energy	◐

EN6	Initiatives to provide energy-efficient or renewable energy based products and services	**Sustainable solutions** Quantified reductions of energy requirements of products and services not reported **Research and development** **Pro Future™ criteria**	◐
EN7	Initiatives to reduce indirect energy consumption and reductions achieved	Initiatives described, energy savings not disclosed **Sustainable solutions**	◐
EN8	Total water withdrawal	**Key EHS figures**	●
EN16	Total direct and indirect greenhouse gas emissions	**Key EHS figures**	●
EN17	Other relevant indirect greenhouse gas emissions	GHG emissions from business travel reported **Key EHS figures**	◐
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	**Pro Future™ criteria** Greenhouse gas emission reductions not reported **Key stakeholder groups: International commitments (Clinton Global Initiative)** **Research and development**	◐
EN20	Other air emissions	**Key EHS figures**	●
EN22	Total amount of waste	**Key EHS figures**	●
EN26	Initiatives to mitigate environmental impacts of products and services	**Sustainable solutions** **Pro Future™ criteria** **Key stakeholder groups: International commitments**	●
	Social performance indicators		
	Labor practices and decent work		
LA	Management approach to material labor practice and decent work aspects	**Human resources management and strategy** **Social management approach** **Occupational health and safety**	●
LA1	Breakdown of workforce	**People** **Board of Directors' report**	●
LA2	Employee turnover	Total employee turnover and geographical breakdown reported **People**	●
LA5	Minimum notice period(s) regarding significant operational changes	National practices applied, no Group level data collected **Cooperation and dialogue**	◐
LA6	Health and safety committees	Procedures described **Occupational health and safety**	◐
LA7	Injury, lost time injury, fatalitites, absence rates	**Key EHS figures** Lost time injuries frequency reported	◐
LA10	Average hours of training per year	Data not collected at Group level Human resources development: number of participants in global training programmes	○
LA11	Programs for skills management	**Human resources development**	●
LA12	Employees receiving regular performance and career development reviews	**Rewarding and engagement**	●
LA13	Composition of governance bodies and breakdown of employees	Breakdown of employees by gender disclosed **People**	●

	Human rights		
HR	Management approach to material human rights aspects	**Social management approach** **Code of conduct**	●
HR2	Suppliers and contractors human rights screening	Human rights criteria included in the supplier assessments **Code of conduct**	◐
HR5	Measures taken to support rights to freedom of association and collective bargaining in risk areas	**Code of conduct**	●
HR6	Measures taken to contribute to the effective abolition of child labor in risk areas	**Code of conduct**	●
HR7	Measures taken to contribute to the elimination of all forms of forced or compulsory labor in risk areas	**Code of conduct**	●
	Society		
SO	Management approach to material society aspects	**Code of conduct**	●
SO3	Anti-corruption training	Code of conduct discussion is a part of the Performance and Development Planning (PDP) process with employees **Rewarding and engagement** **Code of conduct**	◐
SO5	Public policy positions and participation in public policy development and lobbying	Code of conduct provides guidelines for political neutrality **Code of conduct**	●
	Product responsibility		
PR	Management approach to material product responsibility aspects	**Product safety**	●
PR1	Assessment of health and safety impacts of products and services	**Product safety**	●
PR3	Product information required by procedures	**Product safety**	●

Reporting principles

Cargotec reports the core indicators that are relevant to its operations, products, business and stakeholders. The indicators have been chosen together with representatives of various operations: local quality and environmental management, global risk management, local health and safety management and business area representatives. The indicators are reviewed continuously together with local and global management in order to identify and manage the relevant impacts of operations.

Environmental performance data is published annually in April/May as a key EHS figures report on Cargotec's website **www.cargotec.com**. Environmental, health and safety reporting was consolidated at corporate level in 2007 for the first time. The certified ISO 9001 and ISO 14001 quality and environmental management systems serve as basic tools for Cargotec's own environmental management. The reporting of key environmental figures is based on the international sustainability reporting standard, the Global Reporting Initiative (GRI).

The calculation of Cargotec's figures for greenhouse gas emissions is based on international standards and set conversion factors. The basis for the calculations has been constructed in line with the international Greenhouse Gas Protocol (GHG Protocol). Some conversion factors and information about primary energy distribution are based on the databases of Statistics Finland and the Global Reporting Initiative. The calculation model for greenhouse gas emissions from air travel is based on the United Kingdom Department for Environment, Food and Rural Affairs (Defra) guidelines 2008.

Cargotec follows the International Financial Reporting Standards (IFRS). Our financial reporting principles are explained in the **accounting principles for the consolidated financial statements**.

Personnel structure and changes

In September 2012, Cargotec announced its plans to develop its governance model towards a business-driven organisation, and that as part of this change it was planning to operationally integrate its Services business area and region EMEA (Europe, Middle East and Africa) into the MacGregor, Kalmar and Hiab business areas. A reorganisation of Cargotec's corporate functions was also being planned, to enable more independent business operations. In October, Cargotec announced that the most significant personnel adjustments would have to be made in Finland and in Sweden.

In Finland, the employee cooperation negotiations were completed in November, resulting in the reduction of approximately 105 man-years.

Employee cooperation negotiations were additionally launched in the Kalmar business, with the objective of reorganising the operations of the Lidhult multi-assembly unit in Sweden. The plans involved centralising Cargotec's reachstacker and empty container handler production in Europe, in its multi-assembly unit Stargard, Poland, while the Lidhult unit would focus on forklift truck production. The measures resulted in the reduction of 106 employees in Lidhult.

In November, Cargotec announced plans to adjust and restructure Hiab business area's operations in Hudiksvall, Sweden. According to plans, Cargotec would change the production responsibility of the smaller loader cranes in the range up to 11 tonne metres and from 21 up to 28 tonne metres to its unit in Stargard, Poland. The planned measures could result in the reduction of approximately 150 employees in Hudiksvall.

In addition, MacGregor made a decision to outsource offshore production in Kristiansand, Norway, to OneCo. 39 employees were transferred to OneCo as of 1 January 2013.

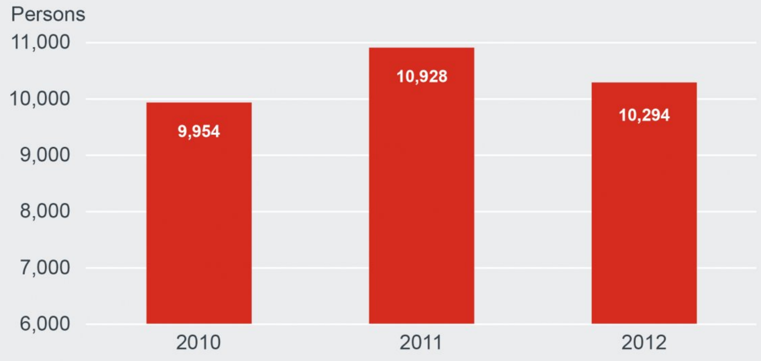
In November 2011, Cargotec and Fortaco (previously Komas) signed a letter of intent, outlining the guidelines for deepening the companies' cooperation, as a long-term sourcing partnership. In accordance with the agreement, Fortaco acquired Cargotec's component manufacturing operations in Narva, Estonia. All approximately 370 employees were transferred to Fortaco. The deal was closed in February 2012.

In June 2012, Cargotec acquired automation technology and competence from Asciano, Australia's largest national rail freight and ports operator. This transaction included the acquisition of Asciano's automation technology assets and the transfer of 23 employees to Cargotec.

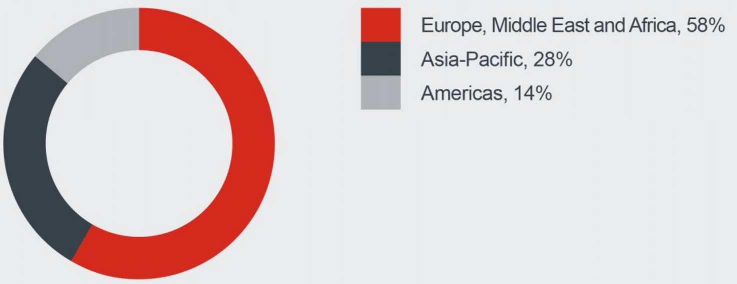
People in figures

At the end of 2012, Cargotec had a total of 10,294 (2011: 10,928) employees, with female employees representing 16 (16) percent and male employees 84 (84) percent. Part-time employees accounted for 2 (2) percent of personnel and temporary employees for 5 (6) percent. Sales per employee totalled TEUR 316.

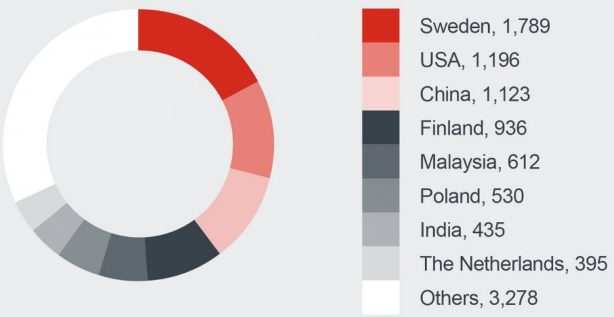
Number of employees at the end of year

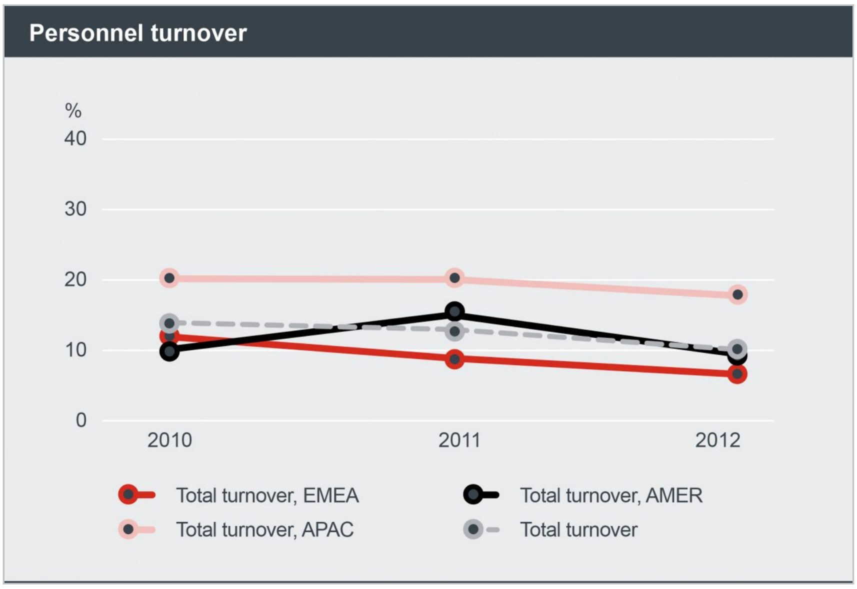


Employees by region on 31 December 2012



Personnel by countries on 31 December 2012




Personnel turnover
%
40
30
20
10
0
2010
2011
2012
Total turnover, EMEA
Total turnover, AMER
Total turnover, APAC
Total turnover

Human resource strategy and management

Cargotec's people strategy is designed to support the company's strategic focus areas: customers, services, emerging markets and internal clarity. The key objectives of the people strategy are to attract top talent to Cargotec, to enhance the company's performance culture and to maximise employee engagement across the organisation.

In 2012, the key priorities of the people strategy included:

- Leadership development
- Talent management and resourcing for global and local needs
- Competence development for future needs
- Building execution capacity

Cargotec focused on profitability, project implementation and performance culture throughout the year. These themes were also linked to human resources development efforts and training programmes.

In global resourcing, acquisition-related integration processes continued to be a major issue, shifting the focus of resourcing to Asia.

To enhance work practices, the introduction of solutions such as virtual meetings and office facility solutions enabling more effective cooperation was encouraged.

Towards the end of the year, human resources management and communications efforts were geared towards supporting the adoption of a business-driven organisation. A key priority in internal communications lay in offering support to managers to help them communicate the change process to their teams.

In the future organisation, responsibility for several corporate support functions will be assigned to independent business areas, which will jointly and separately adopt and develop Cargotec's ways of working and best practices.

Social management approach

In 2012, Cargotec's Human Resources (HR) function was responsible for managing health practices and well-being activities globally. In the Executive Board, Executive Vice President, Human Resources was responsible for HR policy which defines the basic HR principles and workplace practices at Cargotec. The policy complements Cargotec's people strategy and code of conduct. Corporate HR was responsible for creating, updating and communicating the HR policy as approved by the Executive Board. Line managers of Cargotec have the ultimate responsibility for implementing this policy.

The HR policy states that Cargotec is committed to full compliance with applicable national and international laws and regulations. The main international codes Cargotec supports are: United Nations (UN) Universal Declaration of Human Rights, UN Global Compact, International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and OECD's Guidelines for Multinational Enterprises.

Human resources development

Cargotec's vision is to be the world's leading provider of cargo handling solutions. To turn this vision into reality, Cargotec has focused strongly on leadership development.

All training projects undertaken in 2012 were designed to bolster current competences and support Cargotec's strategic focus areas. For example, the objective of the Cargotec Account Management programme is to make the company more customer-oriented and to facilitate a shift towards a more business-driven organisation.

Leadership development

Launched in 2011, the Cargotec Leadership Profile explains what is expected of a good leader in Cargotec. Leadership development programmes drawing on this leadership profile were introduced globally at the beginning of 2012. These programmes include modules for various leadership levels, from managerial induction to senior executive training. Training offers participants tools for fostering their own leadership, helps them understand Cargotec values and drives a strong leadership culture.

A mentoring programme was also organised, with approximately 20 pairs participating. Leadership development assessment, first carried out among senior executives, proceeded to the management teams of business areas.

The leadership development initiative also includes the annual Management Review, which involves discussing personnel-related challenges from the business strategy perspective, identifying and assessing key talent and making decisions on which competences should be developed. The objective of the process is to ensure that human resources development supports the corporate strategy, and that the company has the resources it needs to achieve its goals. At the same time, personnel are offered opportunities to utilise and improve their skills and competences.

Competence development

Cargotec's global training programmes attracted a total of 671 participants. Cargotec also arranges training locally to meet local needs.

Cargotec Academy is responsible for arranging the company's global training and development schemes related to leadership, induction training, project management, financial management, as well as technology and business competence. In 2012, training themes focused on profitability, project implementation and performance culture.

The purpose of Cargotec Account Management (CAM) is to identify and develop Cargotec's key accounts, to improve customer satisfaction and to promote profitable growth. Three learning conferences were held during the year to establish the best account management practices. These were attended by 64 people from the MacGregor and Kalmar business areas. Striving for better account management practices is a long-term effort, which will be driven by the business areas.

An extensive service training programme consisting of six different modules was organised for the fourth time. Participants included ten people from different business areas.

The Cargotec Experience induction and training programme was attended by new and existing personnel globally.

The Cargotec Online Academy e-learning portal was further developed, and more training was made available in 2012. General and company-specific courses available online provide a cost-effective method for supplementing the global training programmes. The objective is to offer individual support for professional growth and to provide information that is important to all personnel. The portal provides everyone with equal opportunities for learning. Business English was the most popular e-learning programme.

Rewarding and engagement

Performance and Development Planning (PDP) discussions are a key method used across the organisation to build employee engagement. PDP discussions complement day-to-day communication between management and employees, and help employees to gain a better understanding of the company's strategic objectives and act accordingly in their daily work. They also play a key role in the process of reviewing and rewarding good performance.

The annual development planning discussion, target setting and performance review take place during the first quarter. A mid-year review is held in August–September. The discussions lead to an individual performance and development plan.

The PDP discussion completion rate among all Cargotec office personnel was 85 percent, and among the top 300 managers 100 percent.

Cargotec wants to recognise good employee performances, both at company level and individually. Salaries are reviewed annually, taking account of country-specific practices and legislation. In particular, Cargotec wishes to abide by the "pay for performance" principle. Furthermore, Cargotec's local units have incentive schemes based on the unit's financial and performance targets.

Cargotec has a management incentive plan which defines both short- and long-term targets. This consists of a management bonus scheme that comprises company level and personal targets as well as long-term, share-based incentive programmes for key personnel.

In 2012, salaries and remunerations to employees totalled EUR 452 (2011: 419) million.

Cooperation and dialogue

Cooperation and constant dialogue between the company and employees is the Cargotec way. Based on statutory employee information and consultation requirements, Cargotec's employee cooperation system has been co-developed with employees. Cooperation is organised at both corporate and local levels.

In Europe, the corporate cooperation forum is the Cargotec Personnel Meeting, attended by 17 employee representatives from 12 countries in 2012. This event represents an excellent opportunity for employee-management dialogue and informal interaction. Employee questions are collected and brought to the meeting by the country representatives and answered by Cargotec management. The minutes of the meeting including questions and answers are distributed via the company intranet to all personnel. In 2012, the questions were related to, among others, the planned listing of the MacGregor business area, deployment of the enterprise resource planning (ERP) system, outsourcing as well as organisational changes.

A working committee consisting of the country representatives of the Cargotec Personnel Meeting also meets several times a year, to ensure the continuity of the company-employee dialogue.

Other country-specific and local cooperation bodies convene in line with each country's established practices and legislation.

Global personnel webcasts held in conjunction with the publication of interim reports provide a channel in which personnel can discuss business issues with senior executives. Questions may be submitted in advance via the intranet, but participants can also ask questions during the event.

The Performance and Development Planning discussion held twice a year allows each employee to engage in systematic dialogue with his or her immediate manager.

Occupational health and safety

Cargotec is required to ensure safe working conditions for all employees. Cargotec's health and safety management is based on its code of conduct, risk management and safety policies, corporate health and safety policy, as well as the unit-specific health and safety management systems. Preventive action is taken to reduce the number of workplace accidents.

According to Cargotec's code of conduct, employees are responsible for protecting themselves and their co-workers, workplace, community and the environment. The code also specifies that everyone must take action to prevent damage or injuries, and report any shortcomings related to occupational health and safety.

Because the hands-on working environment can pose specific risks, and is also the arena which presents most opportunities for preventing accidents, health and safety initiatives must be planned and implemented at local level.

A number of different reporting tools are used at Cargotec. These allow the follow-up of injuries and accidents, as well as benchmarking between sites to enable the sharing of best practices. There are also specific risk analysis instructions, which underline areas requiring special attention as well as various environmental considerations. Cargotec's multi-assembly units employ the “5S philosophy” in order to increase process efficiency and cleanliness, while preventing accidents. Several service sites have also introduced this system, with excellent results.

More information on Cargotec's occupational health and safety indicators will be provided in the key EHS figures report to be published in 2013.

Internal clarity is one of Cargotec's strategic focus areas. To achieve internal clarity, an integrated management system (IMS) has been developed to ensure consistency within business processes. An integrated management system helps align operations with business targets and allows Cargotec to deliver on its promises to customers and other stakeholders.

Cargotec has made a commitment to comply with the ISO 9001 quality standard, the ISO 14001 environmental standard, and the OHSAS 18001 occupational health and safety standard. The persons responsible for IMS implementation in each unit are also responsible for compliance with these standards. Currently all Cargotec's units in Finland are certified according to the OHSAS 18001 standard.

Code of conduct

Cargotec is committed to complying with national and international laws and regulations, and to providing everyone with equal opportunities, both within the working community and in work-related practices and procedures. Cargotec respects freedom of association among employees.

Cargotec's code of conduct specifies what is expected of Cargotec employees in their daily work and also Cargotec's partners are expected to adhere to similar principles. Cargotec promotes the code's implementation through effective communication of its contents to personnel. The code, as well as Cargotec's values, are discussed as part of employee induction process and during the annual performance and development plan discussions.

Corporate Audit acts as Corporate Compliance Officer and reports once a year or whenever appropriate to the Board of Directors on any issues arising within the organisation with regard to the code. Cargotec's Board of Directors reviews the code and makes changes or further clarifications when necessary.

In case of a suspected violation of the code, Cargotec employees are advised to contact their manager or seek advice from the supervisory entity (internal audit) or other relevant company employees. Real or suspected non-compliance may be reported anonymously. Cargotec may take disciplinary action, up to and including termination of employment, against members of personnel who violate the law and regulations, the code of conduct, or other Cargotec policies. In 2012, there were no reported cases of non-compliance.

Research and development

75.4M€

Cargotec's research and development expenditure in 2012 totalled EUR 75.4 million.

Cargotec is actively engaged in networking. Cooperation with research institutes, universities and other companies has allowed us to boost our own technology competence and share it with others. Cargotec is a member of the Finnish Metals and Engineering Competence Cluster FIMECC and of the Forum for Intelligent Machines FIMA.

As far as networking goes, Cargotec's Kalmar business is deeply rooted in the Tampere region in Finland, in the mobile work machine manufacturers' cluster, whereas the maritime cluster in Kaarina, Finland, is a fruitful environment for the MacGregor business. Meanwhile, Navis Corporation, part of the Kalmar business, is developing port automation systems in California, USA, home of the world's leading software technology cluster.

Networking and open innovation offer a new path to the goals set for research and development. The megatrends that drive our industry have not changed. They still include a shift in the global economic focus to Asia, urbanisation, acceleration of technological change and a lack of critical raw materials. Likewise, the focus areas of Cargotec's research and development remain unaltered:

- Developing better solutions for customer needs
- Reducing the energy consumption of equipment over its lifetime

For Cargotec's research and development, 2012 marked the beginning of a new chapter. In the **Kalmar** business, the new technology and competence centre was introduced in December, allowing Kalmar to focus strongly on the development of energy-efficient, safe and intelligent machinery and automation solutions. The physical location of the centre close to a Finnish technology cluster and a research hub will promote networking within the corporate sector and the research community. The centre's virtual laboratory brings experts together at the early stages of the product development process, which is expected to drive internal networking within Cargotec.

Port 2060 relied on crowdsourcing

The Port 2060 initiative, launched in 2011, used crowdsourcing as a method of idea generation. The objective of the project was to spark discussion of what the future port might look like in fifty years' time, around the centenary of containerisation. Participants were encouraged to identify and explore new opportunities for automation, lower energy consumption and the use of new materials in future ports.

A website set up for the project at **port2060.cargotec.com** served as a forum for discussions, blog postings, votes and polls. Promoted in various social media, the site attracted approximately 11,000 visitors by the end of 2012. The project received a great deal of media attention, and was also exhibited in various shows and events.

Cargotec's research and development in 2012

- Cargotec's research and development expenditure in 2012 totalled EUR 75.4 (2011: 60.0) million.
- Research and development accounted for 2.3 (1.9) percent of sales.
- Approximately 7.2 percent of Cargotec's personnel work in research and development.
- The new technology and competence centre in Tampere was opened in December.
- In June, Cargotec acquired automation technology and competence from Asciano, Australia's largest national rail freight and ports operator. The acquisition is a strategic step for Cargotec as a leading provider of automation solutions in the ports and terminals industry. The transaction included the acquisition of Asciano's automation technology assets and the transfer of 23 employees to Cargotec.

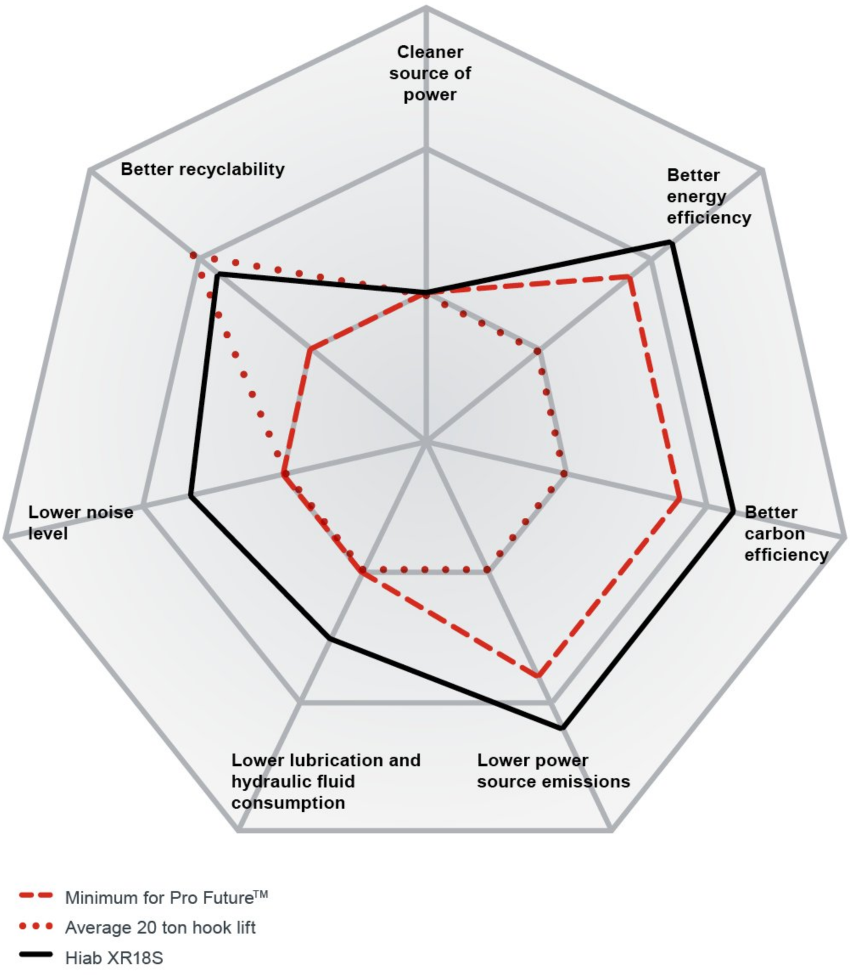
Pro Future™ criteria

Cargotec's Pro Future™ is a label for equipment designed to meet strict criteria. Such products are rated against six environment and efficiency based indicators:

- Source of power
- Energy efficiency
- Carbon efficiency
- Local emissions
- Noise pollution
- Recyclability

The criteria have been re-evaluated during 2011 and are now used to analyse environmental impacts on a larger scale than previously. Within each category, the product or service with the highest score offers the most significant benefits. These criteria have now been developed in such a way that it is possible to employ them in the development of products. Thus, they also serve as a tool for research, development and engineering purposes, as shown in the chart below.

Evaluation of Hiab XR18S hook lift against environment and efficiency based indicators



Product safety

Cargotec’s products’ safety is one of the key drivers in product development. Cargotec aims to provide customers with products which surpass the safety requirements of current legislation. Safety issues are considered already in the design phase failure mode and effect analysis being a part of of product development. In Europe, Cargotec’s Kalmar and Hiab products comply with EU legislation and they are granted CE marking. For MacGregor products, an extensive set of SOLAS, statutory as well as classification society requirements are applied for all contracts.

We have developed applications to help the drivers of Cargotec equipment to reduce the possibility of human error. In port operations, Cargotec’s equipment leads the way in safety. Our all-electric rubber-tyred gantry cranes, automatic stacking cranes and straddle carriers comply with the standard on safety of machinery EN ISO 13849-1.

To increase productivity and to avoid worksite accidents, Cargotec complies with the new Machinery Directive 2006/42/EC throughout the entire range of MacGregor, Kalmar and Hiab cranes. The directive creates the regulatory basis for the harmonisation of essential health and safety requirements for machinery at EU level. Offshore solutions help operators reach the level of safety and reliability required in demanding marine environments. They ensure reliable subsea operations despite weather challenges when handling heavy and expensive loads at ever greater depths. Our customer trainings as well as documentation provided upon delivery ensure that the equipment is used in a safe, efficient and environmentally conscious way.

Cargotec’s products are always delivered with the relevant information for safe product use.

MacGregor

Cargotec's MacGregor business area (Marine until 31 December 2012) is the world's leader in engineering solutions and services for handling marine cargoes and offshore loads. MacGregor products serve the maritime transportation, offshore and naval logistics markets, in ports and terminals as well as on board ships. Our cargo flow solutions benefit the ship's productivity, environmental impact and profitable service lifetime.

Highlights in 2012

- MacGregor achieved a strong result in 2012 despite a challenging market environment, with a good order intake both in offshore and merchant shipping, and an excellent year for bulk handling.
- In 2012, MacGregor celebrated its 75th anniversary. Today, half of the world's oceangoing ships carry MacGregor equipment on board.
- The MacGregor chain wheel manipulator won the Offshore Support Journal's Innovation of the Year award in February 2012.
- The growing electric-drive portfolio was expanded with a new range of offshore anchor handling and towing winches.
- The Rainbow-Cargotec Industries Co Ltd (RCI) joint venture was established in China. For the MacGregor business, the aim of the joint venture is to produce MacGregor standard knuckle jib offshore cranes and to accelerate growth.
- To strengthen its presence in Asia and secure profitable growth, Cargotec is preparing for the listing of MacGregor as an independent company on an Asian stock exchange.

Key figures

Orders received, MEUR

722

(2011: 997)

Order book, MEUR

920

(2011: 1,375)

Sales, MEUR

1,066

(2011: 1,213)

Operating profit, MEUR*

140.9

(2011: 176.2)

Operating profit, %*

13.2

(2011: 14.5)

* excl. restructuring costs

Operating environment

In merchant shipping, the market situation is challenging. The main reasons for this are slow economic growth, limited availability of financing, as well as overcapacity in most ship types. Weak western consumer activity has reduced short-term expectations for main container trade, but strong growth on North-South and intra-Asia trade is continuing to support overall container trade growth. Over the next three years, trade in seaborne dry bulk commodities is expected to increase by 20 percent, with China and India as the main contributors.

In offshore, oil and gas production, and energy prices, are the key market drivers. The offshore oil and gas sector accounts for 20 percent of global energy demand. Demand for gas is expected to grow faster than demand for oil, driven by strong industrial development in Asia and growth in demand in Europe and America, due to the perception of gas as a “clean fuel”.

Year 2012

The MacGregor business area achieved a strong result in 2012, despite a challenging market environment. Only the market for RoRo/car carriers was more positive than expected. Economic uncertainty made shipowners and operators more cautious about making investments, which was reflected in demand for marine cargo handling equipment in merchant shipping. The shipbuilding industry saw lower contracting volumes, ship prices fell and shipyards were struggling with shipbuilding overcapacity. In addition, limited availability of financing hindered ship orders. Rising fuel prices are pushing ship operators for slow steaming to reduce costs, and shipping companies are seeking improvements in energy efficiency. The requirement that new ships comply with the Energy Efficiency Design Index (EEDI) is driving efficiency improvements.

Oil and gas continue to dominate future global energy supplies. Offshore production is growing rapidly and investments in offshore vessels are rising. Fleet renewal and expectations of strong utilisation are driving orders, which is reflected in demand for marine cargo handling equipment for offshore support vessels.

The strong market position of Cargotec’s Siwertell products was further improved during 2012, with numerous contracts for ship unloaders, road-mobile ship unloaders and ship loaders. One of the orders involved the largest Siwertell ship unloaders ever designed. In general, the dry bulk handling market looks promising, due to a rise in the number of power plants being built.

Demand in the service markets reflects the capacity utilisation rates of customers, as well as the economic situation. Demand remained healthy for offshore support vessel services. The markets for servicing marine cargo handling equipment have been satisfactory, but caution among customers was evident in demand for services during 2012.

Market outlook

The shipping market is expected to continue to be challenging in 2013, due to overcapacity, low ship prices and short-term contract levels. Despite the challenging market situation, MacGregor’s strong competencies in project and supply chain management support profitability. Trends for improved energy-efficient and environmentally-friendly ships provide a growth opportunity for MacGregor as the market leader in electrical products. The outlook for the RoRo and car carrier markets is more positive. Due to increasing energy demand and a better market outlook in the offshore business compared to merchant shipping, the shipbuilding industry is seeking growth opportunities in offshore.

The ship ownership geography is changing as the number of Asian shipowners grows. China and South Korea are the leading shipbuilding countries, accounting for close to 80 percent of new building capacity. Shipping companies have been encouraged to scrap older vessels, which tend to be less environmentally friendly.

MacGregor solutions have a strong market share in China. While we will continue to serve our offshore customers from our European competence centre, more than 70 percent of MacGregor’s sales are generated in Asia-Pacific. Our dedicated presence in Asia is therefore an essential element in our growth.

Demand

Positive order intake in merchant shipping, despite a challenging market

Orders received in MacGregor were good despite the market situation. The fall in orders received in 2012 was a consequence of low ship orders, which has clearly lowered demand for marine cargo handling equipment. During the year, MacGregor secured the following major orders:

- MacGregor lashing arrangements for ten Hapag Lloyds' 13,200 TEU container vessels, including 175,000 automatic twistlocks
- MacGregor lashing systems for 22 container ships under construction in two shipyards in South Korea
- MacGregor variable frequency drive cranes and folding-type hatch covers from a Chinese state-owned shipyard for Greek bulk shipping operator Ariston Navigation's six new generation 35,000 dwt bulkers
- Twenty 120-tonne MacGregor GLH cargo handling cranes from a Chinese shipyard, for delivery for ten general cargo vessels
- MacGregor RoRo equipment for two Mistral-class naval ships
- Sixteen electrically-driven variable frequency drive versions of MacGregor bulk handling cranes for The China Navigation Company Pte Co Ltd (CNCo), comprising four 39,500 dwt bulk carriers (Bdelta37s) to be constructed at the Chengxi Shipyard in China
- An exclusive marine equipment repair agreement with Heavy Engineering Industries & Shipbuilding Co (HEISCO), the major engineering, procurement and construction contracting company located in Kuwait
- MacGregor RoRo cargo access equipment for four 45,000 dwt container/RoRo vessels for Italian container shipping specialist, Ignazio Messina & C.S.p.A
- MacGregor fully electrically-operated RoRo cargo access equipment for two car carriers under construction at Shin-Kurushima's Onishi Shipyard
- Sixteen MacGregor variable frequency drive electric cranes for four 3,900 TEU container vessels from Dalian Shipbuilding Industry in China

Healthy market in offshore load handling

In 2012, the offshore load handling market was clearly healthier than the merchant shipping market. In August 2012, for the first time ever, offshore contracting investment surpassed merchant ship contracting. Offshore order volumes grew as expected. During the year, MacGregor won the following major contracts:

- A 400-tonne MacGregor active heave-compensated offshore crane with an outreach of 20m, and a smaller crane with a safe working load of 100 tonnes at an 11m outreach, for Norwegian company Kleven Maritime
- MacGregor anchor-handling, mooring and towing solutions for 15 offshore support vessels of various types being built in several shipyards in China for Asian customers
- A total of twenty 150-tonne electric MacGregor winches for two pipe-laying heavy-lift offshore construction vessels for Malaysian TL Offshore Sdn. Bhd., a wholly-owned subsidiary of SapuraCrest Petroleum Bhd
- A repeat order for two active heave-compensated offshore cranes from Norwegian Volstad Maritime, for a new offshore construction vessel to be chartered for subsea intervention services
- Two 100-tonne active heave-compensated offshore cranes for the wholly-owned subsidiaries of a Malaysian shipbuilding and vessel chartering group, Coastal Contracts Bhd, to be installed on two 85m newbuild offshore support vessels
- Expansion of the partnership agreement with Dongnam Marine Crane Co Ltd (DMC), to cover the manufacture of MacGregor offshore cranes, in addition to MacGregor cargo handling cranes for South Korean customers
- A 50-tonne active heave-compensated offshore crane for the China National Offshore Oil Company (CNOOC), for a subsea multi-functional support vessel being built at the CSSC Guangzhou Huangpu Shipyard. This crane will be manufactured by the newly-established joint venture Rainbow-Cargotec Industries Co Ltd.
- A comprehensive MacGregor module handling equipment package for an offshore vessel for an international owner

Healthy order book in bulk handling

Cargotec experienced a boom year for sales of its Siwertell dry bulk handling systems. Major deals during the year include the following orders:

- A rail-mounted Siwertell coal unloader from Black & Veatch Corporation for a power plant under construction in the Philippines
- Four mobile Siwertell ship unloaders for ports in Turkey, Denmark, Spain and Sweden
- A Siwertell ship loading system for a new grain-handling terminal being built by Newcastle Agri Terminal Pty Ltd, in New South Wales, Australia
- A Siwertell ship loader, supplied to an undisclosed company for clinker and cement handling in Australia
- A Siwertell biomass/coal unloader for the Danish power company Dong Energy
- A Siwertell fertiliser unloader for PT Petrokimia Gresik, an Indonesian fertiliser producer
- Two Siwertell coal unloaders for Formosa Plastics Group, for their newly built steel plant in Vietnam

Customer solutions development

MacGregor provides shipowners, ship and terminal operators, shipbuilders and navies with a comprehensive products and solutions portfolio, including:

- Hatch covers, lashing systems, cranes, RoRo cargo and passenger access equipment, and self-unloading systems for ships
- Linkspans, shore ramps and passenger gangways for ports and terminals
- Advanced solutions for subsea load handling, anchor handling and towing and mooring operations for the offshore industry
- Maintenance and service solutions that span the entire lifetime of equipment

Shipowners look into efficiency and are increasingly interested in environmentally-friendly and energy efficient concepts. MacGregor is involved in many development concepts aimed at supporting customers through the optimised solution – economic, efficient and environmentally-friendly – for each ship type.

In 2012, MacGregor celebrated its 75th anniversary. Innovative engineering has been a characteristic of MacGregor ever since the company developed the first steel hatch covers. Earning a reputation worldwide for quality, reliability and efficient performance is impressive in itself, but maintaining it for 75 years shows the sort of commitment that the maritime community appreciates. Through development, acquisitions and mergers, the MacGregor product range has grown continuously. Today, half of the world's oceangoing ships carry MacGregor equipment on board.

> **“Innovative engineering has been a characteristic of MacGregor ever since the company developed the first steel hatch covers.**

The **MacGregor chain wheel manipulator** won the Offshore Support Journal’s Innovation of the Year award in February 2012. This award recognises a product, system or service considered to have made a significant impact on the design, build or operational aspects of offshore support vessels.

MacGregor introduced a new range of electrically-driven offshore anchor handling and towing winches that offer proven safety and reliability, with improved operability and reduced environmental impact. The growing electric-drive portfolio includes MacGregor RoRo cargo access equipment, such as quarter ramps, internal ramps, and car decks, MacRack side-rolling hatch cover systems, and MacGregor variable frequency drive cranes and winches.

In merchant shipping, MacGregor's new automatic twistlock gained the approval of classification society Germanischer Lloyd. This fully-automatic twistlock offers significant safety advantages and saves time in port. MacGregor is participating in a joint project initiated by Det Norske Veritas (DNV), with the aim of updating standards and regulations on the safe and efficient use of equipment intended for subsea cargo handling.

An increasing number of ship operators appreciate the benefits of the spare parts management and the training elements of the modular MacGregor Onboard Care (MOC) service contracts, aimed at ensuring reliable operations and predictable costs. Almost 600 vessels already benefit from MOC contracts, which can be customised to meet a shipping company’s specific needs.

Business model with built-in flexibility

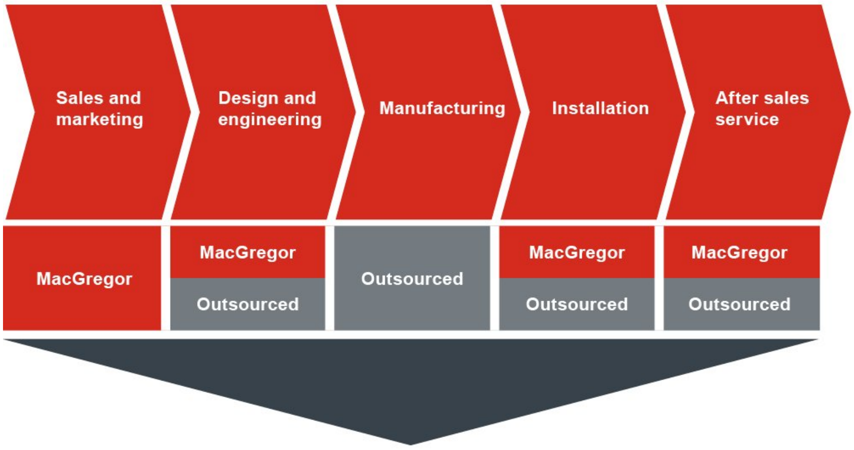
MacGregor enables customers to improve the safety, performance and cost-efficiency of their installations. We improve efficiency by offering innovative design and functionality, combined with worldwide services. MacGregor's business model benefits from built-in flexibility, through a concept focusing on sales and marketing, design, engineering and services.

"MacGregor's business model benefits from built-in flexibility, through a concept focusing on sales and marketing, design, engineering and services.

Ship operators need to know that their ships are performing as expected. MacGregor's continuous product development and experience enable us to offer the high-end and integrated solutions that are essential for our customers to remain competitive. Developing complete solutions by ship type has proven highly successful, and is ideal for offshore vessels. Early involvement in newbuild projects gives MacGregor the opportunity to help operators plan the most efficient ship for their needs.

The value of our products and services is not confined to their ability to function well; it extends to their through-life performance, reliability and managed costs, achieved through quality assurance on a global scale.

MacGregor´s business model



MacGregor bears full responsibility towards customers for its solutions, whereas manufacturing and installation have been outsourced to well-established partners, under MacGregor's quality supervision.

An innovation in response to customer need

> **"The device keeps crew members clear of hazardous situations and improves the vessel's profitability.**

Cargotec's MagGregor Chain Wheel Manipulator, an award-winning innovation for anchor-handling tug/supply (AHTS) vessels, was developed in response to customer demand from shipbuilder STX.

Offshore operations often take place in challenging conditions. AHTS vessels are used for handling the anchors of offshore oil rigs, towing them to location, and anchoring them up. AHTS vessels must be able to handle a variety of chain sizes used by subsea mooring equipment, which is why they carry interchangeable chain wheels.

"Chain wheels weigh up to 12 tonnes, and until now, changing a chain wheel has been a risky and labour intensive operation. Changing a heavy wheel on a vessel that is pitching and rolling at sea is complicated and dangerous, and in other than completely calm conditions the AHTS vessel usually has to return to port every time it needs to change a chain wheel. The voyage can sometimes take up an entire day, and since another day is needed to get back to the operation area, the change operation is very inefficient from the operator's perspective," says **Frode Grovan**, Sales and Marketing Director, Advanced Load Handling.

Customer feedback from STX

MacGregor is always exploring new solutions that enable safer, more efficient and cost effective ways of working, and sometimes customer feedback leads to the birth of new innovations.

"STX contacted us a couple of years ago saying they would be interested in a solution that would allow chain wheels to be changed at sea. The new solution was needed for five STX OSV design AHTS vessels, which were being built at STX Offshore Brazil's shipyard for DOF, an owner and operator of a modern fleet of offshore/subsea vessels. These vessels would be working some distance off the Brazilian coast under long-term contracts from Brazilian energy firm Petrobras," Frode Grovan recalls.

To meet the customer's needs, Cargotec engineers devised the MacGregor Chain Wheel Manipulator, which is remotely controlled by a crew member from a portable panel. It is designed to perform continuous successive cycles of chain wheel installation, removal and replacement on an anchor handling/towing winch while the vessel remains at its offshore operation site, even in adverse sea conditions. This device keeps crew members clear of hazardous situations and improves the vessel's profitability by eliminating voyages to port and back.

DOF's five AHTS vessels that will feature the Chain Wheel Manipulator are scheduled for delivery to DOF's Brazilian subsidiary, Norskan Offshore, by December 2013.

MacGregor's customer-driven innovation has not gone unnoticed within the industry. The MacGregor Chain Wheel Manipulator won Offshore Support Journal's Innovation of the Year award, which was announced at the Annual Offshore Support Journal Conference in London in February 2012.

Through-life costs reveal equipment's true value

> “Ariston Navigation believes that through-life costs are the ultimate test for a supplier and its equipment.

Ariston Navigation has the highest expectations of the MacGregor cranes and hatch covers specified for its new series of eco-friendly handysize bulk carriers.

The challenge

Greek ship management company Ariston Navigation Corporation, part of the family-owned Xylas Group, operates long-standing dry bulk shipping routes. The company is in the service industry and is competing in the international arena.

Before ordering ‘Seastallion’ design bulk carrier newbuildings at the end of 2011, the customer completed meticulous planning of the tonnage and its timing.

The design focus was on economical and efficient cargo handling, loading flexibility, safety, environmental and maintenance friendliness, and low operational costs.

“We thoroughly evaluated eleven different new-generation designs in this size range before reaching our final choice,” said **John Xylas**, CEO of Ariston Navigation. “We have been looking for the right time to order these next-generation eco-friendly ships and feel that the right time is now, since the markets are depressed and financing is difficult. We have traditionally tried to be counter-cyclical.”

The solution

Ariston Navigation’s newest tonnage is a series of 35,000 dwt handysize Seastallion vessels ordered from a Chinese shipyard. The new ships have been designed with a very versatile specification and are planned for worldwide trade.

Each Seastallion will feature folding-type MacGregor hatch covers and four fully electrically-operated variable frequency drive (VFD) MacGregor wire-luffing bulk-handling deck cranes, each with a safe working load (SWL) of 30.5 tonnes at a maximum outreach of 26m.

Ariston Navigation believes that the early involvement of key suppliers is important for delivering vessels fully optimised for their designed functions. “We involved Cargotec as well as all suppliers of critical equipment at the very early stages of our project,” said Mr Xylas.

Through-life costs are the ultimate test for a supplier and its equipment:

“We are building ships with a view to operating them throughout their useful life. The equipment will have to perform efficiently over that period. The test includes a clear identification of the initial product’s source, clear production chain, good support during installation, and worldwide aftersales service.

“Environmental and energy conservation issues also play a large part in our company policies and in the brief to the vessels’ designers, shipyard and equipment suppliers. We make it clear from the outset that we would select a vessel design and its equipment on lower energy consumption, and on lower probability of failure which could result in sea and air pollution.

“The selection of the fully electric MacGregor deck cranes, which eliminates the risk of hydraulic leaks and sea pollution, was made with this philosophy in mind,” Mr Xylas explained.

“Overall, the factors that influenced our decisions for both the hatch covers and the cranes were ultimately the reliability of the product and the aftersales network and support.”

Modifying hose-handling cranes for personnel handling

“Thanks to careful design, planning and logistical arrangements, the rebuilding process was smooth and efficient.

Cargo ships are usually equipped with the type of crane that has specifically been designed for their trades, but there may be occasions when the cranes are needed for other tasks and therefore require modification. This was the case with the hose-handling MacGregor cranes on board six tankers owned by the Russian operator, Novorossiysk Shipping Company (Novoship).

The challenge

Classification society rules for cranes used for lifting personnel require that their winches are equipped with dual independent braking systems. In addition, a crane must be equipped with approved personnel lifting equipment, such as a basket, and drivers must be trained to operate the crane safely.

The query about lifting personnel came from Novoship, part of the SCF (Sofcomflot) Group. Twenty-four of its ships are equipped with MacGregor hose-handling/general service cranes. The six vessels in question are regulated by Det Norske Veritas (DNV) and had International Association of Classification Societies’ (IACS) fitness of purpose certificates for hose-handling duties only. “It was a major challenge to deliver a DNV approved solution for lifting personnel within the time constraints set by the customer,” says **Valeriy Mozhevekin**, Cargotec's Sales Manager for the Russian branch.

The solution

MacGregor's Crane Competence Centre started the project by checking the classification society requirements and discussing the issues with MacGregor engineering and design departments. “After completing all investigations and discussions, we identified two solutions that were offered to the customer. The first option was to install a new winch with dual brakes, re-using the existing hydraulic motor. The other option was to rebuild the existing winch, adding a new extra brake and new winch bracket,” describes Mr Mozhevekin.

Novoship chose the first option and work on the first two ships, NS Columbus and NS Creation, was carried out in Tuzla, Turkey, in May and July 2012. The systems on board the remaining tankers will be modernised during 2013.

“Thanks to careful design, planning and logistical arrangements, the rebuilding process was smooth and efficient,” says **Alexander Gelis**, Director of Marine Spare Parts & Technical Services. “The winch upgrade programme is scheduled to coincide with the tankers’ planned dock visits for repair, maintenance and surveys. Therefore, if other shipowners decide that they need to use their cranes in a similar way to Novoship, we can help by developing solutions that fit with their trading schedules.”

Business development

In order to strengthen its presence in Asia and secure profitable growth, Cargotec is preparing for the listing of MacGregor as an independent company on an Asian stock exchange. More than 70 percent of MacGregor's sales are already generated in Asia-Pacific. A strong presence in Asia could open up new business opportunities, both in merchant shipping and offshore. The listing is planned by the second half of 2013, subject to market conditions. Cargotec will retain a majority stake in the listed subsidiary. In October 2012, Cargotec's President and CEO **Mikael Mäkinen** was appointed President, MacGregor, to drive the listing in Asia and **Pekka Vauramo** was appointed Chief Operating Officer, MacGregor.

From 1 January 2013, Cargotec has a new governance and operating model, with three independent business areas MacGregor, Kalmar and Hiab. As part of this change, Services was integrated into the business, making it an integral part of MacGregor's solutions offering and customer value chain. To support the new operating model, the business areas were named after their industry leading brands. The MacGregor brand will be further developed during the listing process, in order to strengthen its market leading position.

Rainbow-Cargotec Industries Co Ltd (RCI), a joint venture established in May 2012 in China with Jiangsu Rainbow Heavy Industries (RHI), forms part of Cargotec's expansion activity and strategy of a strong local presence in Asia. In June, RCI began the construction of its new facility in Taicang Jiangsu province. For the MacGregor business, the aim of the joint venture is growth in the offshore sector. RCI will become Cargotec's main offshore crane production base in Asia for MacGregor standard knuckle jib offshore cranes.

As of 1 January 2013, the bulk handling business was transferred from the MacGregor business area to Kalmar business area. Cargotec's dry bulk handling systems are provided through the Siwertell brand, which is a market leader in its field. Bulk handling is a project-type business and its customer-focused business model resembles the project business of Kalmar, serving similar customers in various terminals around the world. Bulk handling will continue to operate as a separate, stand-alone business within the Kalmar business area.

At the end of 2012, MacGregor employed 1,979 (2011: 2,129) people.

Kalmar

Cargotec´s Kalmar business area (Terminals until 31 December 2012) offers the widest range of cargo handling solutions and services to ports, terminals, distribution centres and to the heavy industry. Kalmar is the industry forerunner in terminal automation and in energy efficient container handling, with one in four container movements around the globe being handled by a Kalmar solution. Through its extensive product portfolio, global service network and ability to enable a seamless integration of different terminal processes, Kalmar improves the efficiency of every move.

Highlights in 2012

- Demand for mobile equipment used in ports remained brisk in the first half despite the challenging competitive environment, but slowed down in Europe towards the year-end as financial uncertainty grew.
- Long-term investments, structural changes in the industry and customers' need for efficiency improvement contributed to interest in large projects and automation solutions.
- Kalmar received a significant order from APM Terminals to supply eight Kalmar super quay cranes and two Kalmar barge cranes to Maasvlakte 2 expansion project in Rotterdam, The Netherlands. The order is one of Kalmar's largest port equipment orders.
- To improve its profitability, Kalmar streamlined its organisation and reduced fixed costs. Another development area was project delivery capability enhancement.
- Launching the operations of Rainbow-Cargotec Industries Co Ltd (RCI), a joint venture established in China, was one of the key priorities. The joint venture became operational at the year-end, and further development efforts will be taken in 2013.
- Developing more advanced port automation solutions and the related competence, integration capacity and services remains a long-term strategic focus area for Kalmar.

Key figures

Orders received, MEUR

1,488

(2011: 1,464)

Order book, MEUR

910

(2011: 865)

Sales, MEUR

1,422

(2011: 1,159)

Operating profit, MEUR*

32.3

(2011: 55.9)

Operating profit, %*

2.3

(2011: 4.8)

* excl. restructuring costs

Operating environment

Trends that primarily affect Kalmar´s business include global container traffic throughput volumes and business cycles in the heavy material handling industry. Growing global trade is increasing cargo volumes. Growth is particularly strong in Asia, which is the hub for more than half of all global container traffic. In this region, growth is expected to be faster than elsewhere in the world.

With growing marine transport, ship owners are introducing increasingly large vessels capable of carrying thousands of containers at a time to selected terminals. Transshipment from these terminals to smaller ports will also continue to grow. Inland cargo traffic is shifting from road to rail, to barges and other modes of transport. This structural change triggers investments on top of container traffic growth.

There are more than a thousand terminal operators globally, with the 22 largest ones accounting for 75 percent of the global container traffic and 40 percent of all terminals. Consolidation of terminal operators has resulted in a decrease in clientele and in a growing importance of customer relationships.

In order to succeed in the terminal business, port operators must have the capacity to serve a larger number of vessels in a shorter period of time. Port operators expect equipment and process optimisation solutions that enable faster cargo turnaround, reduce costs and improve energy efficiency.

Kalmar offers the largest selection of cargo handling equipment in the market, as well as a global service network and solutions for terminal automation. What makes Kalmar a unique player in the market is its ability to enable a seamless integration of the equipment, different terminal processes and terminal operating systems. Global trends bolstering demand for automation solutions include structural changes in the industry, operational efficiency enhancement needs in customer companies, and increasingly strict safety requirements and emission restrictions.

1,000

There are more than a thousand terminal operators globally, with the 22 largest ones accounting for 75% of the global container traffic and 40% of all terminals.

Demand and outlook

Demand for container handling equipment used in ports was healthy in 2012. Long-term investments, structural changes in the industry and customers' need for efficiency improvement contributed to interest in large projects and automation solutions. Demand for mobile equipment slowed down after the summer, due to the growing economic uncertainty, especially in Europe. Meanwhile, demand for terminal tractors remained healthy in North American distribution centres throughout the year.

The metal industry and forestry industry are the largest customer segments for the forklift truck and log stacker markets. Demand in these markets in Europe weakened as the year progressed.

Customers' capacity utilisation rates and financial situations affected demand in the services markets. In the Americas and in Asia-Pacific the services markets were satisfactory, but the EMEA (Europe, Middle East and Africa) service market showed limited growth. To increase operational clarity and focus, the ports and terminals service business was integrated into the Kalmar business area effective as of 1 January 2013.

Kalmar's operating profit margin declined due to higher than anticipated costs associated with major deliveries and the smaller proportion of service sales. In addition, strong investment in port automation technology translated into higher research and development costs. Meanwhile in mobile equipment, profitability picked up during the latter part of the year.

Orders received

The most significant automation orders received by Kalmar in 2012 came from Australia. These included a delivery to **Patrick's Port Botany terminal** in Sydney consisting of 44 automatic straddle carriers and the related automation technology. 22 straddle carriers were delivered to Patrick's terminals in Melbourne and Sydney.

DP World Brisbane ordered 14 automatic stacking cranes and 14 straddle carriers. In connection with its terminal extension, the port will also introduce a Navis terminal operating system (TOS).

In the Americas region, the most significant orders came from the USA. A total of 1,121 light capability rough terrain forklift (LCRTF) trucks will be delivered to the US Department of Defense. This order was part of the five-year agreement signed in September 2011 for the delivery of approximately 1,890 forklift trucks.

In addition, terminal process automation attracted interest, and the first orders for Kalmar SmartPort process automation solutions came from Brazil.

In EMEA, one of the biggest quay crane orders was received from the Netherlands. **APM Terminals** ordered eight super quay cranes and two barge cranes for delivery to Rotterdam. These quay cranes can load and unload the world's largest container ships.

London Gateway Port Limited selected the Navis terminal operating system (TOS) for the London Gateway automatic container port in England. In 2011, Kalmar was chosen as the preferred partner to supply 40 automatic stacking cranes with the related technology, and 28 shuttle carriers to the London Gateway container port. This was the first joint Navis and Kalmar delivery involving both software and automatic container handling equipment.

Forth Ports ordered 14 Kalmar straddle carriers to London Container Terminal. Further, Piraeus Container Terminal (PCT) SA ordered 12 all-electric rubber tyred gantry cranes to Greece.

Automation offers new opportunities

Continued growth at the current level is expected in container traffic in 2013, despite the general economic conditions in Europe. Strategically, Asia is playing an increasingly important role in the global port and terminal business.

"Kalmar is strongly focusing on terminal automation.

Automation is gaining ground in the markets, and Kalmar is strongly involved in this. Automation provides the prospect of a great deal of untapped market potential for efficiency and productivity improvement. At the moment, approximately 30 of the thousand terminals worldwide have made a commitment to convert to automated operations. Most automated terminals use automated systems alongside manual operations.

The short-term risks for Kalmar relate to the challenges presented by major automation projects in terms of their technology and schedules, as well as delivery-related requirements for additional capacity, and general economic developments. If they materialise, such risks could result in a failure to adhere to the agreed costs, schedules and order volumes, which would have a negative effect on performance.

Customer solutions development

Solutions provided by Kalmar include terminal automation and integration solutions, Navis terminal operating systems (TOS), container handling equipment such as quay and yard cranes, straddle and shuttle carriers, reachstackers, empty container handlers and log stackers, terminal tractors, forklift trucks and related services, Bromma spreaders, as well as Siwertell bulk handling systems from 1 January 2013 onward.

Kalmar's automation product and service offering includes both equipment and process automation solutions. Fully automatic, or unmanned equipment include automatic stacking cranes, automatic straddle and shuttle carriers, and an automatic lashing platform. Process automation is a software-based solution which, even when only partly introduced by combining cargo flows and information flows, can improve productivity, equipment utilisation rates and security, and reduce the risk of human error.

> **"The automatic lashing platform improves work safety and increases container handling efficiency.**

In 2012, Kalmar introduced new products, solutions and capabilities for port and terminal automation:

- Automated lashing platform was introduced to the offering. Removing and fixing twistlocks automatically improves work safety on the quayside and increases container handling efficiency.
- **Kalmar SmartPort** automation solution is a collection of Kalmar's fully automated equipment and pre-integrated process automation solutions from Kalmar, Navis and strategic partners, ensuring the best possible fit for any size of terminal.
- Kalmar ASC+, a new generation automatic stacking crane, was designed to deliver excellent energy efficiency, high productivity and low operating and maintenance costs over the lifetime of the equipment. The crane received positive feedback from the markets, and will be delivered to the London Gateway, Trapac and Brisbane terminals.
- Together with the AutoStrad™ trademark and 23 employees, the automation technology related to straddle carriers was transferred from the Australian Asciano to Cargotec. The companies previously developed the technology in cooperation.

Product development focuses on the environmental, efficiency and safety considerations, with continued efforts made to meet the latest emissions criteria:

- In 2012, a new Kalmar SmartPower rubber-tyred gantry crane (RTG) was launched on the markets. This crane minimises fuel consumption and offers an excellent balance between productivity and cost-efficiency. The new crane has a smart power management system and a markedly smaller diesel motor than conventional RTGs. This translates into a significant reduction in the terminal's carbon dioxide emissions.
- A new super heavy-duty terminal tractor was introduced to the markets in November. The new terminal tractor is primarily designed for heavy industry and RoRo terminals, for applications such as pulling heavy trailers or loads.
- The most significant individual effort in product development consisted of measures taken to comply with EU and US emissions legislation, including the introduction of engines that meet the latest criteria to Kalmar mobile equipment.

Improving productivity in terminals

“ **Seemingly tiny differences can have a massive impact on the customer's bottom line.**

In June 2012, Cargotec announced Kalmar SmartPort, a collection of pre-integrated automation solutions from Kalmar, Navis and strategic partners. Kalmar SmartPort consists of both process and equipment automation solutions, which is unique in the industry, featuring solutions for every area of terminal operations.

Terminal process automation is largely about small, incremental improvements. Today's container terminals are amazingly complex systems in which the big issues impacting productivity are likely to have been solved already.

"It is rarely necessary to redesign a process completely," says **Chuck Schneider**, Vice President Operations, Integration & Automation, Kalmar. "Instead, we look for ways to streamline and improve productivity across the customer's entire existing operation. Seemingly tiny differences can have a massive impact on the customer's bottom line."

Let us take a simple example: a rubber-tyred gantry crane (RTG) loads a container onto a truck. With a manual process, it might take three seconds for the operator to provide the driver with the instructions on where to take the container. Even a "small" container terminal that annually handles 500,000 TEU (twenty-foot equivalent units) will have around 300,000 of these moves per year. A three-second delay equals 900,000 seconds or over ten days of delay. For a major container port handling 10 million TEU per year, this tiny delay will add up to more than 200 days annually.

"Process automation is an accessible and fast way to get immediate productivity improvements for a relatively small initial investment. The key to success is the seamless integration of the automation products, existing terminal processes and terminal operating systems," adds **John Rosen**, Director, Product Management, Kalmar. "Even a partial adaptation of process automation increases productivity and equipment utilisation rate, improves safety and reduces the potential for manual errors."

Automation from gate to quayside

Kalmar SmartPort is the most comprehensive platform for terminal automation in the marine industry. The process automation is also the first joint product line with Navis after it became part of Cargotec in March 2011.

"It’s all about finding the ways to shave off those precious seconds that add up to huge incremental gains," says Chuck Schneider. "For example, SmartPath tracks straddle carriers or terminal tractors and provides equipment location information to optimise the dispatch of work orders. The concepts are simple, but without the right technology, it just won't happen."

In addition to the process automation solutions, proven equipment solutions such as the automatic stacking crane, Kalmar AutoStrad™ and Kalmar AutoShuttle™ are also part of the Kalmar SmartPort offering.

Automated container handling in Australia

“The order will transform the terminal into the Sydney AutoStrad™ Terminal, which is set to be the second automated straddle carrier terminal in the world.

Asciano, Australia's largest national rail freight and ports operator, will expand and completely redevelop Patrick’s Port Botany terminal in Sydney, Australia. For this purpose, Asciano has placed a major order for 44 Kalmar automated straddle carriers (AutoStrad™) that will transform the terminal into the Sydney AutoStrad™ Terminal, which is set to be the second automated straddle carrier terminal in the world.

The challenge

Automation has already proven its efficiency in Asciano's container terminal at Fisherman Island's in Brisbane, Australia, the world's first fully automated terminal with radar based navigation technology. The Kalmar AutoStrad™ technology has accomplished a smoother overall operation, a reduction in fuel and maintenance costs and improvements in efficiency and safety.

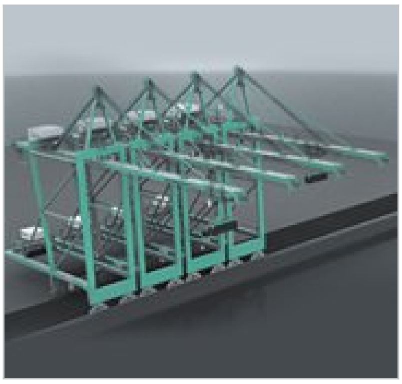
The solution

The deliveries of 44 Kalmar AutoStrads are scheduled between end of 2013 and early 2014. “With operations and unique automation competencies in the Sydney area, Cargotec is perfectly located to supply a total solution including equipment, services and automation solution, pre-integrated with each other,” says **Peter McLean**, Vice President, Australia and New Zealand at Cargotec.

Once built, the 44 AutoStrads™ will operate unmanned, using radar and laser guidance technology to navigate the straddles around the yard, moving and stacking containers from the quay line into the stacking areas, onto vehicles and back to the quay cranes with pinpoint accuracy of better than 2cm.

The cooperation between Kalmar and Asciano's Container Terminal division, Patrick, spans over 25 years. Automated straddle carrier trial operations were initiated in 2000 and, following their success, the machines commenced large-scale commercial operations in Brisbane in 2005. The companies developed the AutoStrad® system in partnership until June 2012, when Cargotec acquired the automation technology assets from Asciano.

Kalmar helps to serve mega vessels in Rotterdam



70m

The new giant containerships will require quay cranes with a boom outreach of over 70 metres.

With the latest supersized containerships already on the horizon, Cargotec is reaching further than ever with its range of Kalmar quay cranes.

The challenge

The Maasvlakte 2 expansion project of the port of Rotterdam, the Netherlands, is Europe's largest land reclamation project. It was started in 2008 with the aim to meet the growing demand for space and to maintain Rotterdam's leading role in Europe. Due to the expansion of the existing port to a total of 12,000 hectares, the capacity for container transfer is expected to double to 34 million TEU (TEU is one standard 20-ft container) by 2033.

In container shipping global changes are taking place, such as the world's leading operators opting for ever larger ships. Ships transporting 13,000 TEU of containers are already in use. The latest and biggest Triple E class of containerships – with a capacity of 18,000 TEU – is scheduled to begin operations in 2013. As the capacity of containerships increases, quay cranes need to grow with them. These new giant containerships will require quay cranes with a boom outreach of over 70 metres.

The solution

To respond to the requirements of the new supersized vessels, APM Terminals ordered eight monobox-type Kalmar super quay cranes and two Kalmar barge quay cranes to its Maasvlakte 2 expansion project. The cranes will be delivered between December 2013 and December 2014.

The order is one of Cargotec's largest port equipment orders in recent years. The quay cranes will be capable of serving the largest container ships calling Rotterdam. They are semi-automated with a 25 container reach, capable of handling twin lift as well as tandem lift with Bromma spreaders. The quay cranes are equipped with various additional features including second trolley and remote control, which are expected to lead to significant improvements in container handling productivity.

APM Terminals operates a network of 62 ports and terminals in 36 countries with 12 expansion programmes underway. Cargotec has a longstanding partnership with APM Terminals.

Paraguay's leading private terminal expands with Kalmar equipment

50%

Currently, Caacupe-mi handles nearly 50 percent of the container and vehicle imports in Paraguay.

In 2012, Cargotec fulfilled an order for Kalmar reachstackers and terminal tractors for the Port of Caacupe-mi in Paraguay, the country's leading private terminal.

The challenge

The Caacupe-mi Port is located in the capital of Paraguay, Asunción, on the Paraguay River. The port began operating in 1980, largely handling domestic river trade in cement, lime, cotton and fuels. In 1999, following the approval of legislation regulating the country's private port industry, Caacupe-mi began receiving container traffic and today remains the only private port in Paraguay with permanent authorisation. Currently, Caacupe-mi handles nearly 50 percent of the container and vehicle imports in Paraguay.

In 2011, the port launched a new stage of development with plans for major investments in infrastructure, land for container stacking, machinery, warehouses and offices.

According to Caacupe-mi vice-president **Duncan Martin**, the aim of investing in infrastructure is to transform Caacupe-mi, strategically located between Argentina, Brazil, Bolivia and Uruguay, into a major hub for marketing and redistributing cargo throughout the region.

The solution

The company, which is 100 percent owned by Paraguayan firm San Francisco SA, chose Cargotec to supply the equipment based on its positive evaluation of Kalmar equipment already employed in the port.

The deal includes four full Kalmar DRF450-65S5L reachstackers, two Kalmar DRF100-54S6 empty reachstackers and seven Kalmar Ottawa 4x2 off-highway terminal tractors.

"We believe Kalmar is the leading manufacturer of reachstackers and terminal tractors in the world, and offers the highest quality product and backs it up with excellent post-sale service," Martin explains.

While San Francisco SA plans to continue its investment at the Caacupe-mi Port, it has also begun construction of a second port in the southern city of Pilar in Paraguay.

"So right now the focus is on acquiring more Kalmar reachstackers and terminal tractors for this terminal," Martin notes.

Business development

Kalmar's strategic objective is to be the leading provider of integrated total solutions, consisting of equipment, services and automation systems, for port and terminal customers. Refined in 2011, the strategy provided the foundation for activities in 2012. Profitability improvement was the key focus area throughout the year, with impacts expected from 2013 onwards.

- **Olli Isotalo**, former Executive Vice President for the Marine business area (MacGregor as of 1 January 2013) business area, was appointed President of Kalmar, effective as of 14 May 2012.
- To achieve greater clarity and transparency, the Kalmar organisation was changed into a line organisation, with profit and loss responsibility assigned to the units. The terminals business conducted by the Services business area and the EMEA region was integrated into Kalmar.
- The Siwertell bulk handling business was moved from MacGregor to Kalmar, effective as of 1 January 2013.
- Fixed costs were reduced by streamlining the organisation and re-prioritising product development projects.
- The location of production facilities was re-evaluated. Cargotec announced plans to centralise its reachstacker and empty container handling equipment production in Europe from the multi-assembly unit in Lidhult, Sweden, to Poland.
- In December, Cargotec signed a letter of intent to divest its Kalmar logstacker business to SKS Toijala Works Oy, Cargotec’s assembly and production partner for logstackers.

Further focus areas in 2012 included project management and delivery capacity enhancement. Major automation and quay crane projects were significantly more extensive and challenging than in the past. Challenges identified in 2012 included higher than anticipated costs, insufficient margins and project schedules. During the year, determined steps were taken to improve project management and practices, and to create tools for successful project delivery.

Another focus in 2012 was on launching the operations of Rainbow-Cargotec Industries Co Ltd (RCI), the joint venture established in China, and on competence development through recruitment and personnel training. The joint venture was officially established in May 2012 and it started to process orders at the year-end. For Kalmar, the joint venture will bring major additional capacity and cost competitiveness to the quay cranes and rubber-tyred gantry cranes business. This will contribute to an improvement in Kalmar’s market position and profitability in the heavy crane segment.

Construction of the new technology and competence centre in Tampere, Finland, was finalised and the premises were taken into use in December. The site hosts also a five-hectare test area to facilitate the testing and simulation of automated equipment and fleets, navigation systems and remote steering and control.

The long-term goal is to follow the strategy and to pursue investments in the development of integrated total solutions featuring equipment, services and automation, and in building the related competencies.

At the end of 2012, Kalmar employed 5,087 (2011: 5,146) people.

Hiab

Cargotec's Hiab business area (Load Handling until 31 December 2012) offers products, service and spare parts for on-road transport and delivery. With Hiab products, the customer can move, hoist, load and unload products, equipment and materials. The comprehensive product portfolio includes Hiab loader cranes, Hiab Multilift demountables, Hiab Loglift forestry cranes, Hiab Jonsered recycling cranes, Hiab Moffett and Princeton PiggyBack® truck-mounted forklifts, Zepro, Del and Waltco tail lifts.

Highlights in 2012

- Cargotec announced plans to established a joint venture with China National Heavy Duty Truck Group Co., Ltd (CNHTC), a leading Chinese manufacturer of heavy duty trucks and the parent company of Sinotruk. This joint venture will enable Hiab to expand its presence in the Chinese load handling market.
- Hiab's strategy was revised.
- The US market showed steady, positive development during the year.
- The main target during the year was to improve profitability, and the operating profit margin picked up in 2012.

Key figures

Orders received, MEUR
850
(2011: 776)

Order book, MEUR
192
(2011: 189)

Sales, MEUR
840
(2011: 769)

Operating profit, MEUR*
27.2
(2011: 20.6)

Operating profit, %*
3.2
(2011: 2.7)

* excl. restructuring costs

Operating environment

Hiab's customers range from large national or regional companies to local and relatively small enterprises. Customers' fields of businesses include construction, infrastructure, distribution, forestry, landscaping and agriculture, warehousing, waste and recycling, and defence. Hiab's business is characterised by a high number of individual, small orders.

The year 2012 was characterised by uncertainty on economic development, especially in Europe. Markets in the Americas developed favourably, particularly for Hiab services. In the Asia-Pacific (APAC) region, the market developed steadily.

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

Residential houses, their roof constructions and other construction elements are increasingly built elsewhere and transported to their location. In mature markets, this should create a need for Hiab products, especially for high capacity equipment.

In emerging markets, the trend is to move away from small transportation packages. Larger elements and palletised goods are increasingly being used, since they speed up the process and enable standardised load handling. The need to move larger elements is creating demand for more advanced products that can be offered by Hiab.

In Europe, demand for load handling equipment developed positively during the first half of the year, especially in Germany, France, the United Kingdom and the Nordic countries. However, due to the general economic uncertainty, development slowed during the second half of the year. Demand for services in the EMEA (Europe, Middle-East and Africa) region was healthy.

In the Americas region, demand was strong in the United States, where it clearly improved on the preceding year. Canada and Chile also showed positive development, whereas in Brazil and Mexico customers were more cautious. With respect to service, the Americas was strong, with good growth and development.

Hiab continues to focus on improving its profitability. Despite a challenging competitive situation, reaching this target was supported by improvements in supply chain efficiency, lower product costs, increased delivery volumes, and better working practices.

Market outlook

The economic uncertainty is expected to continue. This calls for close monitoring, flexibility and readiness to change direction quickly, according to customer requirements and changing market conditions.

In the United States, Hiab's expectations for 2013 are more optimistic. Demand is expected to continue at a steady level, due to the need to replace aging fleets.

In EMEA, opportunities are related to possible fleet replacements. Risks primarily involve economic uncertainty and the anticipated slow economic growth. Truck sales are expected to fall compared to 2012. The European Commission's Euro VI emission standard, aimed at reducing emissions of nitrogen oxides and particulate matters from trucks and buses from January 2014, may create an upturn during the second half of 2013.

In Asia-Pacific, growth is expected to continue at a steady level. In the coming years, reconstruction should have a slightly positive impact on demand for Hiab cranes in the Japanese scrapping and building material supply business. Demand for forestry cranes is also expected to rise in Japan.

Europe and other mature markets continue to be the most important market areas for Hiab, while the aim is to increase and broaden the Hiab's operations in developing markets such as China, Brazil and Russia. In Asia, Hiab aims to grow its presence in the future, in order to enable further sales and service growth. The planned joint venture with Sinotruk is of major importance in this respect.

Product and service development

Hiab Multilift XR18SL – **Pro Future™** hooklift was launched in August 2012.

It delivers significant improvements in useful load capacity, speed, fuel efficiency and emissions. Used on a three-axle truck, emission levels and fuel consumption during operation can be approximately 30 percent less than those of an average hooklift.

10,000€

The Hiab Multilift XR18SL – Pro Future™ offers savings of approx. 10,000 euro over eight years compared to an average hooklift.

If a Hiab Multilift XR18SL – Pro Future™ hooklift is used ten times/day, with kilometres amounting to about 100,000km/year over eight years, savings are approximately 10,000 euro compared to an average hooklift.

Examples of other product launches in 2012 include:

- The Hiab C912 cabin, specially designed for Hiab Loglift and Hiab Jonsered forestry cranes, offers timber-handling crane users a wider and more comfortable view.
- The new TimberTronics control system features integrated weighing, fast troubleshooting and customised operator profiles for Hiab Loglift and Hiab Jonsered forestry cranes.
- The **Hiab XS 544** is the latest loader crane in the heavy duty segment. This crane has a new and improved boom system, improved sequence cylinders, and endless slewing.
- **Hiab Moffett E-Generation** is the world's first electric truck-mounted forklift to be powered by lithium-ion batteries. E-Generation forklifts reduce energy consumption and the noise level, helping to protect the environment. In November 2012, this product was given the John Connell Technology Award by the Noise Abatement Society in the United Kingdom as a pioneering, practical and innovative solution.
- Hiab Multilift skiploader telescopic radio control allows the operator to move freely around the truck and gives an all-round view of the working area.
- Hiab Moffett's dedicated poultry live receiving yard forklift LR30.3 reduces module damage during the loading and unloading processes and provides a long duty cycle.
- Zepro tail lift ZHD 3000, the most powerful tail lift in the Zepro range, provides customers with a unique combination of quality, function, economy and durability.

The installed base of on-road products is the foundation and backbone of Hiab's services business. This comprehensive product range is supported by a global network of local service and customer support.

During the year, Hiab enhanced the availability of spare parts by rolling out new tools, processes and systems. Consolidation of logistics hubs into regional distribution centres also improved spare parts delivery efficiency.

Fifty years of cooperation

> “The three-way relationship between Hiab, Cera Roberto Autotrasporti and the dealer Brusa Srl has become a reference point in the area.

For the Italian Cera family transport company, loader cranes have always been at the centre of their business. The company deals mainly with the transport of automatic machines throughout Italy and Europe. These large machines are used in various industrial sectors.

"Fifty years ago, when I went into business, I immediately decided to use a Hiab loader crane. It was the Hiab 172 with a four-tonne metre capacity, mounted on a Fiat 650 truck. Compared to modern cranes, it certainly had a simple design, but its robustness and functionality were perfectly suited to my needs," said **Armando Cera**, father of **Roberto**, who now runs the transport firm with the help of three employees.

The company was founded in 1962 in Calderara di Reno, a small town near Bologna in northern Italy, when Armando Cera decided to start his own business. After some twenty years, his son Roberto became involved to the point that in 1984 he founded his own company, the Cera Roberto Autotrasporti.

The two companies worked side by side. Later, when Armando retired, his son bought the equipment. Roberto and his staff now serve more than five large regular customers and travel some 220,000 kilometres per year.

Time proven relationship

"Hiab cranes are very powerful tools, but this power is not at the expense of the sensitivity and precision with which we can complete all the necessary manoeuvres needed to carry out our job. The remote control is also a really useful tool that allows us to work in total safety," says Roberto Cera.

Over time, the equipment they handle has become increasingly sophisticated and heavier. Consequently, it is essential for Cera Roberto Autotrasporti to have high-performance tools.

"We have a relationship of mutual trust with our customers. They know they can count on us, and we try to do our best to meet their needs. This trust has grown and strengthened over the years, and thanks to our dealers, it’s a reference point in the territory," explains **Andrea Perone**, After Sales Technical Support, Hiab.

"We have known the Ceras for a lifetime. My father has been selling them vehicles since the early years of Armando's business. Now, it is my brothers and I who fit out the vehicles for Roberto. The fitting of our vehicles is customised, they are designed specifically for each customer, and they must meet their specific needs exactly," says **Fausto Brusa**, co-owner of Brusa Srl, who have provided vehicles for the Ceras for almost 50 years.

"I have always worked well with Hiab cranes. I have never had any problems or a reason to change," adds Roberto Cera.Currently, the company of Roberto Cera owns four Hiab cranes and they are already planning to buy another high-performance crane.

Load handling with efficiency and precision

> “ **Our job is to provide the customers with efficiency, speed and precision.**

In 2012, Hiab launched the Hiab XS 544, a 51 tonne-metre crane in which efficient load handling, greater versatility and reduced environmental impact are all in the limelight. The new loader crane is excellent in tough conditions with retained stability, high capacity and improved fuel economy.

The challenge

Sergio Peiró, Product Manager for heavy range cranes at Hiab Loader Cranes took part in the crane’s creation and he feels the Hiab XS 544 combines the characteristics crane operators value most in their day-to-day work.

"To make a great crane you first need to understand the enormous demands placed on today's hauliers. When we talk to our customers around the world it soon becomes clear that our job is to provide them with efficiency, speed and precision."

The solution

The Hiab XS 544 features fully automatic HiPro system that safeguards smooth and fast manoeuvres that allow the operator to confidently place heavy loads. Other highlights such as endless slewing, X-function on both second boom and jib as well as the Variable Stability Limit (VSL) system make Hiab XS 544 easy and safe to work with in confined spaces while retaining high capacity.

"A large crane is a long-term investment for our customers. Our goal is to make their purchase as profitable for them as we can," says Peiró.

Total cost of ownership is extremely important for crane operators. Fuel economy, durability and high quality combined with a global service network are parts of an equation that makes the Hiab XS 544 a great long-term investment.

The Hiab XS 544’s capacity is 51tm and total outreach is between 15 and 25 metres, depending on the number of extensions. It can be fitted with a jib with up to six extensions for even greater outreach and versatility; the total vertical outreach is then 35 metres. Because one aim was to reduce the environmental impact through improved fuel economy, the crane is equipped with a variable pump as standard.

Award-winning electric truck-mounted forklift

> “The machine's almost-silent running capability has enabled the company to resume night time deliveries.

Emission-free, the new all-electric Hiab Moffett E-Generation truck-mounted forklifts are ideally suited for both indoor and outdoor use. With exceptionally low noise levels, the new machine is designed for night time deliveries and operation in urban and semi industrial areas.

The challenge

Truck-mounted forklifts have become indispensible in modern transport load handling, helping to save time and resources, whilst reducing product damage and manual handling risks. While there will always be applications that will require diesel machines, the introduction of the first electric truck-mounted forklift seems long overdue, specifically for noise sensitive areas and indoor use.

The solution

“The Hiab Moffett E-Generation truck-mounted forklifts have been designed for an outstanding long life cycle with reduced energy consumption, helping to protect the environment and providing maximum value for the investment,” says **Keith Quigley**, Vice President, Hiab Truck-Mounted Forklift Product Business.

In November 2012, Cargotec was presented with a John Connell Technology Award by the Noise Abatement Society (UK) for these new electric truck-mounted forklifts. The award acknowledges Hiab’s success in reducing operating noise on the machines to levels that allow them to be used in built-up areas outside regular working hours.

Cargotec received the Highly Commended Trophy for the Hiab Moffett E2 and E4 truck-mounted forklifts, which have been verified by UKAS-accredited test laboratory AV Technology as being capable of operating below 60dB. The machines – which are powered by high performance lithium-ion batteries and use the latest AC motor technology – are awaiting PIEK certification, a standard for quiet delivery vehicles and equipment developed by the Dutch government in 2004 and subsequently adopted in other parts of the world including the United Kingdom.

To achieve the standard, the machine is acoustically measured and must function emitting under 60dB at 7.5 metres from the sound source. The E4 has already been trialled in the UK by FPS, a company that delivers car parts to distribution centres, where its almost-silent running capability has enabled that company to resume night time deliveries.

The elimination of exhaust gas emissions means that the E-Generation machines can be used to take goods from outside to inside, reducing the likelihood of handling damage.

Cargotec has certified the E2 and E4 as **Pro Future™** models.

More safety, more versatility, more business

“The Hiab crane-basket combination has been designed with safety in mind.

The Spanish Transgruma has attracted new clients to its crane rental service by adding Hiab XS cranes equipped with the Hiab MEWP, mobile elevating work platform, to its fleet.

The challenge

Transgruma is a Madrid-based family company specialising in crane rental services. As Spain struggles with a severe economic crisis and large parts of the construction sector go bust, the company under the leadership of **Ismael Aguado Expósito** has looked to offer a wider range of crane services to attract new clients.

“We wanted to be able to offer a multifunctional service in response to our clients’ needs,” Expósito explains.

He also sees safety as a major asset for the company’s business.

“Since still today many crane rental services in Spain do not follow European safety regulations, we wanted to be able to offer equipment that could handle any emergency situation and rescue a machine operator under any circumstances.”

The solution

Transgruma created more business for its rental service and more versatility for its clients by adding two Hiab XS MEWP cranes to its fleet.

“Our clients no longer come as extensively from industry and construction as earlier, so we are now offering cranes that can, for instance, be used to install glass windows, streetlights and power lines,” Expósito says.

The clients can benefit from a flexible solution for different kinds of assignments. What’s more, the Hiab crane-basket combination has been designed with safety in mind.

Hiab XS cranes comply fully with the European EN12999 standard for loader cranes. The safety requirements for the basket are set by the EN280 standard.

Expósito finds Cargotec’s Hiab XS MEWP ideal for use in industry, construction and maintenance, such as the installation and maintenance of power and communication lines and bridge inspections. “It would also be an excellent choice for erecting stands for sports events and restoring historical buildings,” he adds.

Business development

Hiab revised its strategy during 2012. This work started with an internal situation analysis, proceeding to global customer interviews. Effort was put into analysing the market, business trends and the product offering. To kick-start the strategy's deployment, Hiab leaders and key personnel gathered in September, to go through the strategy in detail and speed up its implementation.

The Hiab strategy stresses profitability; this will take priority over growth. To accomplish increased profitability, measures were taken during the year to increase efficiency at all levels. Working methods and internal processes were established, improved and clarified, and synergies were strengthened across the organisation:

- Cost-efficiency projects were executed in all areas and functions within Hiab.
- In research and development, sourcing and in other areas, processes to improve efficiency have been identified and adopted. Results include moving towards a modular design method and an increased sourcing base in low-cost countries, while maintaining a high level of quality.
- An integrated business planning process was implemented as Hiab's management and forecasting process.
- Cost efficiency and flexibility in manufacturing are being realised through a regional supply chain set-up, located close to existing and future customer bases. Core competences include assembly, sourcing and logistics.
- Production of Zepro tail lifts ended in Oborniki, Poland, and the facility was closed at the end of 2012. Products made in Oborniki will be manufactured in Bispgården, Sweden, in the future.

In June, it was announced that further investments would be made in Cargotec's multi-assembly unit in Stargard Szczecinski in Northern Poland. The planned new painting and assembly area will improve capabilities and efficiency in assembling load handling equipment.

In November, Cargotec announced plans to adjust and restructure its operations in Hudiksvall, Sweden. According to plans, Cargotec would change the future production responsibility of the smaller loader cranes in the range up to 11 tonne-metres and from 21 up to 28 tonne-metres to its unit in Stargard, Poland.

In December, Cargotec announced that it will adjust its operations in Ottawa, Kansas to improve profitability. According to plan, the production of truck-mounted forklifts in Ottawa will be phased out during 2013. The production will be consolidated into one location, Dundalk, Ireland.

During the year, Cargotec completed the transfer of its component manufacturing operations in Estonia to Fortaco (previously Komas). The transfer was announced in November 2011. Fortaco is one of Cargotec's preferred suppliers of steel structures and Cargotec will remain a key customer of the plant.

The Cargotec Production System (CPS) was further developed in Cargotec's multi-assembly units. CPS is a philosophy based on lean and continuous improvement. It is aiming at constantly adding value for our customers, while eliminating all forms of waste. All Hiab employees participate in CPS implementation.

At the end of 2012, Hiab employed 3,017 (2011: 3,364) people.

Corporate governance statement 2012

Cargotec's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the company's Articles of Association and the rules and guidelines of NASDAQ OMX Helsinki Ltd. Cargotec complies with the Finnish Corporate Governance Code 2010, available on the Securities Market Association's website at **www.cgfinland.fi/en**, with the exception of recommendations 26, 29 and 32. Tapio Hakakari, Vice Chairman of the Board, was a member of the Nomination and Compensation Committee also during his position as interim President and CEO as of 8 October 2012 (recommendations 29 and 32). Karri Kaitue, member of the Audit and Risk Management Committee, worked as a consultant for the company in connection with the evaluation of listing MacGregor in Asia and was not independent of the company (recommendation 26).

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

The corporate governance statement is issued as a separate report and disclosed, together with the financial statements, Board of Directors' report and the remuneration statement, on the company website at www.cargotec.com > Investors > **Governance**. This information is also included in the annual report for 2012.

Shareholders' Meeting

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

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

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

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

2012

The AGM held in Helsinki on 19 March 2012 was attended by 487 shareholders representing 81 percent of the total voting rights of the company. In addition to decisions taken on an annual basis, the AGM authorised the Board of Directors to decide on the acquisition of treasury shares, as well as on a share issue involving the transfer of treasury shares held by the company. All documents related to the AGM are available in the AGM archives on the company website at www.cargotec.com > Investors > Governance > **Shareholders' meeting**.

At the end of 2012, the company had more than 24,000 shareholders. Cargotec's major shareholders on 31 December 2012 are listed in the **Shares and shareholders** section of the financial statements, and a monthly updated list is available at www.cargotec.com > Investors > **Shareholders**.

Shareholder rights

Right to request an Extraordinary Shareholders' Meeting to be convened

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

Right to raise issues for consideration

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

Right to attend

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

Right to vote

Cargotec has two share classes, each with different voting rights. In the Shareholders' Meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote.

Right to a dividend

Shareholders registered in Cargotec's shareholder register on the record date of the dividend payment are entitled to dividend. In dividend distribution, class B shares earn a higher dividend than class A shares. The difference between dividends paid on the two classes of shares is a minimum of one cent and a maximum of two and a half cents.

Board of Directors

Composition

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

Responsibilities

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

Self-assessment and assessment of independence

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

Committees

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

2012

In accordance with the proposal of the Nomination and Compensation Committee, **Tapio Hakakari, Ilkka Herlin, Peter Immonen, Karri Kaitue, Antti Lagerroos, Teuvo Salminen** and **Anja Silvennoinen** were re-elected Cargotec's Board members at the AGM. The Board elected Ilkka Herlin as its Chairman and Tapio Hakakari as its Vice Chairman. **Outi Aaltonen**, Senior Vice President, General Counsel, served as the Secretary to the Board of Directors.

According to the assessment conducted in March 2012, all members of the Board were independent of the company and, with the exception of Ilkka Herlin and Peter Immonen, also independent of major shareholders. Ilkka Herlin, Chairman of the Board, is one of the largest owners of Cargotec through the company Wipunen varainhallinta oy controlled by him, holding approximately 23 percent of the votes and over 12 percent of the shares of the company. He is also a Board member in two major shareholder companies, Mariatorp Oy and D-sijoitus Oy. Peter Immonen is a Board member of Wipunen varainhallinta oy and Mariatorp Oy. Tapio Hakakari, who was appointed as interim President and CEO as of 8 October 2012, was dependent of the company during his position as CEO. During 2012 also Karri Kaitue worked as a consultant for the company and was not independent of the company.

In 2012, the Board met 14 times. Special topics discussed at the meetings included follow-up of the strategic focus areas, plans to list MacGregor in Asia as well as the changes in the company's governance model. The Board also discussed the specific issues of each business area at specific theme meetings and followed the building of the technology and development centre in Tampere.

Member attendance in meetings 2012

	Board	Audit and Risk Management Committee	Nomination and Compensation Committee
Ilkka Herlin	14/14	6/6	8/8
Tapio Hakakari	14/14		8/8
Peter Immonen	12/14		8/8
Karri Kaitue	14/14	6/6	
Antti Lagerroos	14/14		8/8
Teuvo Salminen	14/14	6/6	
Anja Silvennoinen	13/14	5/6	

Audit and Risk Management Committee

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

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

2012

The Audit and Risk Management Committee was chaired by **Teuvo Salminen** and its members were **Ilkka Herlin**, **Karri Kaitue** and **Anja Silvennoinen**. Committee members were independent of the company with the exception of Karri Kaitue, and, with the exception of Ilkka Herlin, independent of major shareholders. It is the Board of Directors' opinion that Ilkka Herlin's committee membership as a major shareholder is justified. Karri Kaitue worked as a consultant for the company in connection with the evaluation of listing MacGregor in Asia and was not independent of the company. The committee did not deal with issues concerning the consultancy contract. Committee members possess years of experience in business management duties.

In 2012, the committee met six times. The average attendance of the committee members was 96 percent and the attendance details are available on the **Board of Directors** page. The committee discussed thoroughly the development of the finance and risk management functions. During the second half of the year, the committee took a closer look at Kalmar project management and its development. In addition, the ongoing sales and maintenance network enterprise resource planning (ERP) project was discussed through the year.

Nomination and Compensation Committee

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

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

2012

Ilkka Herlin acted as chairman of the committee, with **Tapio Hakakari, Peter Immonen** and **Antti Lagerroos** as members. Committee members are independent of the company, with the exception of Tapio Hakakari during his interim position as President and CEO as of 8 October 2012. He did not, however, participate in the meeting when his contract was handled. The President and CEO and the Executive Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2012, the Nomination and Compensation Committee convened eight times and all committee members participated in each meeting. In addition to its annual duties, the committee discussed the accuracy of the company's compensation philosophy, changes in the governance model and its implications in the organisation and compensation of key personnel.

CVs of Board members

Ilkka Herlin
Chairman

born 1959, Finnish, Ph.D.

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

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

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

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

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

Other
Aleksanteri Institute, Deputy Chairman of the Advisory Board 2011–

Cargotec shares 31 December 2012
2,940,067 class A shares and 5,003,896 class B shares

Tapio Hakakari
Vice Chairman

born 1953, Finnish, LL.M.

Member of the Board 2005– and Vice Chairman 2009–, member of the Nomination and Compensation Committee, interim President and CEO as of 8 October 2012

Independent of the significant shareholders, dependent of the company during his interim position as President and CEO

KONE Corporation, Director, Secretary to the Board 1998–2006
KCI Konecranes Plc, Director Administration 1994–1998
Employed by KONE Corporation 1983–1994

Chairman of the Board
Enfo Oyj 2007–
Esperi Care Oy 2006–2010

Member of the Board
Martela Oyj 2003–
Etteplan Oyj 2004–
Hollming Oy 2008–
Opteam Yhtiöt Oy 2011–
Havator Holding Oy 2007–2010

Cargotec shares 31 December 2012
155,563 class B shares

Peter Immonen

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

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

Independent of the company, dependent of significant shareholders (member of the Board of Wipunen varainhallinta oy and Mariatorp Oy)

WIP Asset Management Oy, Chairman of the Board 1995–2001 and 2005–, Managing Director 2002–2005

Vice Chairman of the Board

Foundation for a Living Baltic Sea 2008–

Member of the Board

Mariatorp Oy 2005–
Wipunen varainhallinta oy 2005–
Finnish Shareholders Association 1988–

Cargotec shares 31 December 2012

65,949 class B shares

Karri Kaitue

born 1964, Finnish, LL.Lic.

Member of the Board 2005–, member of the Audit and Risk Management Committee

Independent of significant shareholders, dependent of the company (consultancy contract)

Employed by the Outokumpu Group 1990–2011:
Outokumpu Oyj, Deputy Chief Executive Officer and Vice Chairman of the Group Executive Committee 2005–2011, Executive Vice President, Strategy and Business Development 2004 and member of the Group Executive Committee 2002–2011
AvestaPolarit Oy (former AvestaPolarit Oyj Abp), Executive Vice President and member of the Executive Committee 2001–2004
Outokumpu Oyj, Senior Vice President, Corporate General Counsel 1998–2001
Outokumpu Group (USA), Assistant Vice President, Corporate Counsel 1996–1998

Chairman of the Board

Destia Ltd 2009–

Vice Chairman of the Board

Outotec Oyj 2006–
Okmetic Oyj 2005–2010

Member of the Board

CapMan Oyj 2012–

Cargotec shares 31 December 2012

2,589 class B shares

Antti Lagerroos

born 1945, Finnish, LL.Lic.

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

Independent of the company and significant shareholders

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

Chairman of the Board

Wärtsilä Corporation 2003–2011, member 2002–2003

Member of the Board

Finnlines Plc 1999–2007
Finnish Maritime Administration 1990–2003
Memberships in several Finnish listed companies 1990–2010

Member of the Supervisory Board

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

Cargotec shares 31 December 2012

1,949 class B shares

Teuvo Salminen

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

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

Independent of the company and significant shareholders

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

Chairman of the Board

Havator Oy 2010–
Holiday Club Resorts Oy 2008–

Vice Chairman of the Board

CapMan Plc 2005–, member 2001–2005

Member of the Board

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

Cargotec shares 31 December 2012

3,183 class B shares

Anja Silvennoinen

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

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

Independent of the company and significant shareholders

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

Chairman of the Board

VentusVis Oy 2011–
PVO-Vesivoima Oy 2010–

Member of the Board

Renewa Oy 2011–
Fingrid Oyj 2006–2011
Kaukaan Voima Oy 2007–2010

Member of the Supervisory Board

Kemijoki Oy 2005–

Other

National Emergency Supply Council 2008–

Cargotec shares 31 December 2012

1,949 class B shares

President and CEO

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

Mikael Mäkinen, Cargotec's President and CEO since 2006, was appointed President, MacGregor (former Marine) as of 8 October 2012. **Tapio Hakakari**, Vice Chairman of the Board of Directors, was appointed interim President and CEO as of 8 October 2012 during the recruitment phase of the new President and CEO. **Pekka Vauramo**, Chief Operating Officer, acted as Deputy to the CEO until 7 October 2012. After that no Deputy to the President and CEO was appointed.

Cargotec's Board of Directors appointed on 27 January 2013 **Mika Vehviläinen** as the new President and CEO as of 1 March 2013.

Executive Board

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

In September 2012, Cargotec announced plans to develop its governance model towards an organisation driven by three business areas: Marine, Terminals and Load Handling (called MacGregor, Kalmar and Hiab as of 1 January 2013). Cargotec's Executive Board composition was changed as of 8 October 2012 to support the new governance model and manage the transformation. The role of Cargotec's corporate functions has also been restructured to enable more independent businesses.

Executive Board at the end of the year 2012

- **Tapio Hakakari**, Vice Chairman of the Board of Directors, interim President and CEO and Chairman of the Executive Board as of 8 October 2012
- **Eeva Sipilä**, Executive Vice President, Chief Financial Officer
- **Mikael Mäkinen**, President, MacGregor (former Marine) as of 8 October 2012; President and CEO of Cargotec Corporation and Chairman of the Executive Board until 7 October 2012; headed Marine also from 14 May to 1 August 2012
- **Olli Isotalo**, President, Kalmar (former Terminals) as of 14 May 2012; Executive Vice President, Marine until 13 May 2012
- **Axel Leijonhufvud**, President, Hiab (former Load Handling)

Members of the Executive Board during 2012

Until 7 October 2012

- **Lennart Brelin**, Executive Vice President, Americas
- **Harald de Graaf**, Executive Vice President, Europe, Middle East and Africa
- **Stefan Gleuel**, Executive Vice President, Services
- **Ken Loh**, Executive Vice President, Asia-Pacific
- **Kirsi Nuotto,** Executive Vice President, Human Resources
- **Matti Sommarberg**, Chief Technology Officer
- **Pekka Vauramo**, Chief Operative Officer until 1 August 2012; Deputy to the President and CEO until 7 October 2012; Director, Marine from 1 August to 7 October 2012

Until 24 August 2012

- **Unto Ahtola**, Executive Vice President, Terminals until 13 May 2012; Executive Vice President, Development Projects from 14 May to 24 August 2012

CVs of Executive Board

Tapio Hakakari

Interim President and CEO

born 1953, Finnish, LL.M.

Interim President and CEO as of 8 October 2012

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

KONE Corporation, Director, Secretary to the Board 1998–2006
KCI Konecranes Plc, Director Administration 1994–1998
Employed by KONE Corporation 1983–1994

Chairman of the Board

Enfo Oyj 2007–
Esperi Care Oy 2006–2010

Member of the Board

Martela Oyj 2003–
Etteplan Oyj 2004–
Hollming Oy 2008–
Opteam Yhtiöt Oy 2011–
Havator Holding Oy 2007–2010

Cargotec shares 31 December 2012

155,563 class B shares

Eeva Sipilä

Executive Vice President, Chief Financial Officer

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

Employed by Cargotec and member of the Executive Board 2005–

Primary working experience

Senior Vice President, Investor Relations & Communications, Cargotec 2005–2008
Vice President, Investor Relations, Metso Corporation 2002–2005
Equity Analyst, Mandatum Stockbrokers Ltd (Sampo Bank plc) 1999–2002

Key positions of trust

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

Cargotec shares 31 December 2012

In direct ownership 6,540 class B shares, through Moving Cargo Oy 226,694 class B shares

Mikael Mäkinen

President, MacGregor

born 1956, Finnish, M.Sc. (Eng.) Nav. Arch.

Employed by Cargotec, Member of the Executive Board 2006–

Primary working experience

President and CEO, Cargotec 2006–2012
Employed by Wärtsilä Corporation 1982–2006:
Deputy to President and CEO 2005-2006
Group Vice President, Ship Power 1999–2006
Managing Director, Wärtsilä NSD Singapore 1997–1998
Vice President, Marine, Wärtsilä SACM Diesel 1992–1997

Key positions of trust

Member of the Board:
Stora Enso Oyj 2010–
Lemminkäinen Corporation 2009–
International Chamber of Commerce ICC Finland 2009–2011, Chairman in 2012
The Federation of Finnish Technology Industries 2008–2011
Finpro 2009–2011, Chairman in 2010
Glaston Corporation 2008–2009

Cargotec shares 31 December 2012

In direct ownership 13,820 class B shares,
through Moving Cargo Oy 226,694 class B shares

Olli Isotalo

President, Kalmar

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

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

Primary working experience

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

Key positions of trust

Member of the Board:
GS-Hydro Ltd 2011–

Cargotec shares 31 December 2012

In direct ownership 213 class B shares,
through Moving Cargo Oy 226,694 class B shares

Axel Leijonhufvud

President, Hiab

born 1961, Swedish, M.Sc. (Mech. Eng.)

Employed by Cargotec 2007–
Member of the Executive Board 2008–

Primary working experience

Executive Vice President, Supply, Cargotec 2010–2011
Senior Vice President, Product Supply, Cargotec 2009
Vice President, Product Supply, Kalmar 2007–2008
Vice President, Components, Ruukki Engineering 2005–2006
CEO, Weibulls group 2000–2005
Managing Director, Weibulls Sweden AB 1996–2000
Production Manager, Saint-Gobain Isover AB 1995–1996

Cargotec shares 31 December 2012

In direct ownership 470 class B shares,
through Moving Cargo Oy 226,694 class B shares

Insiders

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

Insider registers

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

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

Trading rules

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

Insider administration

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

External audit

The statutory external audit for the financial period includes auditing of accounting records, financial statements and administration. In addition to the auditor's report issued annually, the auditors report to the Board of Directors on their audit findings on a regular basis, and attend the Board Audit and Risk Management Committee meetings.

According to the Articles of Association, the company has at least one and a maximum of three auditors. The auditors must be public accountants authorised by the Central Chamber of Commerce, or an auditing firm. The auditors are elected annually by the Annual General Meeting (AGM) and their assignment expires at the end of the first AGM following the election.

2012

The Audit and Risk Management Committee arranged a competitive bidding round for corporate audit services, and based on the bids received made a proposal to the AGM that Authorised Public Accountants (APA) **Jouko Malinen** and PricewaterhouseCoopers Oy be elected as Cargotec's auditors. The AGM elected the auditors according to the proposal. PricewaterhouseCoopers nominated APA **Tomi Hyryläinen** as its principal auditor. Auditors' fees are compensated against an invoice.

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

Audit fees

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Annual audit	1.9	2.6
Tax advice	1.0	0.9
Other services	0.9	0.3
Total	**3.8**	**3.8**

Internal control of the financial reporting process

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

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

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, its risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on its values and the code of conduct. With respect to the financial reporting process, these are supported by Cargotec's policies and guidelines, as well as its clearly defined 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. Line management is primarily 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 are functioning effectively.

Cargotec's Corporate Audit function operates separately from the operative organisation and reports to the Board Audit and Risk Management Committee and, administratively, to the President and CEO. In 2012, Corporate Audit was developed to be more business oriented. Corporate Audit will concentrate especially on the central risks that have been identified in the company's risk map and will follow the risk mitigation. The audits of the operations of major subsidiaries and business units assess the effectiveness of internal control and risk management, as well as compliance with operating principles and guidelines. Furthermore, Corporate Audit audits and assesses financial reporting processes and compliance with related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board Audit and Risk Management Committee.

Risk management

In Cargotec, risk management is part of internal control operations. Approved by the Board of Directors and based on Cargotec values, the risk management policy specifies the objectives and principles of the risk management as well as the responsibilities involved. A core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, to deal with them effectively. The President and CEO and the Executive Board are responsible for the methods, implementation and supervision of risk management, and report on these to the Board of Directors. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and are in charge of identifying, managing and reporting risks. Financial risks are centrally managed by the Corporate Treasury, which draws up financial risk reports for corporate management and the Board of Directors on a regular basis.

Financial reporting process

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

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

The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them. In addition to the two global Cargotec Finance Excellence programmes carried out in 2011, one training programme was organised in 2012 to enhance finance-related competence and to support operational consistency.

Efforts continued in 2012 to harmonise financial reporting across Cargotec. A common enterprise resource planning (ERP) system for the sales and maintenance network was implemented in several European countries. At the same time, the countries started to make use of Cargotec's Shared Service Centre for financial services. Based on the experience from the implementation, the processes were specified and the reporting tools were developed. The implementation will continue in several countries during 2013. A substantial part of the operations of the Shared Service Centre was outsourced to a partner. The improvement of the quality of processes and operations as well as cost-efficiency will continue in 2013.

Remuneration statement 2012

Cargotec's remuneration statement presents the company's remuneration principles and the remuneration paid to members of the Board, President and CEO and the Executive Board in 2012.The statement also describes Cargotec's long-term incentive plan.

Board of Directors

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

The AGM on 19 March 2012 decided to keep the fees paid to Board members unchanged for the year 2012. Board members' annual fees in 2012 are:

- Chairman: EUR 80,000
- Vice Chairman: EUR 55,000
- Other Board members: EUR 40,000

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

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

Tapio Hakakari, Vice Chairman of Cargotec's Board of Directors, took over as interim President and CEO as of 8 October 2012. During 2012, member of the Board **Karri Kaitue** worked as consultant for the company in connection with the evaluation of listing MacGregor in Asia, and member of the Board **Teuvo Salminen** acted as advisor for Kalmar to improve project sales and follow-up. In addition to remuneration related to Board and Committee memberships, Tapio Hakakari, Karri Kaitue and Teuvo Salminen received separate compensation for their work.

Excluding the temporary arrangements described above, the Board members receive only remuneration related to their Board and Committee memberships and Board work from the company. Board members are not included in Cargotec's short-term or long-term incentive plans.

Remuneration paid to Board members in 2012 is shown in the following table.

Member of the Board	Remuneration for Board membership and Board work, EUR*	Number of class B shares obtained as remuneration**	Remuneration for the work done for the company, EUR
Ilkka Herlin, Chairman	93,240	1,112	
Tapio Hakakari, Vice Chairman	65,240	766	93,262
Peter Immonen, member	49,000	556	
Karri Kaitue, member	49,000	556	298,800
Antti Lagerroos, member	50,000	556	
Teuvo Salminen, member	49,000	556	12,000
Anja Silvennoinen	48,000	556	
Total	403,480	4,658	404,062

* Including annual remuneration, meeting attendance fees and fringe benefits

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

President and CEO and the Executive Board

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

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

In 2012, the short-term bonus plan included financial and strategic individual targets. Based on the 2012 short-term incentive plan, the maximum annual bonus level for **Mikael Mäkinen** was 100 percent of the annual base salary. For other members of the Executive Board it was 60 percent at the maximum. The bonus payout based on 2012 targets will be made in 2013.

For the financial period 2012, the base salary of Cargotec's President and CEO Mikael Mäkinen was EUR 441,938 including fringe benefits (until 7 October 2012). Mäkinen's bonus paid during 2012, which was based on 2011 performance criteria, was EUR 380,945. The President and CEO is covered by Cargotec's share-based incentive programme and the option programme.

The remuneration paid in 2012 (as of 8 October 2012) to the Interim President and CEO, **Tapio Hakakari**, was EUR 93,262. Tapio Hakakari is not a participant in the share-based incentive programme, option programme nor the short-term incentive programme.

The monetary remuneration paid to the President and CEO, Interim President and CEO, and Executive Board members in 2012 is stated in the tables below.

	Base salary including fringe benefits, EUR	Short-term bonus payout, EUR
President and CEO Mikael Mäkinen 1 Jan–7 Oct 2012	441,938	380,945
		Remuneration based on the work for the company, EUR
Interim President and CEO Tapio Hakakari 8 Oct–31 Dec 2012		93,262
	Base salary including fringe benefits, EUR	**Short-term bonus payout, EUR**
Other members of Executive Board 1 Jan–7 Oct 2012*	2,535,210	1,097,827
Other members of Executive Board 8 Oct–31 Dec 2012**	343,256	0

* Eeva Sipilä, Olli Isotalo, Axel Leijonhufvud, Pekka Vauramo, Lennart Brelin, Harald de Graaf, Stefan Gleuel, Ken Loh, Kirsi Nuotto, Matti Sommarberg and Unto Ahtola

** Eeva Sipilä, Mikael Mäkinen, Olli Isotalo and Axel Leijonhufvud

The total number of shares and share-related rights granted to the President and CEO Mikael Mäkinen and Executive Board in 2010, 2011 and 2012 is summarised in the following table. Realisation of the shares and share-related rights is based on the earnings criteria described in the section **Long-term incentive plan**.

Number of shares and share-related rights granted	President and CEO Mikael Mäkinen	Other members of Executive Board
2012		
Option programme in 2012, 2010C option rights	20 000	92 000 (44 000*)
Share-based incentive programme, earnings period 2012–2014, number of class B shares (gross)	20 000	76 000 (50 000*)
2011		
Option programme in 2011, 2010 B option rights	20 000	92 000 (44 000*)
Share-based incentive programme, earnings period 2011–2013, number of class B shares (gross)	20 000	85 000 (43 000*)
2010		
Option programme in 2010, 2010A option rights	20 000	90 000 (47 500*)
Share-based incentive programme, earnings period 2010–2012, number of class B shares (gross)	20 000	74 000 (42 000*)

* Number of shares and share-related rights of the Executive Board members Eeva Sipilä, Mikael Mäkinen, Olli Isotalo and Axel Leijonhufvud from 8 October 2012 to 31 December 2012

The members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. For Finnish nationals on the Executive Board, the statutory retirement age is 63 years in accordance with the current legislation.

Members of the Executive Board have a period of notice of 6 months and are entitled to compensation, for termination of employment, corresponding to 6 to 12 months' salary.

Long-term incentive plan

Share-based incentive programme

In March 2010, the Board of Directors decided to establish a share-based incentive programme for Cargotec executives. This programme aims to ensure the alignment of shareholders' objectives with those of executives, in order to increase the value of Cargotec, while committing the executives to the company and offering them a competitive incentive programme based on ownership in the company.

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

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

If the employment terminates before the share payment, the participant will lose the right to the share reward.

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

The minimum earnings criterion for the first earnings period 2010–2012 was not fulfilled and hence there is no payout based on the first earnings period.

Information concerning the share-based incentive programme's earnings criteria and target group is summarised in the table below.

	Earnings period	Earnings criteria	Target group
First earnings period	2010–2012	Operating profit margin and sales for financial year 2012	Executive Board in spring 2010
Second earnings period	2011–2013	Operating profit margin and sales for financial year 2013	Executive Board in spring 2011
Third earnings period	2012–2014	Operating profit and sales for financial year 2014	Executive Board in spring 2012

Option programme

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

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

	Subscription price, dividends deducted, EUR (31 Dec 2012)	Subscription period	Earnings criteria
Stock options 2010A	19.74	1 April 2013–30 April 2015	Operating profit 2010
Stock options 2010B	30.23	1 April 2014–30 April 2016	Operating profit 2011
Stock options 2010C	28.80	1 April 2015–30 April 2017	Operating profit 2012

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

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

In the spring of 2012, the Board issued 2010C stock options to nearly 80 persons, including the members of Cargotec's Executive Board. In the case of the 2010C option right, the share subscription price is EUR 28.80 per share (the trade volume weighted average quotation of the class B share on NASDAQ OMX Helsinki Ltd. during 26 March–6 April 2011). Any dividends would have been deducted from the share subscription price each year. 2010C option rights would have entitled their holders to subscribe for a total maximum of 400,000 class B shares in Cargotec, either new or treasury shares held by the company. The minimum earnings criterion for stock options 2010C subscription to commence was 2012 operating profit of EUR 230 million. The target was not fulfilled.

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

Other matters related to remuneration

Loans granted by Cargotec to Moving Cargo Oy, for the financing of top-management Cargotec share purchases made in 2007 and 2008, totalled EUR 3.5 million on 31 December 2012. The owners of Moving Cargo Oy include members of Cargotec's Executive Board. Cargotec has granted no other special benefits, nor has it made other corresponding arrangements with parties forming part of its inner circle.

Board of Directors' report

Operating environment

In 2012, ship orders were below the levels seen in previous years. This was reflected in demand for marine cargo handling equipment. In addition to the situation in the shipping markets, limited availability of financing hampered ship orders. During the year, demand for marine cargo handling equipment for offshore support vessels, RoRo vessels and bulk terminals was healthy. Scrapping of old bulk vessels and small container ships increased.

During 2012, the number of containers handled in ports grew by around four percent. As a result, demand for container handling equipment used in ports was healthy. Demand for large projects and automation solutions was brisk. Structural changes in the sector and customers' requirements for greater operational efficiency were supporting automation demand. Due to the general economic uncertainty, demand for smaller container handling equipment slowed slightly during the second half.

While the load handling markets experienced a strong start to the year, during the second half demand in Europe weakened due to the general economic uncertainty. Demand was strong in the United States throughout the year.

Demand in the service markets reflected customers' capacity utilisation rates, and the economic situation. The year was characterised by slight uncertainty. Demand was healthy for offshore support vessel services. The markets for servicing port equipment and marine cargo handling equipment were satisfactory. Due to spare parts and installations, demand for load handling services was good during the year.

Orders received and order book

Orders received in 2012 decreased five percent and totalled EUR 3,058 (3,233) million. In Kalmar and Hiab, orders received grew from the previous year. In MacGregor, orders fell as a consequence of weak markets. 24 percent of the 2012 orders were received by MacGregor, 49 percent by Kalmar and 28 percent by Hiab. In geographical terms, 46 (45) percent of the orders were received in EMEA (Europe, Middle East, Africa). Asia-Pacific accounted for 31 (33) percent of all orders, while that of Americas was 23 (22) percent. Service orders accounted for 25 (23) percent of total orders.

The order book decreased 17 percent from the 2011 year-end level, and at the end of 2012 it totalled EUR 2,021 (31 Dec 2011: 2,426) million. MacGregor's order book totalled EUR 920 (1,375) million, representing 46 (57) percent, Kalmar's EUR 910 (865) million, or 45 (36) percent, and that of Hiab EUR 192 (189) million, or nine (8) percent of the consolidated order book.

Sales

In 2012, sales grew six percent, totalling EUR 3,327 (3,139) million. In 2012, currency rate changes had a four percentage point positive impact on sales compared to 2011. Services sales grew three percent and amounted to EUR 765 (739) million, representing 23 (24) percent of sales. Sales grew in the Kalmar and Hiab segments. In MacGregor, sales remained below those of the comparison period. Services saw growth in Asia-Pacific and Americas. Services for EMEA (Europe, Middle East, Africa) were at comparison period's level. EMEA represented 40 (40) percent of consolidated sales, Asia-Pacific 35 (39) percent and Americas 24 (21) percent. Cargotec's target is annual sales growth exceeding 10 percent.

Financial result

Operating profit in 2012 fell 37 percent from the comparison period totalling EUR 131.0 (207.0) million. Operating profit includes EUR 26.2 million in restructuring costs. There were no restructuring costs booked in 2011. The restructuring costs are related to restructuring measures in several countries. Operating profit, excluding restructuring costs, totalled EUR 157.2 (207.0) million, i.e. 4.7 (6.6) percent of sales. Hiab's operating profit and operating profit margin improved from the previous year. MacGregor's operating profit declined, however, operating profit margin continued at the expected strong level. Kalmar recorded a clearly weaker operating profit than the year before. The operating profit margin for Kalmar was weakened by cost overruns on large projects, investments in automation technology and the service business' lower share of sales. For Kalmar's volume products, profitability during the year improved slightly from the low level early in the year. Cargotec's target is to raise its operating profit margin to 10 percent.

Net interest expenses for interest-bearing debt and assets in 2012 totalled EUR -19.1 (-16.7) million and net financing expenses EUR -8.9 (-15.1) million. Despite the increase in net debt, net financing expenses were lower due to favourable interest differentials in the major currencies (EUR, SEK and USD) of Cargotec's business operations.

Net income in 2012 totalled EUR 89.2 (149.3) million and earnings per share EUR 1.45 (2.42).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,294 (31 Dec 2011: 3,120) million at the end of 2012. Equity attributable to equity holders was EUR 1,228 (1,173) million, representing EUR 20.02 (19.12) per share. Tangible assets on the balance sheet were EUR 304 (283) million and intangible assets EUR 1,021 (981) million. The total equity/total assets ratio declined to 41.4 (43.3) percent.

Return on equity (ROE) in 2012 was 7.4 (13.3) percent and return on capital employed (ROCE) 8.1 (13.3) percent.

Cash flow in 2012 from operating activities, before financial items and taxes, totalled EUR 97.1 (166.3) million. Net working capital increased during the year from EUR 144 million at the end of 2011 to EUR 237 million. Growth in Kalmar and Hiab tied up working capital during the first half in particular. This was evident in growth of inventories and accounts receivable. During the second half, the amount of working capital tied-up in operations began to decrease. Cash flow was also weakened by the decreased amount of advances received, due to low orders in MacGregor. The dividend payment of year 2011 totalled EUR 61.4 (37.4) million.

Gearing rose from its 2011 year-end 25.4 percent level to 38.8 percent. Cargotec's target is to keep gearing below 50 percent over the cycle.

Cargotec's financing structure and liquidity are healthy. Interest-bearing net debt at the end of 2012 was EUR 478 (299) million. Interest-bearing debt amounted to EUR 697 (512) million, of which EUR 259 (98) million was current and EUR 438 (414) million non-current debt. On 31 December 2012, the average interest rate on the loan portfolio was 2.6 (3.7) percent. Cash and cash equivalents, loans receivable and other interest-bearing assets totalled EUR 219 (213) million.

During the second quarter, Cargotec and the European Investment Bank (EIB) signed a ten-year EUR 55 million research and development loan agreement to finance research and development activities for the development of cargo handling solutions and related technologies. The loan was drawn at the end of May.

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

New products and product development

Research and product development expenditure in 2012 totalled EUR 75.4 (60.0) million, representing 2.3 (1.9) percent of sales and 2.4 (2.0) percent of all operating expenses. Increase in research and product development expenditure is a result of focused investments in improvement of competitiveness.

MacGregor

In 2012, MacGregor introduced a new range of electrically-driven offshore anchor handling and towing winches. Electric drives are both economical and commercially competitive, and are easy to install, monitor and service. MacGregor's growing electric-drive portfolio includes RoRo cargo access equipment such as quarter ramps, internal ramps, and car decks, side-rolling hatch cover systems, and variable frequency drive cranes and winches.

MacGregor's new automatic twistlock gained the approval of classification society Germanischer Lloyd. This fully-automatic twistlock offers significant safety advantages and saves time in ports.

MacGregor's chain wheel manipulator won the prestigious Offshore Support Journal's Innovation of the Year award. This award recognises a product, system or service considered to have made a significant impact on the design, build or operational aspects of offshore support vessels. The manipulator is a remote-controlled device that keeps crew members clear of potentially hazardous operations and enables cost effective ways of working. In this way, it improves a vessel's profitability.

MacGregor is participating in a joint project initiated by DNV (Det Norske Veritas), with the aim of updating the standards and regulations on the safe and efficient use of equipment intended for subsea cargo handling.

Kalmar

In November, Kalmar introduced a new heavy terminal tractor, which became the most powerful model available in the industry. The new terminal tractor is primarily targeted at heavy-duty industrial and RoRo terminal applications with a need to pull heavy trailers or loads.

During the year, Kalmar also introduced new products and solutions for port and terminal automation. The design of the new generation automatic stacking crane (ASC+) takes into account energy efficiency, productivity and operating and maintenance costs throughout the product's life-cycle. A new rubber-tyred gantry crane (RTG) minimises fuel consumption and offers an excellent balance between productivity and cost-efficiency. It has a smart power management system and a markedly smaller diesel motor than conventional rubber-tyred gantry cranes.

Kalmar SmartPort is a solution for terminal automation. Kalmar SmartPort process automation is built on seamlessly integrated automation technology developed by Kalmar, Navis and strategic partners. It offers port and terminal customers a cost efficient solution for automation.

Hiab

In 2012, Hiab introduced a new cabin for forestry cranes, with better operator visibility and a user-friendly TimberTronics control system, a new loader crane for heavy-duty operations, a new powerful tail lift, a new skiploader telescopic radio control, the world's first electric truck-mounted forklift powered by lithium-ion batteries, and a dedicated poultry live receiving yard forklift. By lowering energy and fuel consumption, the new equipment improves customers' productivity and minimises maintenance and running costs.

Capital expenditure

Capital expenditure in 2012, excluding acquisitions and customer financing, totalled EUR 76.2 (47.0) million. Investments in customer financing were EUR 34.3 (29.6) million. Depreciation, amortisation and impairment amounted to EUR 70.0 (63.3) million.

During the second quarter, Cargotec and Jiangsu Rainbow Heavy Industries Co., Ltd. established a joint venture called Rainbow-Cargotec Industries Co. Ltd (RCI). The companies celebrated the ground breaking for RCI's new factory in Taicang in Jiangsu province, China in June. Cargotec invested approximately EUR 30 million in equity in RCI in 2012. In order to strengthen the strategic partnership, Cargotec acquired from Carlyle Asia Growth Partners IV investment fund a 49 percent stake in China Crane Investment Holdings Limited, for around EUR 57 million. China Crane owns 18.75 percent of shares in Jiangsu Rainbow Heavy Industries Co., Ltd. Through China Crane Investment Holding Limited, Cargotec owns 9.2 percent of the shares in Jiangsu Rainbow Heavy Industries Co., Ltd. This ownership has been classified as an associated company.

In June, Cargotec announced investment plans in its multi-assembly unit (MAU) in Stargard Szczecinski, Northern Poland. The value of the investment in a new painting and assembly area, expected to reach completion in 2014, will be close to EUR 20 million.

During the past two years, Cargotec has invested approximately EUR 35 million in building an innovative Technology and Competence Centre in Tampere, Finland. Some EUR 28 million of this was invested in 2012. The centre, which forms part of Cargotec's global network of competence centres, develops port terminal solutions for the benefit of customers. The site hosts the world's largest test area for port automation solutions. Operations at the centre began at the end of 2012.

During the first quarter, Cargotec expanded its portfolio with an automated lashing platform for fully automated quayside twistlock by entering into an exclusive global licensing agreement with KALP GmbH.

Acquisitions and divestments

In June, Cargotec acquired automation technology and competence from Asciano, Australia's largest national rail freight and ports operator. This transaction includes the acquisition of Asciano's automation technology assets and the transfer of 23 employees.

In November 2011, Cargotec and Fortaco (previously Komas) signed a letter of intent, outlining the guidelines for deepening the companies' cooperation, as a long-term sourcing partnership. In accordance with the agreement, Fortaco acquired Cargotec's component manufacturing operations in Narva, Estonia. All approximately 370 employees were transferred to Fortaco. The deal was closed in February 2012.

Personnel

Cargotec employed 10,294 (10,928) people at the end of 2012. MacGregor employed 1,979 (2,129) people, Kalmar 5,087 (5,146), Hiab 3,017 (3,364) and corporate administration and support functions 211 (289). The average number of employees in 2012 was 10,522 (10,692). Part-time personnel represented two (2) percent of employees. 16 (16) percent of personnel were female and 84 (84) percent male.

At the end of 2012, 17 (17) percent of the employees were located in Sweden, nine (10) percent in Finland and 29 (30) percent in the rest of Europe. Asia-Pacific personnel represented 28 (28) percent, North and South American 14 (13) percent, and the rest of the world three (2) percent of total employees.

Salaries and remunerations to employees totalled EUR 452 (419) million in 2012.

In 2012, the key priorities of the people strategy included leadership development, talent management and resourcing, competence development for future needs as well as building execution capacity. Cargotec focused on profitability, project implementation and performance culture throughout the year. These themes were also linked to human resources development efforts and training programmes. Towards the end of the year, human resources management and communications efforts were geared towards supporting the adoption of a business-driven organisation. A key priority in internal communications lay in offering support to managers to help them communicate the change process to their teams.

Launched in 2011, the Cargotec Leadership Profile explains what is expected of a good leader in Cargotec. Leadership development programmes drawing on this leadership profile were introduced globally at the beginning of 2012. A mentoring programme was also organised. Global training programmes attracted a total of 671 participants.

Cargotec initiated several restructuring measures during the second half of 2012. As a consequence, in October 2012 Cargotec announced that it would begin employee cooperation negotiations concerning its entire personnel, aimed at adjusting Cargotec's operations to the new business-driven operating model and improving profitability. In addition, cooperation negotiations were announced during the fourth quarter of 2012, in Lidhult and Hudiksvall, Sweden. These actions were aimed at improving profitability and ensuring competitiveness in global markets.

Majority of the negotiations were concluded by the end of 2012. Cargotec booked a total of EUR 26 million in non-recurring restructuring costs, of which approximately EUR 19 million impacts cash flow. Cargotec estimates that the measures taken result in approximately EUR 30 million cost savings for the year 2013.

As a result of the negotiations, a total of approximately 105 man-years will be reduced in Finland. The measures led to the termination of 65 employment contracts in the Tampere units, 31 in the Helsinki unit and nine in the Kaarina and Turku units. A total of 106 employees will be laid off in Lidhult, Sweden.

In addition, MacGregor made a decision to outsource offshore production in Kristiansand, Norway, to OneCo. 39

employees were transferred to OneCo as of 1 January 2013.

Lawsuit in Finland

In 2011, Cargotec Finland Oy received an action brought against the cooperation procedure at Salo factory in 2008. Cargotec finds the action unfounded and inappropriate, denies non-compliance and has made no provision relating to the action. The case was pending at the end of 2012.

Listing of MacGregor in Asia

In March, Cargotec announced the initiation of an evaluation of the listing of MacGregor (Cargotec Marine) on the Singapore Exchange, in order to secure further growth. The Board of Directors is of view that listing MacGregor as an independent company would strengthen its business presence in Asia and secure profitable growth. It would also enable an improved focus and provide new opportunities for Cargotec's Kalmar and Hiab segments, thereby increasing Cargotec’s overall shareholder value.

In September, Cargotec’s Board of Directors decided to proceed with preparations for a separate listing of MacGregor in Asia, by the second half of 2013 at the latest, subject to market conditions.

Development of Kalmar and Hiab segments

Kalmar’s strategic target is to be the leading provider of integrated solutions, including equipment, services and systems for port and terminal customers. Its short-term focus is on improving profitability. In order to enhance clarity and profit responsibility as well as improve transparency, the Kalmar organisation was transformed into a line organisation. In the long-term, Kalmar will continue focusing on the development of customer driven offerings and of solutions related to terminal automation.

In September, the decision was taken to transfer the Bulk Handling business from MacGregor business area to Kalmar business area as of 1 January 2013. The business’ sales in 2012 totalled EUR 55 million and profitability 14 percent.

Hiab’s strategic target is to be the leading on-road load handling company, with a focus on profitability and customer satisfaction.

In July, Cargotec announced plans to establish a joint venture with China National Heavy Duty Truck Group Co., Ltd (CNHTC), a leading Chinese manufacturer of heavy duty trucks and the parent company of Sinotruk. This will enable Cargotec to expand its presence in the Chinese load handling market. Cargotec would have 50 percent ownership of the joint venture. Over a planning horizon of several years, the total investment costs of the joint venture would be around EUR 100 million. Cargotec's estimated equity investment during the first year of operation is approximately EUR 10 million. The transaction is subject to the relevant regulatory approvals, which are expected in six to nine months, from July 2012 onwards.

Changes in governance model

In September, Cargotec announced that it was developing its governance model towards an organisation driven by three business areas: MacGregor, Kalmar and Hiab (Marine, Terminals and Load Handling until 31 Dec 2012). This change in the governance model enables faster decision-making, improves efficiency and ensures a stronger focus on improving profitability within Kalmar and Hiab. As part of the change Cargotec operationally integrated its Services business area and the EMEA (Europe, Middle East, Africa) region into MacGregor, Kalmar and Hiab business areas. In addition, Cargotec’s corporate functions were restructured to correspond to the new governance model.

Cargotec's external financial reporting remains unchanged, with the three business areas MacGregor, Kalmar and Hiab comprising the reporting segments.

Changes in Executive Board

In May, Cargotec announced changes in the roles of Executive Board members, in order to accelerate the implementation of its strategy. Chief Operating Officer Pekka Vauramo was appointed Executive Vice President, Marine as of 1 August 2012. He continued as Deputy to President and CEO Mikael Mäkinen, who acted as the head of Marine business area from 14 May until 1 August 2012. Olli Isotalo, previously Executive Vice President, Marine, was appointed Executive Vice President, Terminals as of 14 May 2012.

In order to support growth and value creation in the Marine listing process, the Board of Directors appointed Cargotec's President and CEO Mikael Mäkinen as President, Marine business area, as of 8 October 2012, to drive the listing in Asia. The previous head of this business area, Executive Vice President Pekka Vauramo, was appointed Chief Operating Officer in Marine business area.

Tapio Hakakari, Vice Chairman of Cargotec's Board of Directors, took over as interim President and CEO on 8 October 2012. Cargotec's Board of Directors decided not to nominate a deputy to Mr Hakakari and began the recruitment process for a new President and CEO.

As of 8 October 2012, Cargotec's Executive Board members were interim President and CEO Tapio Hakakari, CFO Eeva Sipilä, and business area Presidents Mikael Mäkinen (MacGregor), Olli Isotalo (Kalmar) and Axel Leijonhufvud (Hiab). The head of Services business area, the heads of regions, the Executive Vice President, Human Resources and the Executive Vice President, Chief Technology Officer, left the Executive Board on this occasion.

Sustainability

To Cargotec, sustainable performance means balanced development between our financial result and the well-being of people and the environment. Cargotec has previously analysed the environmental impact of its operations and products, concluding that the most significant portion of this impact is generated through the use of Cargotec’s products by customers. Focusing on enhancing customers’ sustainability, by providing efficient solutions, was therefore made a priority in Cargotec’s sustainability work. In 2012, as Cargotec was moving towards business-driven operations, the focus of sustainability was reconfirmed in business area management interviews. Business areas are continuing Cargotec’s sustainability work and analyses, based on business-specific priorities.

Cargotec's own operations have a relatively minor effect on the environment – and one which we are making continuous efforts to reduce. The most significant environmental impacts of Cargotec's own processes are related to those originating in the operations of assembly units, transportation, commuting to and from work, and business travel. Cargotec’s environmental, health and safety (EHS) management is in line with the company's strategy. In 2012, the corporate EHS function was responsible for ensuring and developing EHS processes and target setting globally. Cargotec actively monitors the environmental, health and safety impacts of its operations. A report on the related results is published annually, on Cargotec’s website.

For Cargotec, providing sustainable solutions is the most efficient means of supporting sustainable development. As the move to new energy sources continues, increasingly complex systems are being delivered to customers. This is due to factors such as the higher amount of electrical and automation technology. In this field, Cargotec's competitive edge is supported by its broad expertise, which is enabling it to deliver truly comprehensive solutions.

Internal control and risk management

The objective of Cargotec’s internal control is to ensure that its operations are efficient and profitable, its risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec’s internal control is based on its values and the Code of Conduct. With respect to the financial reporting process, these are supported by Cargotec’s policies and guidelines, as well as its clearly defined 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. Line management is primarily 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 are functioning effectively.

Cargotec’s Corporate Audit function operates separately from the operative organisation and reports to the Board

Audit and Risk Management Committee and, administratively, to the President and CEO. In 2012, Corporate Audit was developed to be more business oriented. Corporate Audit will concentrate especially on the central risks that have been identified in the company's risk map and will follow the risk mitigation. The audits of the operations of major subsidiaries and business units assess the effectiveness of internal control and risk management, as well as compliance with operating principles and guidelines. Furthermore, Corporate Audit audits and assesses financial reporting processes and compliance with related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board Audit and Risk Management Committee.

In Cargotec, risk management is part of internal control operations. Approved by the Board of Directors and based on Cargotec values, the Risk Management policy specifies the objectives and principles of the risk management as well as the responsibilities involved. A core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, to deal with them effectively. The President and CEO and the Executive Board are responsible for the methods, implementation and supervision of risk management, and report on these to the Board of Directors. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and are in charge of identifying, managing and reporting risks. As far as is possible and practical, risk management is conducted in the business units and support functions as part of day-to-day processes.

Identification, assessment, treatment planning and reporting are part of Cargotec's planning and decision-making processes. The role of the corporate risk management function is to develop and coordinate the overall risk management framework and process. This function supports the businesses in implementing risk management and performs certain specified tasks, such as coordination of global insurance programmes. 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.

Cargotec's strategic and business risks are related to business cycles in the world economy, emerging markets, changes in organisational structure, personnel, enterprise resource planning implementation as well as large projects and automation.

Operational risks related to information technology, suppliers, production and supply footprint changes, contracts and fluctuation in material costs. The materialisation of operational risks may result in business interruptions, delivery delays, cost excess, quality problems and product liability claims.

Main safety, hazard and environmental risks include risks related to people, property, business interruptions, intellectual property and logistics. Cargotec has worldwide insurance covering all units.

For more detailed description of financial risks, see note 3, Financial risk management of the consolidated Financial statements.

Reporting segments

MacGregor (Marine)

Orders received in 2012 accounted for EUR 722 (997) million. The fall in orders received is a consequence of low ship orders, which has lowered demand for marine cargo handling equipment. The offshore cargo handling market was clearly healthier than the general shipping market. Offshore order volumes grew as expected, totalling 24 percent of orders received.

Major orders included orders for anchor-handling, mooring and towing solutions for 15 offshore support vessels from China, orders for a total of six active heave-compensated offshore cranes from Norway and Malaysia and for two 10-point mooring systems for two offshore pipe-laying heavy-lift offshore construction vessels, as well as an order for winches, a deck crane and bulk handling system for six platform supply vessels, and mooring systems for eight maintenance/work vessels. In addition, MacGregor signed agreements for the delivery of electric cranes for ten bulk ships and four container ships, an agreement for hatch covers for six bulk ships, an agreement for 20 cargo cranes intended for ten general cargo ships, agreements to deliver lashing arrangements and automatic twistlocks for ten container vessels, agreements for lashing systems for 22 container ships, an agreement for a comprehensive module handling equipment package for an offshore vessel, an agreement for RoRo equipment for two ferries and four container/RoRo vessels, an agreement for electrically-driven RoRo equipment for two car carriers, as well as agreements for Siwertell unloaders for Australia, Denmark, Indonesia, the Philippines and Vietnam.

MacGregor's order book declined by 33 percent from the 2011 year-end, totalling EUR 920 (1,375) million at the end of 2012. Close to two thirds of the order book is bulk, general cargo and container ship-related. Offshore support vessels-related orders comprise approximately 16 percent of the order book.

Sales in 2012 totalled EUR 1,066 (1,213) million, 12 percent lower than in the comparison period. Share of services in 2012 was 17 (14) percent or EUR 177 (175) million. Services sales grew slightly despite customer caution affecting demand.

MacGregor's operating profit in 2012 was EUR 137.7 (176.2) million. Operating profit includes EUR 3.2 million in restructuring costs, which relate to restructuring measures in selfunloader, services and offshore businesses. Operating profit, excluding restructuring costs, amounted to EUR 140.9 (176.2) million, representing 13.2 (14.5) percent of sales. Operating profit margin continued at the expected strong level. Operating profit includes a capital gain of EUR 7 million booked for the fourth quarter, from the sale of the Singapore production facility property. As part of streamlining of the offshore business, manufacture of cranes and winches was transferred from Singapore to China. Going forward, a global winch competence centre will be located in Singapore. Despite the more challenging market situation, MacGregor's strong competencies in project and supply chain management support profitability.

Kalmar (Terminals)

Orders received in 2012 grew two percent and totalled EUR 1,488 (1,464) million. Orders increased as much as 30 percent in Asia-Pacific, declined slightly in EMEA (Europe, Middle East, Africa) and 10 percent in Americas from the comparison period. The order book grew five percent from 2011 year-end and at the end of 2012 it totalled EUR 910 (865) million.

In 2012, Kalmar received several important orders. During the fourth quarter, Kalmar received orders for a total of 15 all-electric rubber-tyred gantry cranes (RTG) from Greece and India, an order for 14 straddle carries from the UK, as well as an order for 12 forklift trucks from Germany.

During the second half, Kalmar also received two major port equipment orders from Australia. A total of 44 automatic straddle carriers and related automation technology will be delivered to Port Botany in Sydney. In addition, 14 automatic stacking cranes and 14 one-over-one shuttle carriers will be delivered to DP World's Port of Brisbane. The port will also use Navis terminal operating system (TOS) in its terminal expansion. Also APM Terminals' Maasvlakte II selected Navis as its terminal operating system. Kalmar also received an order for 355 light capability rough terrain forklift (LCRTF) trucks from the U.S. Department of Defense. The total value of this order is over EUR 20 million and it forms part of the five-year frame agreement for the delivery of approximately 1,890 reachstackers signed in September 2011.

During the first half, Kalmar received one of its largest port equipment orders in recent years, when APM Terminals ordered eight super quay cranes and two barge cranes. These cranes will be delivered, as part of the Maasvlakte II expansion project, to Rotterdam in the Netherlands. Kalmar will also deliver 31 ship-to-shore spreaders for the same project. During the first half, Kalmar also received an order for 766 light capability rough terrain forklift (LCRTF) trucks from the U.S. Department of Defense. The total value of this order is approximately EUR 50 million. In addition, Kalmar received a repeat order for four quay cranes to West Africa, and among other orders, orders for nine forklift trucks and eight reachstackers were received from Germany and an order for 13 forklift trucks arrived from Brazil.

During the first half, Kalmar also received orders for six shuttle carriers for Brisbane Container Terminals PTY Limited and for eight shuttle carriers for Sydney International Container Terminal PTY Limited. In addition, an order for 22 straddle carriers was received from Australia. London Gateway Port Limited selected the Navis terminal operating system (TOS) for the UK's automated container port London Gateway. In addition, Kalmar signed an agreement for the delivery of 13 reachstackers and four empty container handlers to Europe Container Terminals.

This agreement includes a five-year maintenance contract.

Sales in 2012 totalled EUR 1,422 (1,159) million, 23 percent higher than in the comparison period. Sales for services grew to EUR 360 (346) million. However, it's relative share decresed to 25 (30) percent of sales, due to increase in equipment sales.

Kalmar's operating profit in 2012 declined to EUR 22.4 (55.9) million. Operating profit includes EUR 9.9 million in restructuring costs, which relate to restructuring measures announced in October, as well as centralising the assembly of reachstackers and empty container handlers in Poland, by transferring them from Lidhult, Sweden, and the transfer of production in China. Operating profit, excluding restructuring costs, totalled EUR 32.3 (55.9) million or 2.3 (4.8) percent of sales. The operating profit margin was weakened by cost overruns on large projects, investment in automation technology and service business' lower share of sales. For volume products, profitability improved slightly from the low level early in the year.

Hiab (Load Handling)

Orders received in 2012 grew nine percent, totalling EUR 850 (776) million. While orders continued to grow strongly in the Americas, demand in Europe weakened due to uncertainty in the general economic situation. Within equipment orders for truck-mounted forklifts grew fastest compared to the previous year. The growth in orders for services was boosted by spare parts and installations, even if demand slowed down during the second half of the year. Hiab secured a high number of individually small orders, which are typical of the business. Order book grew two percent from 2011 year-end, totalling EUR 192 (189) million at the end of 2012.

Sales in 2012 were EUR 840 (769) million, which was nine percent more than in the comparison period. Sales of services totalled EUR 229 (218) million, representing 27 (28) percent of sales.

Hiab's operating profit in 2012 declined from the comparison period and amounted to EUR 16.9 (20.6) million. Operating profit includes EUR 10.4 million in restructuring costs. These restructuring costs related to the restructuring of the sales and distribution network in various countries globally and restructuring and capacity adjustment measures initiated in Hudiskvall, Sweden. Without these restructuring costs, operating profit grew from 2011 and totalled EUR 27.2 (20.6) million, or 3.2 (2.7) percent of sales. Actions taken to improve efficiency of the way of working and supply chain, together with increased delivery volumes, supported the improvement in profitability.

Decisions taken at Cargotec Corporation's Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM) on 19 March 2012 approved the 2011 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 2011. The AGM approved the proposals by the Board to authorise the Board to decide on the repurchase of own shares and the issuance of treasury shares. The authorisation for the repurchase of own shares shall remain in effect for a period of 18 months, and the authorisation for the issuance of treasury shares for five years, from the AGM's resolution. More detailed information on the authorisations was published in a stock exchange release on the date of the AGM, 19 March 2012.

The AGM approved the payment of a dividend of EUR 0.99 per class A share and EUR 1.00 per class B share outstanding. The dividend was paid on 29 March 2012.

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

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

Organisation of the Board of Directors

On 19 March 2012, the Board of Directors elected Ilkka Herlin to continue as Chairman of the Board and Tapio Hakakari as Vice Chairman. Outi Aaltonen, Senior Vice President, Cargotec's General Counsel, will continue as Secretary to the Board of Directors.

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

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

Shares and trading

Share capital and own shares

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of 2012. The number of class B shares listed on NASDAQ OMX Helsinki Ltd. was 54,778,791 while that of unlisted class A shares totalled 9,526,089. The amount includes 2,959,487 own class B shares held by the company, accounting for 4.60 percent of the share capital. These shares were repurchased in 2005–2008. Excluding treasury shares held by the company, the number of issued class B shares totalled 51,819,304 at the end of the year. On 31 December 2012, class B shares accounted for 85.2 (85.2) percent of the total number of shares and 36.5 (36.5) percent of votes. Class A shares accounted for 14.8 (14.8) percent of the total number of shares and 63.5 (63.5) percent of votes. Total number of votes attached to all shares was 15,001,696 (15,002,008). At the end of 2012, Cargotec Corporation had 24,189 (20,893) registered shareholders. There were 6,017,793 (8,500,096) nominee-registered shares, representing 9.36 (13.22) percent of the total number of shares, which corresponds to 4.01 (5.67) percent of all votes.

The 2012 AGM authorised the Board to decide on the repurchase of own shares, however, the Board did not exercise the authorisation during the financial period.

Share-based incentive programme

In March 2010, the Board of Directors decided to establish a share-based incentive programme for Cargotec executives. This programme aims to ensure the alignment of the objectives of shareholders and executives in order to increase the value of Cargotec, while committing executives to the company and offering them a competitive incentive programme based on company ownership. The programme includes three earnings periods, each lasting three calendar years, which commenced in 2010, 2011 and 2012. Since the minimum earnings criteria for the first earnings period 2010-2012 were not fulfilled, there will be no payout based on the first earnings period.

Option programme

In March 2010, the AGM confirmed that stock options will be issued to key personnel of Cargotec and its subsidiaries. This programme is intended to encourage key personnel to engage in long-term work in increasing the company's shareholder value, as well as to commit key personnel to the employer. On the annual basis, the Board decided on the target group, earnings criteria and option issuance for the spring of the years 2010 (2010A stock options), 2011 (2010B stock options) and 2012 (2010C stock options). The maximum total number of stock options issued will be 1,200,000. The share subscription period for stock options 2010A will be 1 April 2013–30 April 2015, 1 April 2014–30 April 2016 for stock options 2010B, and 1 April 2015–30 April 2017 for stock options 2010C.

Since the operating profit target set for 2010 was fulfilled, share subscription for all 332,000 2010A stock options granted will begin in April 2013, as per the programme terms and conditions. Since the operating profit target set for 2011 was partly fulfilled, share subscription will begin for 25,456 2010B stock options in April 2014. A 2012 operating profit of EUR 230 million was set as the minimum earnings criterion enabling subscription for 2010C stock options to commence. This target was not fulfilled.

For more detailed description of the option programme, see Note 27 Share-based payments, of the consolidated Financial statements.

Market capitalisation and trading

At the end of 2012, the total market value of class B shares was EUR 1,034 (1,191) million, excluding treasury shares held by the company. 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 1,223 (1,410) million, excluding treasury shares held by the company.

The class B share closed at EUR 19.95 (22.98) on the last trading day of 2012 in NASDAQ OMX Helsinki Ltd. The volume weighted average share price for the financial period was EUR 22.70 (26.79), the highest quotation being EUR 33.62 (39.60) and the lowest EUR 15.65 (16.35). During 2012, a total of 64 (58) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,462 (1,564) million. In addition to NASDAQ OMX Helsinki Ltd., a total of 40 (45) million class B shares were traded in several alternative market places, corresponding to a turnover of EUR 949 (1,205) million. Shares were mainly traded in BATS Chi-X CXE and Turquoise.

Loans, liabilities and commitments to persons belonging to the company’s related party

The loans Cargotec has granted to Moving Cargo Oy for the financing of a top management Cargotec share purchase programme totalled EUR 3.5 million on 31 December 2012. Owners of Moving Cargo Oy include members of Cargotec Executive Board. Cargotec has granted no other special benefits, nor has it made other corresponding arrangements with parties belonging to its inner circle.

For further information on the terms of the loan, see note 35, Related-party transactions, of the consolidated financial statements.

Board of Directors and the President and CEO

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

Events after the financial period

Cargotec's Board of Directors appointed 27 January 2013 Mr Mika Vehviläinen as Cargotec's new President and CEO. Vehviläinen will start at Cargotec on 1 March 2013. Tapio Hakakari, Cargotec's Vice Chairman of the Board, will continue as the interim President and CEO until 28 February 2013.

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect on Cargotec’s business environment and customers’ willingness to invest. Economic developments are characterised by uncertainty, especially in Europe. Risks stemming from the financing sector and volatility on the currency markets could add to this uncertainty. Greater difficulty in obtaining financing would also weaken customers’ investments. Such uncertainty is impinging on Cargotec's ability to forecast and could quickly lead to weaker demand for its products and bleaker short-term prospects.

Possible softening of the markets is initially evident in demand for load handling equipment. Among Cargotec’s business areas, Europe accounts for the greatest share in Hiab business area. This equipment has an order lead time of three to four months, whereas other Cargotec products have a clearly longer lead time. If demand weakens rapidly, Cargotec will not necessarily be able to react quickly enough, which could erode profitability.

Credit loss levels can rise alongside deterioration in the market situation. In addition, liquidity among customers could diminish as credit availability tightens. Cargotec is dependent on component suppliers. A deterioration in their economic situation could lead to delivery problems.

Cargotec is engaged in several major port automation projects. In order to manage the associated business risks, these require close management of both the project itself and, in particular, the supply chain. Projects include new automation solutions, whose development could involve challenges related to technical and scheduling issues. Such challenges could lead to cost and scheduling overruns.

Cargotec has established Rainbow-Cargotec Industries Co. Ltd (RCI), a joint venture with Jiangsu Rainbow Heavy Industries Co., Ltd., in China. The joint venture RCI is launching operations at a new facility in Taicang, China. Rapid and successful launch of production alongside the partner is meeting Kalmar's need to increase delivery capacity and improve profitability in big cranes.

In the MacGregor business area, risks are associated with cancellations and postponements of deliveries. The situation in the shipbuilding market is challenging, characterised by uncertainty that may affect the outlook for MacGregor.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2012 was EUR 787,535,459.18 of which net income for the period was EUR 16,772,605.09. The Board of Directors proposes to the AGM convening on 20 March 2013, that of the distributable profit, a dividend of EUR 0.71 of each of the 9,526,089 class A shares and EUR 0.72 for each of the 51,819,304 outstanding class B shares be paid, totalling EUR 44,073,422.07. The remaining distributable equity, EUR 743,462,037.11 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 2013

Cargotec's sales are expected to be slightly below 2012 and operating profit excluding restructuring costs to be at 2012 level. Positive impact of efficiency improvement measures implemented will be weighted on the second half of the year.

Annual General Meeting 2013

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center in Helsinki on Wednesday, 20 March 2013 at 13.00 p.m. EET.

Helsinki, 11 February 2013

Cargotec Corporation

Board of Directors

Consolidated financial statements (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2012	%	1 Jan–31 Dec 2011	%
Sales	4, 6	**3,327.3**		**3,138.7**	
Cost of goods sold		-2,693.0		-2,480.9	
Gross profit		**634.3**	**19.1**	**657.8**	**21.0**
Other operating income	7	57.8		46.9	
Selling and marketing expenses		-185.8		-180.7	
Research and development expenses		-72.4		-59.0	
Administration expenses		-224.9		-203.4	
Restructuring costs	8	-26.2		-	
Other operating expenses	7	-51.7		-55.1	
Share of associated companies' and joint ventures' net income	17, 18	-0.3		0.5	
Operating profit	4, 8, 9, 10	**131.0**	**3.9**	**207.0**	**6.6**
Financing income	11	15.2		9.3	
Financing expenses	11	-24.1		-24.4	
Income before taxes		**122.2**	**3.7**	**191.9**	**6.1**
Income taxes	12	-33.0		-42.7	
Net income for the period		**89.2**	**2.7**	**149.3**	**4.8**
Net income for the period attributable to:					
Equity holders of the parent		88.8		148.6	
Non-controlling interest		0.3		0.6	
Total		**89.2**		**149.3**	
Earnings per share for profit attributable to the equity holders of the parent:	13				
Basic earnings per share, EUR		1.45		2.42	
Diluted earnings per share, EUR		1.45		2.42	

Consolidated statement of comprehensive income

MEUR		1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Net income for the period		89.2	149.3
Gain / loss on cash flow hedges		32.0	-13.1
Gain / loss on cash flow hedges transferred to statement of income		-26.8	-18.8
Translation differences		33.9	20.4
Taxes relating to components of other comprehensive income	12	-13.1	6.3
Comprehensive income for the period		**115.1**	**144.1**
Comprehensive income for the period attributable to:			
Equity holders of the parent		114.7	143.7
Non-controlling interest		0.4	0.4
Total		**115.1**	**144.1**

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

Consolidated statement of financial position

MEUR	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Non-current assets			
Goodwill	14	834.2	804.7
Other intangible assets	15	187.0	176.2
Property, plant and equipment	16	303.7	283.4
Investments in associated companies and joint ventures	17, 18	93.0	6.3
Available-for-sale investments	19, 22	4.2	4.3
Loans receivable and other interest-bearing assets *	22	8.2	8.4
Deferred tax assets	20	125.7	121.6
Derivative assets	22, 32	42.3	38.2
Other non-interest-bearing assets	22, 23	4.5	4.7
Total non-current assets		**1,603.0**	**1,447.8**
Current assets			
Inventories	21	747.2	821.3
Loans receivable and other interest-bearing assets *	22	1.6	1.1
Income tax receivables		13.4	10.9
Derivative assets	22, 32	34.2	22.9
Accounts receivable and other non-interest-bearing assets	22, 23	685.4	598.7
Cash and cash equivalents *	22, 24	209.0	203.7
Total current assets		**1,690.8**	**1,658.7**
Assets held for sale	25	**-**	**13.4**
Total assets		**3,293.8**	**3,119.9**

* Included in interest-bearing net debt.

MEUR	Note	31 Dec 2012	31 Dec 2011
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Translation differences		127.2	105.6
Fair value reserves		13.7	9.6
Retained earnings		924.8	895.7
Total equity attributable to the equity holders of the parent	26, 27	**1,228.1**	**1,173.2**
Non-controlling interest		4.1	4.0
Total equity		**1,232.2**	**1,177.1**
Non-current liabilities			
Loans *	22, 28	439.7	420.5
Deferred tax liabilities	20	64.6	51.4
Pension obligations	29	50.4	45.6
Provisions	30	37.3	33.4
Derivative liabilities	22, 32	32.9	16.0
Other non-interest-bearing liabilities	22, 31	26.4	15.3
Total non-current liabilities		**651.3**	**582.1**
Current liabilities			
Current portion of long-term loans *	22, 28	39.7	51.2
Other interest-bearing liabilities *	22, 28	219.3	46.7
Provisions	30	80.2	69.4
Advances received		315.0	402.6
Income tax payables		43.5	40.4
Derivative liabilities	22, 32	8.5	23.2
Accounts payable and other non-interest-bearing liabilities	22, 31	704.1	727.0
Total current liabilities		**1,410.3**	**1,360.5**
Liabilities directly associated with assets held for sale	25	**-**	**0.2**
Total equity and liabilities		**3,293.8**	**3,119.9**

* Included in interest-bearing net debt. In addition, the calculation of the interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 31 December 2012, EUR -1.6 (31 Dec 2011: -6.1) million.

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

Consolidated statement of changes in equity

MEUR	Note	Share capital	Share premium account	Translation differences	Fair value reserves	Retained earnings	Total	Non-controlling interest	Total equity
		Attributable to the equity holders of the parent							
Equity 1 Jan 2011		64.3	98.0	86.8	33.3	783.0	1,065.4	3.7	1,069.0
Net income for the period						148.6	148.6	0.6	149.3
Cash flow hedges					-23.7		-23.7		-23.7
Translation differences				18.8			18.8	-0.2	18.6
Comprehensive income for the period *				**18.8**	**-23.7**	**148.6**	**143.7**	**0.4**	**144.1**
Dividends paid	26					-37.3	-37.3	-0.1	-37.4
Share-based incentives *						1.4	1.4		1.4
Other changes						0.0	0.0	0.0	0.0
Equity 31 Dec 2011		**64.3**	**98.0**	**105.6**	**9.6**	**895.7**	**1,173.2**	**4.0**	**1,177.1**
Equity 1 Jan 2012		64.3	98.0	105.6	9.6	895.7	1,173.2	4.0	1,177.1
Net income for the period						88.8	88.8	0.3	89.2
Cash flow hedges					4.2		4.2		4.2
Translation differences				21.7			21.7	0.1	21.8
Comprehensive income for the period *				**21.7**	**4.2**	**88.8**	**114.7**	**0.4**	**115.1**
Dividends paid	26					-61.3	-61.3	-0.1	-61.4
Share-based incentives *						0.7	0.7		0.7
Transactions with owners of the company						**-60.6**	**-60.6**	**-0.1**	**-60.7**
Transactions with non-controlling interests						0.8	0.8	-0.2	0.6
Changes in ownership interest in subsidiaries						**0.8**	**0.8**	**-0.2**	**0.6**
Equity 31 Dec 2012		**64.3**	**98.0**	**127.2**	**13.7**	**924.8**	**1,228.1**	**4.1**	**1,232.2**

* Net of tax.

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

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Net income for the period		89.2	149.3
Depreciation, amortisation and impairments	10	70.0	63.3
Financing items	11	8.9	15.1
Taxes	12	33.0	42.7
Change in receivables		-83.5	-23.4
Change in payables		-97.1	60.2
Change in inventories		84.6	-136.9
Other adjustments		-8.0	-3.9
Cash flow from operations		**97.1**	**166.3**
Interest received		1.4	3.3
Interest paid		-20.4	-21.0
Other financial items		20.0	0.8
Income taxes paid		-38.6	-46.1
Cash flow from operating activities		**59.5**	**103.3**
Acquisitions, net of cash acquired	5	-22.1	-131.1
Divestments, net of cash sold	5	10.5	-
Investments to associated companies and joint ventures	17, 18	-89.7	-
Investments to intangible assets *	15	-22.7	-11.1
Investments to property, plant and equipment *	16	-86.5	-65.9
Proceeds from sales of fixed assets	16	28.5	15.6
Cash flow from investing activities, other items		2.8	6.8
Cash flow from investing activities		**-179.3**	**-185.7**
Proceeds from long-term borrowings		62.1	120.2
Repayments of long-term borrowings		-49.9	-102.1
Proceeds from short-term borrowings		160.5	5.7
Repayments of short-term borrowings		-9.9	-5.6
Dividends paid		-61.4	-37.4
Cash flow from financing activities		**101.5**	**-19.1**
Change in cash		**-18.3**	**-101.5**
Cash, cash equivalents and bank overdrafts 1 Jan	24	200.4	303.6
Effect of exchange rate changes		1.8	-1.6
Cash, cash equivalents and bank overdrafts 31 Dec	**24**	**183.9**	**200.4**
Bank overdrafts 31 Dec		25.0	3.3
Cash and cash equivalents 31 Dec		**209.0**	**203.7**

* Investments to intangible assets and property, plant and equipment include EUR 1.0 (2011: 0.4) million capitalised interests.

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

Notes to the consolidated financial statements (IFRS)

Contents

1. Accounting principles for the consolidated financial statements

General information

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

Cargotec is a provider of cargo handling solutions whose brands Hiab, Kalmar and MacGregor, are global market leaders in their fields and the solutions are used on land and at sea – wherever cargo is on the move. Extensive services close to customers ensure the continuous usability of equipment. Cargotec's on-road load handling solutions are used for moving, lifting, loading and unloading products, goods or raw material from vehicles. In terminals, ports, heavy industry and distribution centres Cargotec's container and heavy load handling equipment and services are used. Marine cargo flow solutions are used in general cargo, bulk, container and RoRo vessels, tankers, bulk terminals and offshore industry.

These consolidated financial statements were approved for publishing by the Board of Directors on 11 February 2013. Pursuant to the Finnish Limited-Liability Companies Act the shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after their publication. The Annual General Meeting also has the right to amend the financial statements. A copy of the financial statements is available on the Internet at www.cargotec.com or from the address Cargotec Corporation, Investor relations, P.O.Box 61, 00501 Helsinki, Finland.

Accounting principles and new accounting standards

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2012 have been used in preparation of the financial statements.

Financial information is presented in millions of euros and business transactions are based on historical cost convention unless otherwise stated. All figures presented have been rounded and consequently the sum of individual figures may deviate from the presented sum total.

Starting from 1 January 2012, Cargotec has adopted the amended 'IFRS 7 Financial instruments: Disclosures' published in 2010 by the IASB. Amendments enhance disclosures about transfers of financial assets. Aforementioned change had no material impact on the financial statements.

Consolidation principles

The consolidated financial statements include the parent company Cargotec Corporation and the subsidiaries, in which the parent company holds directly or indirectly more than 50 percent of the voting rights or in which it otherwise exercises control as well as joint ventures and associated companies. Being in control means the power to govern the financial and operating policies of the company in order to obtain benefits from its activities. Subsidiaries have been listed in note 36, Subsidiaries.

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

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

If the business combination is achieved in stages, the previous equity interest is valued at fair value and the difference to book value is recognised in profit and loss. Acquisition-related costs are expensed as incurred.

Transactions with non-controlling interests, that do not result in a change of control, are treated as equity transactions. For acquisitions from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains and losses on disposals to non-controlling interests are also recorded in equity. Distribution of net income for the period to the equity holders of the parent company and to non-controlling interest is presented in the statement of income. Equity attributable to non-controlling interest is disclosed as a separate item in the equity.

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

Investments in associated companies (in which Cargotec holds 20–50 percent of the voting rights or exercises significant influence, but has no control) and joint ventures (in which Cargotec holds 50 percent of the voting rights or exercises joint control with the other owners) are accounted for in the consolidated financial statements under the equity method. The investments in associates and joint ventures include the goodwill identified on acquisition as well as the costs for acquiring or establishing the associated company or joint venture.

Cargotec's share of the associated company's or joint venture's profit for the financial period are shown as a separate item before the operating result in the consolidated statement of income. If Cargotec's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are only reported if Cargotec is committed to fulfilling the obligations of the associated company or joint venture.

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

Foreign currency transactions

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

Foreign subsidiaries, associated companies and joint ventures

Items of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company.

The statements of income and cash flow of subsidiaries whose functional currency is other than the euro are translated into euros using the average exchange rate of the financial period. Balance sheet items, with the exception of net income for the financial period, are translated into euros with the balance sheet date exchange rate. Translation differences caused by different exchange rates are recorded in the statement of comprehensive income. Some intercompany loan agreements form part of a net investment as their settlement is neither planned nor probable in the foreseeable future, and thus the exchange rate gains and losses of these contracts is also recognised as translation differences in the statement of comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Cargotec together with the President and CEO. Operating segments are not aggregated to build the reporting segments.

As of 1 January 2012 Cargotec has three reporting segments, Marine, Terminals and Load Handling. At the same time the definition of services business was clarified. Reporting segments' financial information for comparable periods has been restated accordingly. As of 1 January 2013 the three reporting segments have been renamed MacGregor, Kalmar and Hiab.

Revenue recognition

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

The recognition criteria are usually applied separately to each transaction. Although included within a single agreement, an entity may contract to deliver multiple elements, for example equipment, software and services. If the agreement contains separately identifiable components, the fair value of the total price for the agreement is allocated to each component and the revenue recognition criteria is then separately determined for each component of the agreement.

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

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

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

Research and development costs

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

Income taxes

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

Goodwill

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

Other intangible assets

Other intangible assets include patents, trademarks, licenses, software, capitalised development costs, technologies, the acquired order book and customer relationships. These assets are originally valued at historical costs, except for intangible assets acquired in a business combination which are valued at fair value at acquisition date.

Intangible assets with definite useful lives are stated at cost less accumulated amortisations and impairment losses, if any. These assets are amortised on a straight-line basis over their useful lives as follows:

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

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

Property, plant and equipment

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

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

The assets' residual values and useful lives are reviewed, and adjusted when necessary, at each balance sheet date.

The cost of major renovations is included either in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be distinguished for ordinary maintenance and repair costs.

Gains and losses on sales of property, plant and equipment are included in the operating income.

Financing costs

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

Impairments

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

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

Goodwill and intangible assets with indefinite useful lives are tested for impairment when any indication of impairment exists, however, at least annually. Goodwill is allocated to the cash generating units (CGU) of the company for the purpose of impairment testing. The allocation is made to those cash generating units or group of units that are expected to benefit from the business combination in which they arose, identified according to the operating segments. The testing of other intangible assets with indefinite useful life is either performed as part of a cash-generating unit or separately if the asset generates independent cash flows. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future net cash flows are discounted to their present value based on the weighted average pre-tax cost of capital prevailing in the company for the currency area, where the cash generating unit can be considered to be located. The weighted average cost of capital reflects current market view of the time value of the money and risks relate to the unit to be tested. Impairment losses recognised for goodwill in the statement of income are not reversed.

Leases, Cargotec as lessee

Cargotec has rented property, plant and equipment. Lease agreements in which the lessor bears the ownership risks and rewards are classified as operating leases. Operating lease expenses are charged to the statement of income on a straight-line basis over the lease period.

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

Leases, Cargotec as lessor

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

In a finance lease the risks and rewards of ownership are transferred to the lessee. The sales profit is recognised similarly to profit from an outright sale. Finance lease receivables are recognised in balance sheet at present value. The financial charge relating to the finance lease contract is recognised in the income statement over the lease term so as to achieve a constant interest rate on outstanding balance.

Customer finance

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

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

Inventories

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

Financial assets

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

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

Loans and other receivables are not quoted in the market and they are not kept for trading purposes. Loans receivable are measured at amortised cost using the effective interest method. Transaction costs directly attributable to the acquisition or issue of the financial asset are included in the initial recognised amount. An impairment loss is recognised in the statement of income if the book value of the loan receivable is higher than the estimated recoverable amount. Accounts receivable are recorded at original invoiced amount less an estimated valuation allowance for impairment. An allowance is recognised when there is objective evidence that Cargotec will not be able to collect all amounts due.

Financial assets available-for-sale consist of shares not quoted in the market and are carried at cost, as the fair value of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition cost. If there is objective evidence that the fair value has decreased, an impairment loss is recognised in the statement of income. Impairment on investments in shares cannot be reversed.

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

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified as financial liabilities recorded at amortised cost and liabilities at fair value through profit or loss. Liabilities with maturities under 12 months are included in the balance sheet under current liabilities and those with maturities over 12 months under non-current liabilities.

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

Financial liabilities recognised at amortised cost are initially recognised at fair value, net of any transaction costs incurred. Subsequently, the liabilities are valued at amortised cost. This category includes interest-bearing and non-interest-bearing payables in non-current and current liabilities. Interest and transaction costs are accrued and recorded in the statement of income over the period of the loan payable using the effective interest rate method. Arrangement and commitment fees paid for unused credit facilities are capitalised as prepayment and amortised over the period of the facility.

Derivative financial instruments and hedge accounting

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

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

Changes in the fair value of effective cash flow hedges are recognised in the statement of other comprehensive income. However, for currency forwards only the exchange rate difference is recognised in other comprehensive income and the fair value changes due to interest rate difference is recognised in financial expenses in the statement of income. Cumulative gain or loss on the hedge deferred to reserves is recognised in the statement of income as adjustment to the underlying cash flow when the underlying cash flow is recognised. If the underlying cash flow is no longer expected to materialise, the deferred gain or loss is immediately recognised in the statement of income. If the hedging instrument is sold, the contract is revoked, exercised or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument is booked as a separate item in the fair value reserve and is recognised in the statement of income when the underlying operative item materialises. If effectiveness testing results in ineffectiveness, the ineffective portion of the hedges is recognised immediately in the statement of income.

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

Dividends

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

Pension obligations

Cargotec operates various pension plans in accordance with local conditions and practices. The plans are classified as either defined contribution plans or defined benefit plans. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses. The defined benefit obligation is calculated using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised. In the statement of income over the expected average remaining working lives of the employees to the extent that they exceed the greater of 10 percent of the liability or 10 percent of the fair value of plan assets at the beginning of the respective year. Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Defined benefit pension costs consist of current service costs, interest costs, expected return on plan assets, actuarial gains and losses recognised in the statement of income and the effects of any curtailment or settlement.

Provisions

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

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

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

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

Treasury shares

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

Share-based payments

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

The expensed amount is based on the estimated future benefits at the end of the earnings period. The non-market criteria, like profitability or increase in sales, are not included in the fair value of the benefit but taken into account when estimating the total benefits. The estimate is updated at every closing and changes in estimates are recorded through the statement of income.

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

Adoption of new or amended IFRS standards and interpretations

In 2013 Cargotec will adopt the following new and amended standards and interpretations by the IASB:

IAS 19 Employee benefits (amendment). These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Management estimates the amendment effects the group’s profit, equity, defined pension liability and notes. The liability at the end of 2012 is expected to increase by EUR 17.9 million and the income statement effect is expected to be EUR 0.5 million positive for 2012 financial year.

IFRS 13 Fair value measurement. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 1 Presentation of financial statement – other comprehensive income (amendment). The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 7 Financial instruments: Disclosures (amendment). This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

In addition, the group plans to adopt changes related to Annual Improvements 2011.

The following standards, interpretations and amendments will be applied in 2014 or later:

IFRS 9 Financial instruments*. IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

IFRS 10 Consolidated financial statements. The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. Defines the principle of control, and establishes controls as the basis for consolidation. Set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Sets out the accounting requirements for the preparation of consolidated financial statements.

IFRS 11 Joint arrangements. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12 Disclosures of interests in other entities. IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles.

IAS 27 Separate financial statements (revised). Revised standard includes the provisions on separate financial statements that are left after the control provisions have been included in the new IFRS 10.

IAS 28 Associates and joint ventures (revised). Revised standards include the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IAS 32 Financial instruments: Presentation (amendment). These amendments are to the application guidance in IAS 32, ‘Financial instruments: Presentation’, and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Management is assessing the impact of the above mentioned standards and interpretations on the consolidated financial statements.

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

2. Estimates and judgements requiring management estimation

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

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

Impairment testing

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

Goodwill and other intangible assets with indefinite useful life are tested at least annually. For impairment testing, goodwill and other intangible assets with indefinite useful life are allocated to cash generating units (CGU). The recoverable amounts of cash generating units are based on value-in-use calculations. These calculations require the use of estimates. On 31 December 2012, Cargotec had goodwill amounting to EUR 834.2 (31 Dec 2011: 804.7) million and other intangible assets with indefinite useful life totalling EUR 41.4 (31 Dec 2011: 41.2) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in note 14, Goodwill.

Taxes

Determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax asset to be recognised requires management judgement. On 31 December 2012, Cargotec had EUR 66.4 (31 Dec 2011: EUR 72.7) million deferred tax assets resulting from carried forward tax losses.

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

Business combinations

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

Defined benefit plans

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions. Additional information is disclosed in note 29, Employee benefits.

Revenue recognition

Percentage of completion method is applied to separately identified long-term construction contracts. Application of percentage of completion method requires an estimate of the actual costs incurred in proportion of the estimated total costs. If the estimate of the final outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change has come to attention and can be estimated. The expected loss from the long-term construction contract is expensed immediately. In 2012 approximately 6.1 (2011: 3.2) percent of sales were recognised based on the percentage of completion of the long-term construction contracts. Additional information is disclosed in note 6, Long-term construction contracts.

Provisions

A provision is recognised when Cargotec has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. A provision may be recognised only when the amount can be reliably estimated. The amount to be recorded is the best estimate of the cost required to settle the obligation. The estimate of the financial impact of the past event requires management judgment, which is based on the similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The actual costs may differ from the estimated costs. The most significant provisions are warranty provisions, which include the cost of repairing or replacing products during the warranty period. Restructuring provision is recognised when Cargotec has prepared a detailed restructuring plan and published it. On 31 December 2012, provisions totalled EUR 117.6 (31 Dec 2011: 102.9) million, of which EUR 19.6 (31 Dec 2010: 8.6) million were restructuring provisions. Additional information is disclosed in note 30, Provisions.

Inventories

Cargotec recognises an allowance for obsolete items at the end of the reporting period based on best knowledge. The estimate is based on systematic and continuous control over the inventory. Nature, age structure and volumes based on estimated need are taking into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet on 31 December 2012 totalled EUR 74.7(31 Dec 2011: 79.2) million. Additional information is disclosed in note 21, Inventories.

Accounts receivable

Cargotec recognises impairment on accounts receivable at the end of the reporting period based on best knowledge when there is objective evidence that Cargotec will not be able to collect all amounts due. Estimates are based on systematic and continuous follow-up as part of the credit risk control. The amount of impairment in the balance sheet on 31 December 2012 totalled EUR 22.3 (31 Dec 2011: 17.8) million. Additional information on impairment on accounts receivable is disclosed in note 23, Accounts receivable and other non-interest-bearing liabilities.

3. Financial risk management

Organisation of finance function and financial risk management

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

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

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

Currency risk

Cargotec operates in approximately 120 countries and is, due to global operations, exposed to risks arising from foreign exchange rate fluctuations. A significant proportion of Cargotec sales and production costs are generated in foreign currencies, mostly in US dollars and Swedish krona. Cargotec also operates in countries in which hedging of currency risk is restricted, such as China and South Korea.

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

Cargotec applies hedge accounting to the majority of its hedges. A change in the fair value of a hedge of future cash flow is recognised in the hedge reserve under equity, until the cumulative profit or loss is recorded in the statement of income simultaneously with the underlying cash flow. Hedge accounting is not applied in cases where its impact on the consolidated statement of income is deemed insignificant by Cargotec Treasury.

Cash flow hedge accounting is applied to the cash flows of the USD 300 million Private Placement corporate bonds, funded in February 2007 and maturing in years 2014 to 2019.The cash flows of the bonds are converted into euro flows through long-term cross currency and interest rate swaps. As a result of the hedging, Cargotec effectively holds EUR 225.7 million long-term fixed rate debt.

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

If US dollar had strengthened/weakened 10 percent against euro, effect on the income before taxes would have been EUR 0.7 million positive/negative (31 Dec 2011: 0.9 million positive/negative), and on other comprehensive income EUR 15.3 (31 Dec 2011: 19.0) million negative/positive.

If Swedish krona had strengthened/weakened 10 percent against euro, effect on the income before taxes would have been EUR 0.9 million positive/negative (31 Dec 2011: 1.8 million positive/negative), and on other comprehensive income EUR 14.4 (31 Dec 2011: 17.7) million positive/negative.

If Swedish krona had strengthened/weakened 10 percent against US dollar, effect on the income before taxes would have been EUR 0.5 million positive/negative (31 Dec 2011: EUR 0.6 million negative/positive), and on other comprehensive income EUR 16.3 (31 Dec 2011: 30.7) million positive/negative.

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

Interest rate risk

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

On 31 December 2012, Cargotec consolidated interest-bearing debt totalled EUR 698.6 (31 Dec 2011: 518.3) million, of which EUR 227.1 (31 Dec 2011: 243.7) million consisted of fixed rate corporate bonds, EUR 50.0 (31 Dec 2011: 83.3) million of other long-term fixed rate loans, EUR 3.1 (31 Dec 2011: 2.3) million of finance lease liabilities and the rest, EUR 418.4 (31 Dec 2011: 188.8) million of floating rate loans, short term loans and bank overdrafts. On 31 December 2012, the average duration of interest-bearing debt, including hedges of loans, was 17 (31 Dec 2011: 28) months.

The EUR 218.8 (31 Dec 2011: 213.3) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 7.8 (31 Dec 2011: 7.1) million and customer finance related finance lease receivables EUR 2.0 (31 Dec 2011: 2.4) million. The average duration of the deposits was less than one month (31 Dec 2011: less than one month), and that of the loans receivable 6 (31 Dec 2011: 7) months.

Following the sensitivity analysis, per one percentage point increase/decrease in interest rates, the effect on consolidated net interests would be EUR 1.2 million (31 Dec 2011: 0.5) million negative/positive). The statement of income sensitivity is due to bank account balances, variable rate loans, short term loan receivables, deposits and bank accounts and bank overdrafts. The sensitivity is calculated as annual effect assuming the balance sheet remains unchanged.

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

Interest fixing periods

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

31 Dec 2011 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Interest-bearing assets	207.5	3.7	0.3	0.3	1.4	213.3
Non-current loans from financial institutions	-159.0	-16.7	-33.3	-16.7	-	-225.7
Corporate bonds	-12.2	-	-	-73.3	-158.1	-243.7
Finance lease liabilities	-0.4	-0.2	-0.6	-0.2	-0.8	-2.3
Current interest-bearing liabilities *	-31.1	-15.6	-	-	-	-46.7
Net	**4.8**	**-28.8**	**-33.6**	**-89.9**	**-157.6**	**-305.1**

* Including bank overdrafts.

On 31 December 2012, the interest fixing period for corporate bonds ranged between 1 and 7 years.

Other market risk

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

Liquidity and funding risks

Liquidity risk is managed by retaining long-term liquidity reserves, exceeding short-term liquidity requirement. On 31 December 2012, the liquidity reserves, including cash and cash equivalents and long-term unused credit facilities, totalled EUR 509 (31 Dec 2011: 504) million. Short-term liquidity requirement includes the repayments of short and long-term debt within the next 12 months, as well as strategic liquidity requirement, defined by Treasury Committee, which covers the operative funding demand within the following 12 months. On 31 December 2012, repayments of short and long-term interest-bearing liabilities due in the following 12 months totalled EUR 258.6 (31 Dec 2011: 94.7) million.

On 31 December 2012 Cargotec held EUR 300 million long-term Revolving Credit Facility maturing in 2016 (31 Dec 2011: 300 million maturing in 2016).The facility was fully undrawn during 2012 and 2011. According to the facility agreement, Cargotec has a right to withdraw funds on three days’ notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short term bank overdraft facilities of EUR 164 (31 Dec 2011: 165) million and a EUR 150 million domestic Commercial Paper facility. On 31 December 2012 EUR 148.6 (31 Dec 2011: 0.0) million was in use.

Funding risk is defined as risk of an untenably high proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities, as well as retaining flexible credit facility agreements. Cargotec loan agreements include a covenant restricting the corporate capital structure. According to the covenant, Cargotec gearing must be retained below 125 percent. On 31 December 2012 gearing was 38.8 (31 Dec 2011: 25.4) per cent. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

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

Maturities of financial liabilities

31 Dec 2012 MEUR	2013	2014	2015	2016	2017	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,528.7	-16.3	-7.2	-3.1	-	-	-3,555.2
Currency forward contracts, inflow	3,557.5	16.8	7.4	3.3	-	-	3,585.0
Cross-currency and interest rate swaps, outflow	-10.5	-82.0	-7.3	-7.2	-97.5	-70.0	-274.5
Cross-currency and interest rate swaps, inflow	12.7	82.7	8.7	8.7	97.1	69.9	279.9
Derivatives, net	**31.0**	**1.3**	**1.6**	**1.8**	**-0.4**	**-0.1**	**35.1**
Accounts payable and other non-interest bearing liabilities	-303.2	-9.9	-6.0	-6.1	-3.9	-0.5	-329.6
Loans from financial institutions, repayments	-109.3	-22.4	-5.7	-3.2	-4.2	-175.0	-319.8
Loans from financial institutions, finance charges	-5.4	-3.8	-3.5	-3.4	-3.3	-5.2	-24.5
Commercial papers, repayments	-148.6	-	-	-	-	-	-148.6
Commercial papers, finance charges	-0.4	-	-	-	-	-	-0.4
Corporate bonds, repayments	0.0	-71.9	0.0	0.0	-90.8	-64.4	-227.1
Corporate bonds, finance charges	-12.7	-10.7	-8.7	-8.7	-6.2	-5.5	-52.5
Finance leases, repayments	-0.7	-1.2	-0.3	-0.2	-0.1	-0.6	-3.1
Finance leases, finance charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**-549.1**	**-118.6**	**-22.5**	**-19.9**	**-109.0**	**-251.3**	**-1,070.4**

31 Dec 2011 MEUR	2012	2013	2014	2015	2016	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,830.9	-173.3	-0.3	-6.3	-3.1	-	-4,013.8
Currency forward contracts, inflow	3,833.0	178.1	0.3	6.3	3.2	-	4,020.8
Cross-currency and interest rate swaps, outflow	-10.5	-10.5	-79.2	-7.2	-7.2	-161.4	-276.1
Cross-currency and interest rate swaps, inflow	12.9	12.9	82.9	8.9	8.9	167.2	293.8
Derivatives, net	**4.5**	**7.2**	**3.7**	**1.7**	**1.8**	**5.8**	**24.7**
Accounts payable and other non-interest bearing liabilities	-356.6	-6.2	-4.1	-2.3	-2.0	-0.7	-371.9
Loans from financial institutions, repayments	-81.8	-38.3	-21.7	-5.0	-2.5	-120.0	-269.3
Loans from financial institutions, finance charges	-6.4	-4.7	-3.7	-3.4	-3.3	-10.4	-31.9
Corporate bonds, repayments	-12.2	-	-73.4	-	-	-158.4	-244.1
Corporate bonds, finance charges	-13.1	-12.9	-9.5	-8.9	-8.9	-8.8	-62.1
Finance leases, repayments	-0.7	-0.6	-0.2	-0.1	-0.1	-0.6	-2.3
Finance leases, finance charges	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.5
Total	**-466.5**	**-55.6**	**-108.9**	**-18.0**	**-15.1**	**-293.2**	**-957.4**

Corporate bonds have maturities ranging from 2014 to 2019 and loans from financial institutions have maturities ranging from 2013 to 2022.

Credit and counterparty risks

The business units are responsible for managing the operational credit risks. On account of the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risks are managed through contractual clauses including advance payments, bank guarantees or other guarantees. The percentage value of advance payment guarantees was 48 (31 Dec 2011: 62) percent. Risks of default or fraud are controlled by monitoring the creditworthiness of customers. Credit risks relating to major contracts are shared with financial institutions, insurance companies or export guarantee boards, when feasible. More information on trade receivables is presented in note 23, Accounts receivable and other non-interest-bearing receivables.

Cargotec holds no significant amounts of external loan receivables. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee. The Treasury Committee examines counterparties and sets counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and may reject a counterparty on immediate notice. During 2012 and 2011, only Cargotec main relationship banks were accepted as counterparties.

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

Operational risks of the treasury functions

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

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

Capital structure management

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

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

MEUR	31 Dec 2012	31 Dec 2011
Interest-bearing liabilities *	697.0	512.2
Interest-bearing loan receivables	-9.8	-9.5
Cash and cash equivalents	-209.0	-203.7
Interest-bearing net debt	**478.2**	**299.0**
Equity	1,232.2	1,177.2
Gearing	**38.8%**	**25.4%**

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

4. Segment information

Cargotec has three operating segments; MacGregor (Marine until 31 December 2012), Kalmar (Terminals until 31 December 2012) and Hiab (Load Handling until 31 December 2012). The operating segments are based on the management reports prepared for the Board of Directors and the President and CEO. These reports are prepared in accordance with IFRS. Operating segments have not been aggregated to build the reportable segments. Management considers the business from a product perspective and assesses the performance of the segment based on operating profit. The transfer pricing between segments is based on market prices.

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

4.1. Operating segments

Segment results

Sales of the operating segments comprise products and services sales. The financial performance of the operating segments is measured through operating profit (excluding restructuring costs) and operating profit according to IFRS. Financing income and expenses, taxes and certain corporate administration cost are not allocated to the operating segments. During the financial year 1 Jan−31 Dec 2012 and 1 Jan−31 Dec 2011 Cargotec did not have individual significant customers according to definition of IFRS 8.

1 Jan–31 Dec 2012 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Services	176.6	359.4	228.7	764.7	-	764.7
Products	889.4	1,062.1	611.1	2,562.6	-	2,562.6
External sales total	1,065.9	1,421.6	839.8	3,327.3	-	3,327.3
Internal sales	0.3	0.5	0.2	1.1	-1.1	-
Total sales	**1,066.3**	**1,422.1**	**840.0**	**3,328.4**	**-1.1**	**3,327.3**
Depreciation and amortisation	7.3	40.5	13.1	60.9	5.4	66.2
Impairment charges	-	1.7	1.3	3.0	0.9	3.8
Share of associated companies' and joint ventures' net income	0.3	-0.5	0.0	-0.3	-	-0.3
Operating profit excluding restructuring costs	**140.9**	**32.3**	**27.2**	**200.4**	**-43.2**	**157.2**
% of sales	13.2%	2.3%	3.2%	-	-	4.7%
Restructuring costs	3.2	9.9	10.4	23.4	2.8	26.2
Operating profit	**137.7**	**22.4**	**16.9**	**177.0**	**-46.0**	**131.0**
% of sales	12.9%	1.6%	2.0%	-	-	3.9%
Financing items	-	-	-	-	-	-8.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**122.2**

1 Jan–31 Dec 2011 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Services	175.2	345.9	218.0	739.1	-	739.1
Products	1,038.0	811.2	550.4	2,399.7	-	2,399.7
External sales total	1,213.2	1,157.1	768.4	3,138.7	-	3,138.7
Internal sales	0.2	1.6	0.4	2.2	-2.2	-
Total sales	**1,213.4**	**1,158.7**	**768.8**	**3,141.0**	**-2.2**	**3,138.7**
Depreciation and amortisation	8.6	34.7	14.3	57.7	5.0	62.6
Impairment charges	-	-	0.6	0.6	-	0.6
Share of associated companies' and joint ventures' net income	0.1	0.3	0.1	0.5	-	0.5
Operating profit	**176.2**	**55.9**	**20.6**	**252.7**	**-45.7**	**207.0**
% of sales	14.5%	4.8%	2.7%	-	-	6.6%
Financing items	-	-	-	-	-	-15.1
Income before taxes	**-**	**-**	**-**	**-**	**-**	**191.9**

Segment assets and liabilities

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

31 Dec 2012 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets	733.2	1,317.9	677.4	2,728.5	63.8	2,792.3
Investments in associated companies and joint ventures	14.2	78.1	0.7	93.0	-	93.0
Unallocated assets, interest-bearing	-	-	-	-	218.8	218.8
Other unallocated assets	-	-	-	-	189.6	189.6
Total assets	**747.4**	**1,396.0**	**678.2**	**2,821.6**	**472.2**	**3,293.8**
Non-interest-bearing liabilities	512.7	527.8	195.5	1,236.1	-15.2	1,220.9
Unallocated liabilities, interest-bearing *	-	-	-	-	697.0	697.0
Other unallocated liabilities	-	-	-	-	143.8	143.8
Total liabilities	**512.7**	**527.8**	**195.5**	**1,236.1**	**825.6**	**2,061.6**
Assets employed	234.7	868.2	482.7	1,585.5	78.9	1,664.5
Capital expenditure	3.7	81.9	10.4	96.0	14.5	110.5

31 Dec 2011 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets	828.2	1,169.9	687.8	2,685.9	49.7	2,735.6
Investments in associated companies and joint ventures	1.1	4.4	0.7	6.3	-	6.3
Unallocated assets, interest-bearing	-	-	-	-	213.3	213.3
Other unallocated assets	-	-	-	-	164.8	164.8
Total assets	**829.3**	**1,174.3**	**688.5**	**2,692.1**	**427.8**	**3,119.9**
Non-interest-bearing liabilities	642.5	483.7	187.6	1,313.8	9.1	1,322.9
Unallocated liabilities, interest-bearing *	-	-	-	-	512.2	512.2
Other unallocated liabilities	-	-	-	-	107.6	107.6
Total liabilities	**642.5**	**483.7**	**187.6**	**1,313.8**	**629.0**	**1,942.7**
Assets employed	186.9	690.6	500.9	1,378.4	40.6	1,419.0
Capital expenditure	3.5	49.0	16.9	69.4	7.2	76.6

* The unallocated interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 300 million Private Placement bond, totalling on 31 December 2012, EUR -1.6 (31 Dec 2011: -6.1) million.

Orders

	Orders received		Order book	
MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011	31 Dec 2012	31 Dec 2011
MacGregor	721.5	996.6	920.3	1,374.5
Kalmar	1,487.7	1,463.6	910.3	865.4
Hiab	849.8	776.5	191.9	189.0
Eliminations	-1.0	-3.4	-1.5	-2.9
Total	**3,058.0**	**3,233.2**	**2,021.0**	**2,426.2**

Number of employees

	Average		At the end of year	
	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011	31 Dec 2012	31 Dec 2011
MacGregor	2,060	2,155	1,979	2,129
Kalmar	5,094	4,830	5,087	5,146
Hiab	3,121	3,427	3,017	3,364
Corporate administration and support functions	247	281	211	289
Total	**10,522**	**10,692**	**10,294**	**10,928**

4.2. Information divided by geographical area

Sales

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

1 Jan–31 Dec 2012 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	10.9	23.6	32.4	66.9	0.0	66.8
Other EMEA (Europe, Middle East, Africa)	248.1	593.1	433.7	1,274.9	-0.7	1,274.2
China	338.7	55.4	13.8	407.8	-	407.8
South Korea	228.4	13.4	22.1	263.9	-	263.9
Other Asia-Pacific	196.9	238.9	71.0	506.8	-0.2	506.6
USA	31.0	333.0	191.5	555.5	0.0	555.4
Other Americas	12.3	164.6	75.6	252.5	-0.1	252.5
Total	**1,066.3**	**1,422.1**	**840.0**	**3,328.4**	**-1.1**	**3,327.3**

1 Jan–31 Dec 2011 MEUR	MacGregor	Kalmar	Hiab	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	10.8	20.7	30.8	62.2	-1.0	61.3
Other EMEA (Europe, Middle East, Africa)	249.4	517.1	436.8	1,203.3	-0.9	1,202.4
China	403.1	61.8	9.3	474.2	0.0	474.2
South Korea	276.9	13.8	23.1	313.8	-	313.8
Other Asia-Pacific	216.9	156.4	70.4	443.7	-0.3	443.3
USA	35.0	268.2	139.4	442.6	0.0	442.6
Other Americas	21.4	120.7	59.1	201.2	-	201.2
Total	**1,213.4**	**1,158.7**	**768.8**	**3,141.0**	**-2.2**	**3,138.7**

Non-current assets *

MEUR	31 Dec 2012	31 Dec 2011
Finland	118.2	45.7
Other EMEA (Europe, Middle East, Africa)	288.7	238.6
Asia-Pacific	68.2	70.8
Americas	108.7	110.8
Goodwill	834.2	804.7
Total	**1,418.1**	**1,270.6**

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

Capital expenditure

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Finland	46.8	18.5
Other EMEA (Europe, Middle East, Africa)	44.5	44.3
Asia-Pacific	7.3	8.5
Americas	11.9	5.4
Total	**110.5**	**76.6**

Number of employees

	31 Dec 2012	31 Dec 2011
Finland	936	1,039
Other EMEA (Europe, Middle East, Africa)	5,037	5,421
Asia-Pacific	2,883	3,055
Americas	1,438	1,413
Total	**10,294**	**10,928**

5. Acquisitions and disposals

Acquisitions 2012

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

The goodwill generated by the acquisition is based on personnel and expected synergy benefits. Goodwill is not tax-deductible.

Acquired net assets and goodwill, MEUR	
Intangible assets	11.3
Property, plant and equipment	0.0
Deferred tax asset	0.2
Deferred tax liability	-1.2
Accounts payable and other non-interest-bearing liabilities	-0.5
Net assets	**9.8**
Purchase price, settled in cash	20.7
Contingent consideration	0.9
Total consideration	**21.6**
Goodwill	**11.8**
Purchase price, settled in cash	20.7
Cash and cash equivalents acquired	0.0
Cash flow impact	**20.7**

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

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

Acquired technology and know-how are being integrated into Cargotec's automation portfolio, and the effect to sales and profit cannot be presented separately.

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

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

Disposals 2012

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

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

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

Acquisitions 2011

Navis

In March 2011, Cargotec acquired the US-based terminal operating systems provider Navis by acquiring 100 percent of the shares in Navis Holding LLC from Zebra Technologies Corporation. The acquisition was completed after regulatory approvals were received and the acquired business was consolidated in the Industrial & Terminal reporting segment as of 19 March 2011 (Navis belongs now to Kalmar segment).

The acquired goodwill is primarily based on personnel and expected synergy benefits. Together Cargotec and Navis are able to offer integrated solutions enabling them a better position in delivering total solutions to customers. The goodwill is primarily tax-deductible for income tax purposes. The table below presents the consideration paid, the fair value of assets acquired and liabilities assumed for Navis at the time of acquisition.

Acquired net assets and goodwill, MEUR	
Intangible assets	73.0
Property, plant and equipment	0.9
Deferred tax asset	0.4
Accounts receivable and other non-interest-bearing assets	14.5
Cash and cash equivalents	0.7
Accounts payable and other non-interest-bearing liabilities	-6.2
Net assets	**83.2**
Purchase price, settled in cash	131.2
Purchase price, replacement award	1.2
Total consideration	**132.4**
Goodwill	**49.1**
Purchase price, settled in cash	131.2
Cash and cash equivalents acquired	-0.7
Cash flow impact	**130.5**

Transaction costs of EUR 1.7 million are included in the operating profit of Kalmar segment and in other operating expenses in the consolidated statement of income.

Intangible assets acquired include the fair valuation of technology EUR 8.7 million, trademark EUR 1.7 million and customer relationships EUR 62.6 million.

The fair value of accounts and other receivables is EUR 14.5 million and includes accounts receivable with a fair value of EUR 12.0 million. The fair value of accounts receivable does not include any significant risk.

An adjustment to fair value has been made to the deferred revenue recognised on Navis' acquisition date balance sheet when no future obligation to provide additional services existed. As the fair value of the remaining obligation was less than the book value, the re-measurement of deferred revenue decreased the post-acquisition sales and profitability of Navis by approximately EUR 10 million for slightly over one year when consolidating into Cargotec.

Cargotec was obliged to replace the share-based incentives granted by Zebra to Navis employees. The fair value of the replacement award that relates to pre-combination services has been included to the purchase price of Navis. The amount that relates to post-combination services, EUR 0.6 million, will be charged to the statement of income over the remaining vesting periods which extend to May 2014. Payments of the replacement award will be made in cash and it requires continued employment at Cargotec until the end of each vesting period.

Sales for the financial period included Navis with sales of EUR 35 million. Had the business been acquired on 1 January 2011, the increase in Cargotec's 2011 sales, including the holding period, would have been roughly EUR 45 million.

Other acquisitions

In November 2010, Cargotec acquired the assets of a Swedish installation and service company, Hallberg-Ivarsson Hydraulik & Påbyggnad AB, located in Gothenburg. The company specialises in installation and services for on-road load handling equipment and heavy vehicles. The deal was closed in early January 2011.

In December 2010, Cargotec became a majority shareholder in Cargotec Terminal Solutions (Malaysia) Sdn. Bhd. (former Kalmar (Malaysia) Sdn. Bhd.) by increasing its ownership in the company from 50.0 to 69.9 percent. The deal was closed in early January 2011.

The combined purchase price allocation from these acquisitions is presented below. The allocation is calculated on the basis of the balance sheets of acquired businesses as per 1 January 2011. The goodwill arising from these acquisitions is attributable to assembled workforce and post-acquisition synergies. The goodwill is not tax-deductible for income tax purposes.

The pre-existing ownership in Cargotec Terminal Solutions (Malaysia) Sdn. Bhd. has been valued at fair value at the date of acquisition. The fair value was estimated by using the purchase price paid for acquisition of 19.9 percent stake in Kalmar (Malaysia) Sdn. Bhd. The revaluation result of EUR 1.6 million is included in other operating income in the consolidated statement of income.

Transaction costs related to the acquisitions are included in other operating expenses in the consolidated statement of income.

Acquired net assets and goodwill, MEUR	
Intangible assets	2.5
Property, plant and equipment	0.4
Inventories	0.8
Loans receivable and other interest-bearing assets	3.7
Accounts receivable and other non-interest-bearing assets	4.6
Cash and cash equivalents	0.1
Advances received	-2.4
Accounts payable and other non-interest-bearing liabilities	-6.7
Loans	-0.2
Deferred tax liabilities	-0.6
Net assets	**2.2**
Purchase price, settled in cash	0.7
Contingent consideration	0.3
Fair value of equity interest held before the business combination	2.1
Total consideration	**3.1**
Non-controlling interest	0.0
Goodwill	**0.9**
Purchase price, settled in cash	0.7
Cash and cash equivalents acquired	-0.1
Cash flow impact	**0.6**

6. Long-term construction contracts

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Sales in statement of income, long-term construction contracts	201.7	100.5

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

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

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

31 Dec 2011 MEUR	Net amount of recognised costs, profits and losses	Progress billings	Net
Amount due from customers presented as an asset	-	-	42.0
Amount due to customers presented as a liability	-	-	16.0
Projects in progress total	**196.9**	**170.8**	**26.0**

Customer advances EUR 49.2 (0.0) million are included in amounts due to customers.

7. Other operating income and expenses

Other operating income

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Gain on disposal of intangible assets and property, plant and equipment	8.4	2.1
Customer finance related other income	33.1	27.7
Rental income	3.5	2.8
Income due to order cancellations	1.6	3.5
Gain on remeasuring existing interest on acquisition	-	1.6
Other income	11.2	9.1
Total	**57.8**	**46.9**

Other operating expenses

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Loss on disposal of intangible assets and property, plant and equipment	0.5	0.3
Customer finance related other expenses	32.4	27.0
Expenses due to order cancellations	1.3	2.7
Business combinations related expenses	0.7	3.0
Restructuring costs *	1.0	4.9
Other expenses	15.8	17.1
Total	**51.7**	**55.1**

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

Audit fees

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Annual audit	1.9	2.6
Tax advice	1.0	0.9
Other services	0.9	0.3
Total	**3.8**	**3.8**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR 26.8 (2011: 18.8) million, of which EUR 8.6 (2011: 34.2) million in sales, EUR 16.7 (2011: -14.1) million in cost of goods sold, and the portion of ineffective hedges and released cash flow hedges related to cancelled projects, EUR 1.5 (2011: -1.2) million in other operating expenses.
In addition, operating profit includes EUR 0.0 (2011: 0.3) million of exchange rate differences on derivative instruments, on which hedge accounting is not applied.

8. Restructuring costs

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

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

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

1 Jan–31 Dec 2011 MEUR	MacGregor	Kalmar	Hiab	Other	Total
Employment termination costs	0.1	0.5	1.8	0.9	3.2
Impairment of non-current assets	-	-	0.7	-	0.7
Impairment of inventory	-	-	0.5	-	0.5
Other restructuring costs *	-	1.6	0.2	0.5	2.3
Total	**0.1**	**2.1**	**3.2**	**1.3**	**6.7**
Restructuring costs by function					
Cost of goods sold	-	-0.1	-	-	-0.1
Selling and marketing expenses	-	0.3	0.2	0.0	0.5
Research and development expenses	-	0.3	-	-	0.3
Administration expenses	0.1	0.2	-	0.9	1.1
Other operating expenses	-	1.5	3.0	0.4	4.9
Total	**0.1**	**2.1**	**3.2**	**1.3**	**6.7**

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

9. Personnel expenses

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Wages and salaries	451.1	417.4
Equity-settled share-based payments	0.7	1.5
Cash-settled share-based payments	-0.2	0.0
Pension costs	35.3	26.9
Other statutory employer costs	93.8	93.5
Total	**580.7**	**539.3**

Pension costs are presented in more detail in note 29, Employee benefits.
Information on key management compensation is presented in note 35, Related-party transactions and information on options granted as well as other share-based incentives in note 27, Share-based payments.

10. Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Cost of goods sold	30.0	31.6
Sales and marketing	16.1	13.4
Research and development	5.8	4.5
Administration	11.7	10.3
Restructuring	3.8	-
Other	2.6	3.4
Total	**70.0**	**63.3**

Depreciation and amortisation by asset type

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Intangible assets	18.4	16.2
Buildings	7.8	7.7
Machinery & equipment	40.0	38.7
Total	**66.2**	**62.6**

Impairment charges by asset type

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Goodwill	-	-
Other intangible assets	0.9	-
Property, plant and equipment	3.0	0.6
Total	**3.8**	**0.6**

11. Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Interest income on loans receivable and cash and cash equivalents	1.9	3.0
Forward contracts interest component	13.0	5.6
Other financing income	0.3	0.7
Dividend income on available-for-sale investments	0.0	0.0
Total	**15.2**	**9.3**

Financing expenses

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Interest expenses on financial liabilities measured at amortised cost	21.1	19.7
Capitalised borrowing costs	-1.0	-0.4
Arrangement and commitment fees relating to interest-bearing loans	0.9	0.9
Other financing expenses	1.8	3.3
Exchange rate differences, net	1.3	0.9
Total	**24.1**	**24.4**

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Exchange rate differences on interest-bearing loans and receivables	-14.1	-10.4
Exchange rate differences on derivative instruments	12.8	9.5
Total	**-1.3**	**-0.9**

Positive result on cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 2.5 (2011: 1.6) million, has been recorded as adjustment to interest expenses on financial liabilities at amortised cost.

12. Income taxes

Taxes in statement of income

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Current year tax expense	35.5	60.9
Deferred tax expense	-5.4	-18.0
Tax expense for previous years	2.9	-0.2
Total	**33.0**	**42.7**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Income before taxes	122.2	191.9
Tax calculated at Finnish tax rate (24.5%)	29.9	49.9
Effect of different tax rates in foreign subsidiaries	-11.2	-7.9
Previous years' taxes	2.9	-0.2
Tax exempt income and non-deductible expenses	3.8	-0.6
Benefit arising from previously unrecognised tax losses and temporary differences	-7.8	-0.2
Unrecognised current year tax losses and temporary differences	3.9	2.4
Adjustments to previous years' deferred taxes	12.5	-3.2
Effect of changes in tax rates	-1.1	2.5
Income taxes total	**33.0**	**42.7**
Effective tax rate, %	27.0%	22.2%

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2012			1 Jan–31 Dec 2011		
MEUR	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Cash flow hedges	5.2	-1.0	4.2	-31.9	8.1	-23.8
Translation differences	33.9	-12.1	21.8	20.4	-1.8	18.6
Total other comprehensive income	**39.1**	**-13.1**	**25.9**	**-11.5**	**6.3**	**-5.2**

13. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the company by the weighted average number of shares outstanding during financial period. Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding for the effect of all potential dilutive shares. The options have a diluting effect, when the exercise price with an option is lower than the market value of the company share. The diluting effect is the number of shares that the company has to issue gratuitously because the received funds from the exercised options do not cover the fair value of the shares. The fair value of the company's share is determined as the average market price of the shares during period. Further information on the option programme is available in note 27, Share-based payments.

	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Net income attributable to the equity holders of the company, MEUR	88.8	148.6
Weighted average number of shares during financial period, ('000)	61,345	61,345
Basic earnings per share, EUR	**1.45**	**2.42**

	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Net income attributable to the equity holders of the company, MEUR	88.8	148.6
Weighted average number of shares during financial period, ('000)	61,345	61,345
Effect of share options, ('000)	34	34
Diluted weighted average number of shares during financial period, ('000)	61,379	61,380
Diluted earnings per share, EUR	**1.45**	**2.42**

14. Goodwill

MEUR	2012	2011
Book value 1 Jan	804.7	748.9
Translation difference	16.1	7.9
Companies acquired	11.8	50.1
Reclassified as assets held for sale	-	-2.6
Other changes	1.6	0.5
Book value 31 Dec	**834.2**	**804.7**

Impairment testing of goodwill

MEUR	31 Dec 2012	31 Dec 2011
MacGregor	306.4	295.1
Kalmar	321.3	309.3
Hiab	206.5	200.3
Total	**834.2**	**804.7**

Goodwill is reviewed for potential impairment always when there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest cash generating unit level (CGU) which generates independent cash flows. These levels have been identified according to the operative business organisation to be the reported operating segments. Following the operational reorganisation of management responsibility the Industrial & Terminal operating segment was divided into two new operating segments: Kalmar (Terminals until 31 Dec 2012) and Hiab (Load Handling until 31 Dec 2012). Goodwill, which was previously allocated to Industrial & Terminal, has been reallocated to the new operating segments based on present value of future cash flows to the cash generating unit. Comparison figures have been restated accordingly. Due to the way the operating segments are managed and organised, it is not possible to define independent cash flows for lower level product divisions.

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

The key assumptions made by management in the projections relate to market and profitability outlooks. Future growth estimates are based on information available by external market research institutions on market development and timing of business cycles. Additionally, past performance as well as market share and growth potential in both new equipment and service markets have been taken into account when defining future sales growth. The materialised low profitability in Kalmar and Hiab segments has been taken into account as more prudent future estimates. Key factors affecting profitability are sales volume, competitiveness and cost efficiency. The better average profitability of service business means that its relative share of sales also has an impact on profitability. Additionally, in Kalmar and Hiab segments, as well as in MacGregor's offshore business, the utilisation rate of factories and assembly units and their cost competitiveness have a significant impact on profitability. Cash flow projections also reflect typical working capital build-up in upturns and release during downturns in Kalmar and Hiab segments. MacGregor's business model ties very limited working capital, but estimated timing of orders and related advances received have been taken into account in cash flows.

The discount rate used in the impairment testing is weighted average pre-tax cost of capital (WACC) defined for each segment. The discount rate reflects the total cost of equity and debt and the market risks related to the segment. The WACC components are risk-free interest rate, market risk premium, comparable peer industry beta, gearing and credit spread. The discount rate used in impairment tests has been defined similarly as in 2011. When defining the discount rate for 2012, decreases in credit spread and risk-free interest rate were netted by an increase in market risk premium. The pre-tax discount rate (WACC) used for Kalmar was 10.3 percent, for Hiab 9.0 (Industrial & Terminal 2011: 10.1) percent and for MacGregor 9.6 (2011: 10.3) percent. As a result of the impairment tests performed no impairment loss has been recognised in 2012 or in 2011.

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

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

For Kalmar segment, the tested change in discount rate did not decrease the fair value of the CGU below its carrying value. Simultaneous decrease in sales and operating margin as well as the tested deterioration in all of the three key variables indicated an impairment risk. The recoverable amount calculated based on value-in-use calculations would equal the segment's carrying value, if sales in terminal year would decrease 10 percent and the operating margin would decrease simultaneously 2 percentage points.

For Hiab segment, the tested changes in discount rate or sales and operating profit margin did not indicate impairment risk. However, simultaneous deterioration in all of the three key variables decreased the fair value of the segment below its carrying value. The recoverable amount calculated based on value-in-use calculations would equal the segment's carrying value, if sales in terminal year would decrease 10 percent, discount rate would increase 2 percentage points and the operating margin would decrease simultaneously 1 percentage point.

15. Other intangible assets

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

2011 MEUR	Development costs	Trademarks	Customer relationships	Patents and licences	Intangible assets under construction	Other *	Total
Acquisition cost 1 Jan	24.5	44.8	1.3	28.9	-	44.4	143.9
Translation difference	0.0	0.3	6.1	0.3	-	1.5	8.1
Additions	1.2	-	-	2.1	7.7	0.1	11.2
Disposals	-0.6	-	-	-1.1	-	-0.8	-2.5
Reclassification	1.4	-	-	4.1	7.9	-2.3	11.1
Companies acquired	-	1.7	64.3	-	-	9.4	75.5
Acquisition cost 31 Dec	**26.6**	**46.8**	**71.7**	**34.2**	**15.6**	**52.3**	**247.2**
Accumulated amortisation and impairment 1 Jan	-5.5	-2.6	-0.2	-14.5	-	-31.3	-54.2
Translation difference	-	-0.1	0.0	-0.1	-	-0.2	-0.5
Amortisation during the financial period	-5.0	-0.8	-3.7	-3.9	-	-2.9	-16.2
Impairment charges	-	-	-	-	-	-	-
Disposals	0.0	-	-	1.0	-	0.7	1.7
Reclassification	0.0	-	-	-	-	-1.8	-1.8
Accumulated amortisation and impairment 31 Dec	**-10.5**	**-3.5**	**-3.8**	**-17.5**	**-**	**-35.6**	**-70.9**
Book value 1 Jan	19.0	42.2	1.1	14.4	-	13.0	89.7
Book value 31 Dec	16.0	43.3	67.9	16.7	15.6	16.7	176.2

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

The trademarks have been valued at fair value in connection with the acquisition. Some of the trademarks have been assessed to have indefinite useful lives, including MacGregor. It is estimated that they will create cash flow for an indefinite period. The estimate is based on their position as global, market area or customer segment specific market leadership and their long history. The MacGregor trademark has been used since the 1930's and it is continuously developed. The trademarks are tested for impairment annually or more frequently if there is an indication that their current value would not be recoverable. The trademarks with indefinite useful life are tested for impairment as a part of the appropriate cash generating unit (CGU). The process is described in more detail in note 14, Goodwill. The book value of the intangible asset of indefinite useful life amounted 31 December 2012 to EUR 41.4 (31 Dec 2011: 41.2) million.

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

16. Property, plant and equipment

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

2011 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	14.2	194.1	466.9	13.6	0.0	688.8
Translation difference	-0.3	0.3	2.5	0.2	-	2.7
Additions	2.1	2.5	47.4	14.4	0.1	66.4
Disposals	0.2	-0.9	-21.7	-0.6	-	-23.0
Reclassification	0.0	0.9	2.5	-12.7	0.0	-9.3
Companies acquired and sold	-	0.0	1.4	-	-	1.4
Transferred to held for sale	-	-	-13.0	-0.5	-	-13.5
Acquisition cost 31 Dec	**16.1**	**196.8**	**486.0**	**14.5**	**0.1**	**713.5**
Accumulated depreciation and impairment 1 Jan	-0.7	-72.6	-323.0	-	-	-396.4
Translation difference	0.0	-0.9	-2.0	-	-	-2.9
Depreciation during the financial period	-0.1	-7.9	-40.1	-	-	-48.1
Impairment	-	-0.2	-0.5	-	-	-0.6
Disposals	-	0.6	9.7	-	-	10.3
Reclassification	0.0	0.1	0.0	-	-	0.0
Transferred to held for sale	-	-	7.4	-	-	7.4
Accumulated depreciation and impairment 31 Dec	**-0.9**	**-80.9**	**-348.4**	**-**	**-**	**-430.2**
Book value 1 Jan	13.5	121.4	143.9	13.6	0.0	292.4
Book value 31 Dec	15.2	115.9	137.6	14.5	0.1	283.4

During the year, the group had capitalised borrowing costs amounting to EUR 1.0 (2011: 0.4) million. Borrowing costs were capitalised at the weighted average rate of the group's interest cost of 3.7% (3.7%).

Finance lease agreements

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

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

2011 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	5.6	4.0	9.6
Translation difference	0.1	0.0	0.1
Additions	0.1	0.5	0.5
Disposals	-0.3	-0.4	-0.7
Reclassification	-	-	-
Acquisition cost 31 Dec	**5.4**	**4.1**	**9.5**
Accumulated depreciation and impairment 1 Jan	-3.7	-2.6	-6.3
Translation difference	-0.1	0.0	-0.1
Depreciation during the financial period	-0.3	-0.4	-0.7
Impairment	0.0	-	0.0
Disposals	0.0	0.2	0.3
Reclassification	-	-	-
Accumulated depreciation and impairment 31 Dec	**-4.0**	**-2.7**	**-6.7**
Book value 1 Jan	2.0	1.4	3.4
Book value 31 Dec	1.5	1.3	2.8

Customer finance agreements

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

Machinery & equipment MEUR	2012	2011
Acquisition cost 1 Jan	183.7	165.2
Translation difference	1.2	0.6
Additions	34.6	29.7
Disposals	-19.6	-11.5
Reclassification	-30.7	-0.4
Acquisition cost 31 Dec	**169.2**	**183.7**
Accumulated depreciation and impairment 1 Jan	-119.5	-105.6
Translation difference	-0.9	-0.4
Depreciation during the financial period	-17.4	-16.9
Disposals	9.3	3.1
Reclassification	29.7	0.3
Accumulated depreciation and impairment 31 Dec	**-98.8**	**-119.5**
Book value 1 Jan	64.2	59.6
Book value 31 Dec	70.4	64.2

17. Investments in associated companies

MEUR	2012	2011
Book value 1 Jan	6.1	5.9
Translation difference	0.0	0.0
Share of net income	0.9	0.5
Dividend income	-0.9	-0.2
Additions	56.7	-
Disposals	0.0	0.0
Reclassification	0.0	-
Book value 31 Dec	**62.8**	**6.1**

Associated companies

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

Cargotec has a 49 percent holding in China Crane Investment Holdings Limited, which owns 18.75 percent of Jiangsu Rainbow Heavy Industries Co., Limited. Cargotec thereby has 9.2 percent holding in Chinese Jiangsu Rainbow Heavy Industries Co., Limited. The management has classified this ownership as an associated company because China Crane Investment Holdings Limited has the authority to elect two of eight board members in Jiangsu Rainbow Heavy Industries Co Limited. Associated company relationship has started on 1 of November 2012. The latest financial report from Jiangsu Rainbow Heavy Industries Co., Limited is not available, and therefore Cargotec does not include any items related to this associated company in the annual closing for 2012.

						Shareholding (%)	
31 Dec 2011 MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
Hymetal S.A.	France	2.0	1.3	3.6	0.1	-	40.0
Montaje, Mantenimiento y Reformas de Instalaciones Portuarias, S.A.	Spain	2.5	1.1	3.9	0.5	-	30.0
Processiones, Superficiales y Aplicaciones, S.L.	Spain	0.3	0.1	0.7	0.0	-	30.0
Haida-MacGREGOR Jiangyin Sealing Co., Ltd	China	1.7	0.4	3.0	0.2	-	25.0
MacGREGOR - Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	0.1	0.0	0.1	0.0	-	25.0

The figures presented in the tables above are based on the latest available financial statements.

18. Investments in joint ventures

MEUR	2012	2011
Book value 1 Jan	0.1	0.6
Translation difference	-1.1	0.0
Share of net income	-1.1	0.0
Additions	32.5	-
Disposals	-0.1	-0.1
Reclassification	-	-0.5
Book value 31 Dec	**30.3**	**0.1**

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

Joint ventures

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

A joint venture Rainbow-Cargotec Industries Co. Ltd (RCI) was established on May 2012. Cargotec's ownership in the joint venture is 49 percent and Jiangsu Rainbow Heavy Industries Co. Ltd's ownership is 51 percent. The joint venture RCI builds a new facility to Taicang in China. RCI will provide leading heavy crane solutions globally and grasp growth opportunities in the Chinese and global markets. The joint venture will focus on ship-to-shore cranes, rubber-tyred gantry cranes and marine specialty cranes. Cargotec will include in its consolidated income statement the portion of joint venture's income which is in relation to the Cargotec's ownership and it will be reported in consolidated income statement on line share of associated companies' and joint ventures' net income.

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

A joint venture MacGREGOR Vinashin Marine Equipment Company Limited, Vietnam, has been liquidated on 2012.

						Shareholding (%)	
31 Dec 2011 MEUR	Country	Assets	Liabilities	Sales	Net income	Parent company	Group
MacGREGOR Vinashin Marine Equipment Company Limited	Vietnam	0.2	-	-	0.0	-	49.0

The figures presented in the tables above are based on the latest available financial statements.

19. Available-for-sale investments

MEUR	2012	2011
Book value 1 Jan	4.3	4.3
Translation difference	0.0	0.0
Additions	0.0	0.0
Disposals	-0.1	0.0
Book value 31 Dec	**4.2**	**4.3**

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

20. Deferred tax assets and liabilities

Deferred tax assets

MEUR	1 Jan 2012	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2012
Tax losses carried forward	72.7	-6.7	-	0.4	-	66.4
Provisions	11.8	0.3	-	-0.3	0.2	12.0
Depreciation difference	2.2	0.8	-	0.1	-	3.1
Pensions	2.2	0.3	-	0.0	-	2.5
Elimination of intercompany profit	9.6	2.1	-	-	-	11.7
Change in fair value	3.4	-	-1.7	0.0	-	1.7
Other temporary differences	41.6	10.4	-3.0	-0.3	-	48.7
Total	**143.5**	**7.2**	**-4.7**	**-0.1**	**0.2**	**146.0**
Offset against deferred tax liabilities *	-21.9	2.0	-	-0.4	-	-20.3
Total, net	**121.6**	**9.2**	**-4.7**	**-0.5**	**0.2**	**125.7**

Deferred tax liabilities

MEUR	1 Jan 2012	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2012
Depreciation difference	4.7	1.0	-	0.1	-	5.8
Goodwill amortisation	13.4	3.4	-	-0.3	-	16.5
Allocation of fair value on acquisitions	2.4	-0.6	-	0.1	1.2	3.1
Research and development	1.9	0.2	-	0.0	-	2.1
Change in fair value	6.9	-	-0.7	0.0	-	6.2
Other temporary differences	44.0	-2.2	9.1	0.4	-	51.3
Total	**73.3**	**1.7**	**8.5**	**0.3**	**1.2**	**85.0**
Offset against deferred tax assets *	-21.9	2.0	-	-0.4	-	-20.3
Total, net	**51.4**	**3.7**	**8.5**	**-0.1**	**1.2**	**64.6**

Deferred tax assets

MEUR	1 Jan 2011	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2011
Tax losses carried forward	68.8	3.6	-	0.3	-	72.7
Provisions	10.4	1.2	-	0.2	-	11.8
Depreciation difference	2.0	0.2	-	0.0	-	2.2
Pensions	3.4	-1.3	-	0.1	-	2.2
Elimination of intercompany profit	8.3	1.3	-	0.0	-	9.6
Change in fair value	3.9	0.0	-0.5	0.0	-	3.4
Other temporary differences	26.5	14.0	-0.5	1.0	0.5	41.6
Total	**123.2**	**19.1**	**-1.0**	**1.7**	**0.5**	**143.5**
Offset against deferred tax liabilities *	-19.6	-2.3	-	-0.1	-	-21.9
Total, net	**103.6**	**16.8**	**-1.0**	**1.6**	**0.5**	**121.6**

Deferred tax liabilities

MEUR	1 Jan 2011	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2011
Depreciation difference	4.7	-0.1	-	0.0	-	4.7
Goodwill amortisation	9.3	3.8	-	0.3	-	13.4
Allocation of fair value on acquisitions	2.5	-0.8	-	0.0	0.6	2.4
Research and development	2.5	-0.7	-	0.0	-	1.9
Change in fair value	15.8	0.0	-9.1	0.2	-	6.9
Other temporary differences	43.3	-0.7	1.3	0.1	0.0	44.0
Total	**78.3**	**1.6**	**-7.8**	**0.6**	**0.6**	**73.3**
Offset against deferred tax assets *	-19.6	-2.3	-	-0.1	-	-21.9
Total, net	**58.7**	**-0.7**	**-7.8**	**0.6**	**0.6**	**51.4**

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

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. On 31 December 2012 Cargotec had EUR 62.7 (31 Dec 2011: 39.2) million of tax losses carried forward of which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses of EUR 16.1 (31 Dec 2011: 14.6) million will expire during the next five years and the rest, EUR 52.6 (31 Dec 2011: 24.7) million, have no expiry date or will expire after five years.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that earnings will be distributed in the near future.

21. Inventories

MEUR	31 Dec 2012	31 Dec 2011
Raw materials and supplies	247.8	261.3
Work in progress	301.2	345.0
Finished goods	187.0	202.7
Advance payments paid for inventories	11.2	12.3
Total	**747.2**	**821.3**

Obsolescence allowances of inventories to net realisable value were EUR 74.7 (31 Dec 2011: 79.2) million during the period.

22. Financial instruments by category

Book value by category of financial assets

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

31 Dec 2011 MEUR	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through the statement of income, derivatives	Total
Non-current financial assets				
Loans receivable and other interest-bearing receivables	8.4	-	-	8.4
Available-for-sale investments	-	4.3	-	4.3
Derivative assets	-	-	38.2	38.2
Other non-interest-bearing receivables	4.7	-	-	4.7
Total	**13.1**	**4.3**	**38.2**	**55.6**
Current financial assets				
Loans receivable and other interest-bearing receivables	1.1	-	-	1.1
Derivative assets	-	-	22.9	22.9
Accounts receivable and other non-interest-bearing receivables	517.4	-	-	517.4
Cash and cash equivalents	203.7	-	-	203.7
Total	**722.2**	**-**	**22.9**	**745.1**
Total financial assets	**735.3**	**4.3**	**61.1**	**800.7**

Book value by category of financial liabilities

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

31 Dec 2011 MEUR	Financial liabilities at amortised cost	Liabilities at fair value through the statement of income, derivatives	Total
Non-current financial liabilities			
Interest-bearing liabilities	420.5	-	420.5
Derivative liabilities	-	16.0	16.0
Other non-interest-bearing liabilities	15.3	-	15.3
Total	**435.7**	**16.0**	**451.7**
Current financial liabilities			
Interest-bearing liabilities	97.9	-	97.9
Derivative liabilities	-	23.2	23.2
Accounts payable and other non-interest-bearing liabilities	371.5	-	371.5
Total	**469.4**	**23.2**	**492.6**
Total financial liabilities	**905.1**	**39.2**	**944.3**

Assets and liabilities at fair value through the statement of income consist solely of currency forwards and cross-currency swaps. In the fair value hierarchy, in accordance with IFRS 7.27, these derivative contracts are classified at level 2, i.e. valuation is based on observable inputs.

Other row items are recognised at amortised cost. Information on their fair values is presented under each respective note.

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

Non-current receivables

MEUR	31 Dec 2012	31 Dec 2011
Non-current non-interest-bearing assets	4.5	4.7

Current receivables

MEUR	31 Dec 2012	31 Dec 2011
Accounts receivable	468.2	460.9
Receivables from construction contracts	73.5	42.0
Deferred interests	4.6	4.7
Other deferred assets	139.1	91.1
Total	**685.4**	**598.7**

The company has impaired EUR 22.3 (31 Dec 2011: 17.8) million for doubtful accounts from accounts receivable.

Ageing analysis of accounts receivable

MEUR	31 Dec 2012	31 Dec 2011
Not due	308.9	319.6
1–90 days overdue	129.7	116.5
91–360 days overdue	26.2	20.9
Over 360 days overdue	3.4	3.9
Total	**468.2**	**460.9**

Impairments, classified into ageing analysis of accounts receivable

MEUR	31 Dec 2012	31 Dec 2011
1–90 days overdue	0.8	0.5
91–360 days overdue	7.7	6.2
Over 360 days overdue	13.8	11.2
Total	**22.3**	**17.8**

24. Cash and cash equivalents

MEUR	31 Dec 2012	31 Dec 2011
Cash at bank and on hand	207.8	122.4
Short-term deposits	1.1	81.4
Total	**209.0**	**203.7**

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2012	31 Dec 2011
Cash and cash equivalents	209.0	203.7
Bank overdrafts used	-25.0	-3.3
Cash and cash equivalents in the statement of cash flows	**183.9**	**200.4**

25. Non-current assets held for sale

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

Assets classified as held for sale

MEUR	31 Dec 2012	31 Dec 2011
Goodwill	-	2.1
Property, plant and equipment	-	6.0
Inventory	-	5.3
Total	**-**	**13.4**

Liabilities classified as held for sale

MEUR	31 Dec 2012	31 Dec 2011
Other non-interest-bearing liabilities	-	0.2
Total	**-**	**0.2**

26. Equity

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

Shares and share capital

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

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

At the end of 2012, Cargotec held 2,959,487 (31 Dec 2011: 2,959,487) class B shares as treasury shares. During the current financial period and previous period no own shares were purchased. Board authorisations to repurchase and to dispose treasury shares and to increase the share capital are presented in the chapter Shares and Shareholders.

Number of shares	Class A shares	Class B shares	Total
Number of shares 1 Jan 2011	9,526,089	54,778,791	64,304,880
Number of shares 31 Dec 2011	**9,526,089**	**54,778,791**	**64,304,880**
Treasury shares 31 Dec 2011	-	-2,959,487	-2,959,487
Number of shares outstanding 31 Dec 2011	**9,526,089**	**51,819,304**	**61,345,393**
Number of shares 1 Jan 2012	9,526,089	54,778,791	64,304,880
Number of shares 31 Dec 2012	**9,526,089**	**54,778,791**	**64,304,880**
Treasury shares 31 Dec 2012	-	-2,959,487	-2,959,487
Number of shares outstanding 31 Dec 2012	**9,526,089**	**51,819,304**	**61,345,393**

Dividend distribution

After 31 December 2012 the following dividends were proposed by the Board of Directors to be paid: EUR 0.71 per each class A share and EUR 0.72 per outstanding class B share, a total of EUR 44,073,422.07.

27. Share-based payments

Share-based incentive programme 2010

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

Earnings criteria for the earnings period 2010–2012 comprised Cargotec's operating profit margin and sales for the financial year 2012. The reward granted for this earnings period by the end of 2012 was 41,000 (31 Dec 2011: 47,000) Cargotec class B shares. The fair value of the share at the grant date 9 March 2010 was determined to EUR 18.15. As the holder is not entitled to receive dividend payments during the earnings period, expected dividends have been deducted from the grant date share value when determining the fair value. Share value at grant date was EUR 21.27. Because the earnings criteria for the earnings period were not fulfilled, no rewards will be paid based on the first earnings period.

Earnings criteria for the earnings period 2011–2013 comprise Cargotec's operating profit margin and sales for the financial year 2013. The reward granted for this earnings period by the end of 2012 was 41,500 (31 Dec 2011: 52,500) Cargotec class B shares. The fair value of the share at the grant date 26 May 2011 was determined to EUR 30.64. As the holder is not entitled to receive dividend payments during the earnings period, expected dividends have been deducted from the grant date share value when determining the fair value. Share value at grant date was EUR 34.78.

Earnings criteria for the earnings period 2012–2014 comprise operating profit and sales for the financial year 2014. The reward granted for this earnings period by the end of 2012 was 42,000 Cargotec class B shares. The fair value of the share at the grant date 18 June 2012 was determined to EUR 14.19. As the holder is not entitled to receive dividend payments during the earnings period, expected dividends have been deducted from the grant date share value when determining the fair value. Share value at grant date was EUR 17.35.

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

Option programme 2010

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

The share subscription periods with the stock options are:
- for stock option 2010A 1 April 2013−30 April 2015
- for stock option 2010B 1 April 2014−30 April 2016
- for stock option 2010C 1 April 2015−30 April 2017

From the share subscription price of the stock options, shall be deducted the amount of dividend or distributable unrestricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity. The share subscription price with the stock options are:
- for stock option 2010A the original subscription price was EUR 21.35 and the subsricption price adjusted with 2010 and 2011 dividend is EUR 19.74
- for stock option 2010B the original subscription price was EUR 31.23 and the subsricption price adjusted with 2011 dividend is EUR 30.23.
- for stock option 2010C the original subscription price is EUR 28.80.

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

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

Changes in the number of stock options outstanding

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

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

Information on share-based payments recognised as expense in the statement of income is presented in Note 9, Personnel expenses. The liability booked for the cash settlement was EUR 0.0 (31 Dec 2011: 0.3) million.

28. Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	31 Dec 2012	31 Dec 2011
Non-current		
Loans from financial institutions	210.2	187.3
Corporate bonds	227.1	231.5
Finance lease liabilities	2.4	1.7
Total	**439.7**	**420.5**
Current portion of long-term loans		
Loans from financial institutions	39.0	38.3
Corporate bonds	-	12.2
Finance lease liabilities	0.7	0.7
Total	**39.7**	**51.2**
Current		
Loans from financial institutions	45.7	43.4
Commercial papers	148.6	-
Bank overdrafts used	25.0	3.3
Total	**219.3**	**46.7**
Total interest-bearing liabilities	**698.6**	**518.3**

On 31 December 2012, the average interest rate of long-term loans and corporate bonds after hedging of USD denominated corporate bonds through cross-currency and interest rate swaps into EUR, was 3.2 (31 Dec 2011: 3.7) percent. The average interest rate of short-term loans was 1.6 (31 Dec 2011: 4.0) percent.

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

Corporate bonds

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

31 Dec 2011	Coupon rate, %	Nominal value		Fair value, MEUR	Book value, MEUR
2005–2012	3.8	12.2	MEUR	12.3	12.2
2007–2014	5.4	95.0	MUSD	80.7	73.3
2007–2017	5.6	120.0	MUSD	112.8	92.6
2007–2019	5.7	85.0	MUSD	83.8	65.6

Interest-bearing liabilities per currency

MEUR	31 Dec 2012	31 Dec 2011
USD *	236.2	252.6
EUR	426.9	239.0
CNY	31.7	25.1
Other	3.8	1.6
Total	**698.6**	**518.3**

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

Finance lease liabilities

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

Minimum lease payments

MEUR	31 Dec 2012	31 Dec 2011
Minimum lease payments		
Less than 1 year	0.7	0.8
1−5 years	1.8	1.3
Over 5 years	0.6	0.7
Total	**3.1**	**2.8**
Future finance charges	0.0	-0.5
Present value of finance lease liabilities	**3.1**	**2.3**

Present value of minimum lease payments

MEUR	31 Dec 2012	31 Dec 2011
Less than 1 year	0.7	0.7
1−5 years	1.8	1.0
Over 5 years	0.6	0.6
Present value of finance lease liabilities	**3.1**	**2.3**

29. Employee benefits

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

For defined benefit pension plans retirement, disability, death and termination income benefits are determined, retirement benefits generally being a function of years worked and final salary.

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

Pension obligations in statement of financial position

	Defined benefit plans	
MEUR	**2012**	**2011**
Present value of unfunded obligations	57.9	50.1
Present value of funded obligations	40.3	35.6
Fair value of benefit plan assets	-30.0	-27.0
Unrecognised actuarial gains (+) / losses (-)	-17.9	-13.0
Unrecognised past service costs	-0.1	-0.1
Pension obligations in the statement of financial position 31 Dec	**50.4**	**45.6**

Movement in the benefit obligation

	Defined benefit plans	
MEUR	**2012**	**2011**
Benefit obligation 1 Jan	85.7	72.1
Current service costs	2.9	3.5
Interest costs	4.2	3.1
Employer contribution	3.4	0.0
Net actuarial gains (-) / losses (+) recognised	0.0	3.8
Translation difference	5.4	6.5
Past service costs	0.0	0.0
Benefits paid	-3.4	-3.2
Settlements	0.0	0.0
Curtailments	0.0	-0.1
Benefit obligation 31 Dec	**98.3**	**85.7**

Movement in the fair value of plan assets

MEUR	Defined benefit plans 2012	2011
Plan assets 1 Jan	27.0	24.6
Expected return on plan assets	0.9	1.1
Net actuarial gains (+) / losses (-) recognised	1.2	-0.3
Translation difference	0.8	1.4
Employer contribution	1.3	1.2
Employee contribution	0.0	0.0
Benefits paid	-1.2	-1.1
Settlements	0.0	0.0
Plan assets 31 Dec	**30.0**	**27.0**

Plan assets categories

	Defined benefit plans		Defined benefit plans	
MEUR	2012	%	2011	%
Equity instruments	2.5	8%	5.4	20%
Debt instruments	16.1	54%	11.1	41%
Property	0.1	0%	-	-
Insurance contracts	7.5	25%	9.9	37%
Other assets	3.7	12%	0.6	2%
Plan assets 31 Dec	**30.0**		**27.0**	

Actual return on plan assets was EUR 2.2 (0.8) million. Plan assets do not include entity's own financial instruments or other assets in entity's use.

Pensions recognised in statement of income

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Defined contribution pension plans	28.3	21.3
Defined benefit pension plans and other post-employment benefits	7.0	5.6
Total	**35.3**	**26.9**

Defined benefit plans

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Current service costs	4.2	3.5
Interest costs	3.4	3.1
Expected return on plan assets	-1.2	-1.1
Net actuarial gains (-) / losses (+) recognised	0.6	0.3
Past service costs	0.0	0.0
Gains (-) / losses (+) from settlements	0.0	-
Gains (-) / losses (+) from curtailments	0.0	-0.1
Total	**7.0**	**5.6**

Defined benefit plans: Assumptions used in calculating benefit obligations

	2012			2011		
MEUR	Sweden	Other countries*	Japan	Sweden	Other countries*	Japan
Discount rate, %	3.5	3.3	1.8	3.8	4.2	1.8
Expected return on plan assets, %	3.5	4.2	-	4.0	4.5	-
Future salary increase, %	3.0	3.4	3.0	3.5	3.6	3.0
Future pension increase, %	2.8	3.3	-	2.7	3.2	-

* Weighted average

Defined benefits plans: Annual information

MEUR	2012	2011	2010
Present value of defined benefits obligations	98.3	85.7	72.1
Fair value of benefit plan assets	-30.0	-27.0	-24.6
Deficit in the plans	68.3	58.7	47.5
Experience adjustments on plan liabilities	1.7	0.7	-0.1
Experience adjustments on plan assets	0.8	-0.3	0.8

30. Provisions

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

2011 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	53.8	2.6	9.1	12.9	11.6	89.9
Translation difference	0.9	0.1	0.0	0.1	0.0	1.0
Increase	47.0	2.5	3.1	9.1	0.8	62.4
Provision used	-21.1	-1.4	-3.4	-7.4	-10.1	-43.4
Reversal of provision	-5.5	-0.8	-0.2	-0.6	0.0	-7.1
Total provision 31 Dec	**75.0**	**2.9**	**8.6**	**14.1**	**2.2**	**102.9**

MEUR	31 Dec 2012	31 Dec 2011
Non-current provisions	37.3	33.4
Current provisions	80.2	69.4
Total	**117.6**	**102.9**

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

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

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

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

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

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

Non-current liabilities

MEUR	31 Dec 2012	31 Dec 2011
Other non-interest-bearing liabilities	26.4	15.3

Current liabilities

MEUR	31 Dec 2012	31 Dec 2011
Accounts payable	300.6	342.2
Accrued interests	14.6	14.9
Share-based incentives	0.7	1.4
Accrued salaries, wages and employment costs	90.1	89.7
Advance rents, customer finance	26.9	27.5
Amount due to customers for contract work	62.3	16.0
Project costs	101.4	110.2
Other accrued expenses	107.4	125.2
Total	**704.1**	**727.0**

32. Derivatives

Fair values of derivative financial instruments

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

31 Dec 2011 MEUR	Positive fair value	Negative fair value	Net fair value
Currency forward contracts	38.7	39.2	-0.5
Cross-currency and interest rate swaps	22.5	-	22.5
Total	**61.1**	**39.2**	**21.9**
Non-current portion			
Currency forward contracts	15.7	16.0	-0.2
Cross-currency and interest rate swaps	22.5	-	22.5
Non-current portion	**38.2**	**16.0**	**22.2**
Current portion	**22.9**	**23.2**	**-0.3**

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

Nominal values of derivative financial instruments

MEUR	31 Dec 2012	31 Dec 2011
Currency forward contracts	3,575.9	4,054.0
Hedge accounting	1,926.8	2,126.0
Cross-currency and interest rate swaps	227.4	231.9
Total	**3,803.3**	**4,285.9**

33. Commitments

MEUR	31 Dec 2012	31 Dec 2011
Guarantees	0.9	-
End customer financing	10.0	10.0
Operating leases	76.1	74.9
Off-balance sheet investment commitments	9.0	-
Other contingent liabilities	3.0	3.2
Total	**99.1**	**88.1**

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business EUR 411.3 (31 Dec 2011: 470.3) million.

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

The future minimum lease payments under non-cancellable operating leases

MEUR	31 Dec 2012	31 Dec 2011
Less than 1 year	20.7	21.2
1−5 years	39.6	36.1
Over 5 years	21.0	17.5
Total	**81.2**	**74.9**

The aggregate operating lease expenses for the financial year totaled EUR 27.6 (2011: 24.5) million.

Contingent liabilities

During the year 2011, Cargotec Finland Oy received an action brought against the co-operation procedure at Salo factory in 2008. Cargotec finds the action unfounded and inappropriate, denies non-compliance and has made no provision relating to the action. The court process was not finished by the end of year 2012.

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.

34. Group as lessor

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

The future minimum lease receivables under non-cancellable operating leases

MEUR	31 Dec 2012	31 Dec 2011
Less than 1 year	5.8	13.7
1–5 years	11.9	17.6
Over 5 years	1.2	8.3
Total	**19.0**	**39.6**

Rental income recognised in sales was EUR 7.8 (2011: 14.8) million.

35. Related-party transactions

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

Transactions with associated companies and joint ventures

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

1 Jan–31 Dec 2011 MEUR	Associated companies	Joint ventures	Total
Sale of products	5.4	-	5.4
Sale of services	1.3	-	1.3
Purchase of products	2.6	-	2.6
Purchase of services	8.4	-	8.4

Balances with associated companies and joint ventures

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

31 Dec 2011 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	1.6	-	1.6
Accounts payable	2.6	-	2.6

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

Key management compensation

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

MEUR	1 Jan–31 Dec 2012 *	1 Jan–31 Dec 2011
Wages, salaries and other short-term employee benefits	5.1	5.5
Share-based payments	-0.1	0.6
Termination benefits	0.2	-
Post-employment benefits	0.0	0.0
Total	**5.2**	**6.1**

* The composition of the Executive Board was changed at 8 Oct 2012. The remuneration of the Executive Board members that left the Board, is included in the table for

the period they were members.

Members of the Executive Board are part of the share-based incentive programme as well as option programme targeted for key personnel. Based on the share-based incentive programme 2010 the rewards to be paid from earnings period 2010−2012 will correspond to a maximum total of 42,000 Cargotec class B shares (including the proportion to be paid in cash), from earnings period 2011−2013 to a maximum total of 43,000 and from earnings period 2012-2014 to a maximum total of 50,000 Cargotec class B shares (including the proportion to be paid in cash). Based on the option programme 2010, members of the Executive Board were granted 47,500 of 2010A option rights and 44,000 of 2010B option rights as well as 44,000 of 2010C option rights. Cargotec's interim President and CEO Tapio Hakakari is not a participant in the share-based incentive programme or option programme. Further information on the incentive programmes is presented in note 27, Share-based payments.

The members of the Executive Board have a period of notice of 6 months and are entitled to compensation for termination of employment corresponding to 6−12 months' salary. Cargotec's interim President and CEO Tapio Hakakari has no special benefits related to termination of employment. The members of the Executive Board are entitled to a statutory pension, and their retirement age is determined in line with the statutory pension scheme. For Finnish nationals in the Executive Board, the statutory retirement age is 63 years.

31 Dec 2012, the loans Cargotec has granted to Moving Cargo Oy for financing the share purchases made in 2007 and 2008 related to the incentive program for the top management totalled EUR 3.5 (31 Dec 2011: EUR 3.5) million. EUR 0.5 million of these loans is a non-interest-bearing convertible bond loan. The Euribor 12 months interest rate applicable for both the EUR 1.0 (31 Dec 2011: 1.0) million subordinated loan and EUR 2.0 (31 Dec 2011: 2.0) million loan was 1.95% (2011:1.51%). Maturity date for all these loans is 30 September 2012. The EUR 0.5 million convertible bond loan and EUR 1.0 million subordinated loan are unsecured, and for EUR 2.0 million loan Cargotec shares are used as a guarantee. Shareholders of Moving Cargo Oy include members of Cargotec's Executive Board. Cargotec has granted no other special advantages nor made other special arrangements with the related parties.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Mikael Mäkinen	President and CEO (until 8 Oct 2012)	822.9	1,045.7
Pekka Vauramo	Deputy to CEO (until 8 Oct 2012)	594.2	601.7
Ilkka Herlin	Chairman of the Board	93.2	91.7
Tapio Hakakari	Interim President and CEO (as of 8 Oct 2012)	158.5 *	63.7
Peter Immonen	Member of the Board	49.0	48.0
Karri Kaitue	Member of the Board	347.8 **	48.0
Antti Lagerroos	Member of the Board	50.0	48.0
Teuvo Salminen	Member of the Board	61.0 ***	48.0
Anja Silvennoinen	Member of the Board	48.0	48.0

* In addition to fees paid for Board membership, includes also a separate compensation of EUR 93,262 for acting as the interim President and CEO.

** In addition to fees paid for Board membership, includes also a separate compensation of EUR 298,800 for consulting.

*** In addition to fees paid for Board membership, includes also a separate compensation of EUR 12,000 for consulting.

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

36. Subsidiaries

31 Dec 2012	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Albania SHPK	Albania		100
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Australia Pty. Ltd.	Australia		100
Cargotec Automation Solutions Australia Pty. Ltd.	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
O'Leary's Material Handling Services Pty Ltd	Australia		100
Interhydraulik Zepro GmbH	Austria		100
Cargotec Austria GmbH	Austria		100
Cargotec Caribbean Services Ltd.	Bahamas		100
Cargotec Belgium NV	Belgium	100	100
Cargotec Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
MacGREGOR (BRA) Ltda	Brazil		100
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Cargotec Asia Limited	China		100
Cargotec (Shanghai) Trading Company Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China		100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China		100
MacGREGOR (CHN) Ltd	China		100
MacGREGOR (HKG) Ltd	China		100
MacGREGOR Plimsoll (Tianjin) Co., Ltd	China		100
MacGREGOR Shanghai Trading Co., Ltd.	China		100
Shanghai Huaguan Hiab Special Purpose Vehicle Co., Ltd.	China		33 *
Cargotec Croatia d.o.o.	Croatia		100
Hiab d.o.o.	Croatia	100	100
Cargotec Cyprus Ltd.	Cyprus		100
Cargotec Czech Republic s.r.o	Czech Republic	100	100
Cargotec Denmark A/S	Denmark	100	100
Zepro Danmark A/S	Denmark		100
Cargotec Estonia AS	Estonia	100	100
MacGREGOR BLRT Baltic OÜ	Estonia		51
Linda Properties OÜ	Estonia		45 *
Cargotec Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
Cargotec U.S. Manufacturing Oy	Finland		100
Cargotec U.S. Sales Oy	Finland		100
Forastar Oy Ab	Finland	100	100
Kiinteistö Oy Kalasatama	Finland	100	100
Kiinteistöosakeyhtiö Ruskontie 55	Finland		100
Oy Sisu Ab	Finland	100	100
Cargotec France SAS	France	100	100
Societe Immobiliere Mavivray S.a.r.l.	France		100
SRMP - Societe Reunionaise de Maintenance Portuaire	France		51
Cargotec Germany GmbH	Germany		100
Cargotec Marine GmbH	Germany		100
Conver Ingenieur Technik GmbH	Germany		100

MacGREGOR Beteiligungs GmbH	Germany		100
Zepro Hebebühnen GmbH	Germany		100
Cargotec Greece Ltd	Greece		100
Cargotec Magyarország Kft.	Hungary	100	100
Cargotec India Private Limited	India		100
Navis India Technologies Private Limited	India		100
PT MacGREGOR Plimsoll Indonesia	Indonesia		100
Cargotec Engineering Ireland Ltd	Ireland		100
Cargotec Research & Development Ireland Ltd	Ireland		100
Cargotec Engineering, Italy S.r.l.	Italy		60 *
Cargotec Italia S.r.l.	Italy		100
Cargotec Japan Ltd.	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Cargotec Luxembourg S.a.r.l.	Luxembourg		100
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		70
Hiab Sdn Bhd	Malaysia		100
MacGREGOR Plimsoll Sdn Bhd	Malaysia		100
Cargotec de México, S.A. de C.V.	Mexico		100
Hiab S.A. de C.V.	Mexico		75
Platform Crane Services Mexico S. de. R.L.	Mexico		100
Servicios Hiab S.A. de C.V.	Mexico		64
Cargotec Maghreb SA	Morocco		100
Cargotec New Zealand Ltd	New Zealand		100
Cargotec Holding Norway AS	Norway	100	100
Cargotec Norway AS	Norway		100
Cargotec Panama S.A.	Panama		100
Cargotec Poland Sp. Z.o.o.	Poland		100
MacGREGOR Navire P Equipamentos Portuários e Para Construcão Naval Unipessoal, Lda.	Portugal		100
Cargotec Qatar W.L.L.	Qatar		49 *
Cargotec Korea Limited	Republic of Korea		100
Cargotec RUS LLC	Russia		100
Cargotec CHS Asia Pacific Pte Ltd.	Singapore		100
Kalmar South East Asia Pte. Ltd	Singapore		100
MacGREGOR (SGP) Pte Ltd.	Singapore		100
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore		100
MacGREGOR Plimsoll Pte Ltd	Singapore		100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Hiab (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Iberia S.A.	Spain		100
Hiab Cranes, S.L.	Spain		100
All Set Marine Lashing AB	Sweden		100
Cargotec Holding Sweden AB	Sweden	100	100
Cargotec Patenter AB	Sweden		100
Cargotec Patenter HB	Sweden		100
Cargotec Sweden AB	Sweden	100	100
Cargotec Sweden Bulk Handling AB	Sweden		100
Koffert Sverige AB	Sweden		100
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Cargotec Swizerland S.A.	Switzerland		100

Cargotec Thailand Co., Ltd.	Thailand		100
Cargotec ACT B.V.	The Netherlands		100
Cargotec Holding Netherlands B.V.	The Netherlands	100	100
Cargotec Netherlands B.V.	The Netherlands		100
International MacGREGOR-Navire Holding BV	The Netherlands		100
Bringeven Ltd.	UK		100
Cargotec UK Ltd.	UK	100	100
Del Equipment (UK) Ltd.	UK		100
Grampian Hydraulics Limited	UK		100
Hiab Ltd.	UK		100
Kalmar Ltd.	UK		100
MacGREGOR (GBR) Ltd	UK		100
Moffett Limited	UK		100
Cargotec Ukraine, LLC	Ukraine		100
MacGREGOR (UKR)	Ukraine		99
Cargotec (ARE) GULF WLL	United Arab Emirates		49 *
Cargotec (ARE) LLC	United Arab Emirates		49 *
Cargotec FZCO	United Arab Emirates		100
Cargotec Holding, Inc.	USA	100	100
Cargotec Port Security LLC	USA		100
Cargotec Solutions LLC	USA		100
Cargotec USA Inc.	USA		100
Kalmar RT Center LLC	USA		100
Navis LLC	USA		100
Waltco Lift Corp.	USA		100

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

Financial statements of the parent company (FAS)

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Sales		**121.2**	**108.5**
Administration expenses	2, 3, 4	-124.4	-118.5
Other operating income		0.9	0.3
Other operating expenses		-0.1	-
Operating loss		**-2.3**	**-9.6**
Financing income and expenses	5	26.3	-24.3
Profit / loss before extraordinary items		**24.0**	**-33.9**
Extraordinary expenses	6	-6.8	-
Profit / loss before appropriations and taxes		**17.2**	**-33.9**
Income taxes	7	-0.4	2.6
Profit / loss for the period		**16.8**	**-31.3**

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

Parent company balance sheet

MEUR	Note	31 Dec 2012	31 Dec 2011
ASSETS			
Non-current assets			
Intangible assets	8, 9	26.1	17.9
Tangible assets	10	0.8	0.9
Investments			
Investments in subsidiaries	11	1,685.1	1,670.2
Investments in joint ventures	11	32.5	-
Other investments	11	3.9	3.9
Total non-current assets		**1,748.4**	**1,692.9**
Current assets			
Non-current receivables	12, 18	677.5	631.1
Current receivables	13, 18	850.3	467.4
Cash and cash equivalents		33.7	122.5
Total current assets		**1,561.5**	**1,221.1**
Total assets		**3,309.9**	**2,914.0**

MEUR		31 Dec 2012	31 Dec 2011
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Fair value reserves		5.4	12.3
Retained earnings		770.8	863.3
Net income for the period		16.8	-31.3
Total equity	14	**955.2**	**1,006.6**
PROVISIONS		1.1	0.8
Liabilities			
Non-current liabilities	15, 18	464.0	468.7
Current liabilities	16, 18	1,889.6	1,437.8
Total liabilities		**2,353.5**	**1,906.6**
Total equity and liabilities		**3,309.9**	**2,914.0**

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

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Cash flow from operating activities		
Operating loss	-2.3	-9.6
Adjustments to the operating loss for the period	4.6	3.5
Change in working capital	26.3	2.9
Interest paid	-39.1	-37.0
Interest received	26.6	23.3
Dividends received	1.2	-
Income taxes paid	0.0	-0.2
Derivatives	28.7	10.8
Cash flow from operating activities	**45.9**	**-6.4**
Cash flow from investing activities		
Investments in tangible and intangible assets	-12.7	-6.2
Acquisitions of subsidiaries and other companies	-32.6	-158.1
Proceeds from sales of tangible and intangible assets	0.1	-
Cash flow from investing activities	**-45.2**	**-164.3**
Cash flow from financing activities		
Increase in loans receivable	-523.1	-380.8
Disbursement of loans receivable	99.4	387.0
Proceeds from short-term borrowings	670.5	483.7
Repayments of short-term borrowings	-282.2	-421.9
Proceeds from long-term borrowings	54.9	119.9
Repayments of long-term borrowings	-47.8	-100.3
Dividends paid	-61.3	-37.3
Cash flow from financing activities	**-89.6**	**50.3**
Change in cash and cash equivalents	-88.8	-120.4
Cash and cash equivalents 1 Jan	122.5	242.9
Cash and cash equivalents 31 Dec	**33.7**	**122.5**
Change in working capital		
Change in non-interest-bearing receivables	-19.5	4.8
Change in non-interest-bearing payables	45.7	-1.8
Change in working capital	**26.3**	**2.9**

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

Notes to the parent company financial statements

Contents

1. Accounting principles for the parent company financial statements

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

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

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

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

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

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

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

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

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

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

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

Equity

Equity consists of share capital, share premium account, fair value reserves and retained earnings, minus dividends paid. The amount exceeding the accounting par value of shares received by the company in connection with share subscriptions was recorded in share premium account under the old Limited Liability Companies Act (29 Sept. 1978/734). Fair value reserves consist of the cumulative change in the fair value of the derivative instruments defined as cash flow hedges. The net income for the period and changes in treasury shares are recorded in retained earnings.

2. Personnel expenses

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Wages and salaries	15.9	18.3
Pension costs	2.5	2.9
Other statutory employer costs	0.9	0.9
Total	**19.3**	**22.1**

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

Average number of employees

	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Administrative employees	132	210

Key management compensation

Remunerations including fringe benefits paid to members of Cargotec's Board of Directors related to their Board work during the financial period totalled EUR 0.4 (2011: 0.4) million. Additionally in year 2012, two members of the Board received a separate compensation for their consultant work for the company, total amount of these compensations were EUR 0.3 million. Tapio Hakakari, Vice Chairman of the Board of Directors, took over as interim President and CEO on 8 October 2012. The separate compensation paid in 2012 for this work was EUR 0.1 million.

The salaries and remunerations including fringe benefits paid to the President and CEO and the deputy to CEO until 8 October 2012 totalled EUR 1.4 (2011: 1.6) million.

Key management compensation is described in more detail in note 35, Related-party transactions to the consolidated financial statements.

3. Depreciation, amortisation and impairment charges

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Planned depreciation and amortisation		
Intangible rights	0.9	1.0
Other capitalised expenditure	3.6	2.3
Buildings	0.0	0.0
Machinery and equipment	0.1	0.2
Other tangible assets	-	0.0
Total	**4.6**	**3.5**

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

4. Audit fees

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Annual audit	0.5	0.6
Tax advice	0.1	-
Other services	0.6	0.3
Total	**1.1**	**1.0**

5. Financing income and expenses

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Interest income		
From group companies	25.0	23.3
From third parties	12.7	2.5
Total	**37.7**	**25.8**
Other financing income		
From group companies	1.3	1.4
Dividend from group companies	1.2	-
Exchange rate differences	13.5	3.2
Interest expenses		
From group companies	-23.8	-19.0
From third parties	-16.4	-16.2
Total	**-40.2**	**-35.1**
Other financing expenses		
From third parties	-2.0	-2.1
Impairments / reversals of impairments of investments in subsidiaries	14.8	-17.5
Total financing income and expenses	**26.3**	**-24.3**

6. Extraordinary expenses

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Group contribution		
To Cargotec U.S. Manufacturing Oy	6.8	-

7. Income taxes

MEUR	1 Jan–31 Dec 2012	1 Jan–31 Dec 2011
Current year tax expense	0.0	-0.2
Change in deferred tax asset	-0.4	2.9
Total	**-0.4**	**2.6**

8. Intangible assets

MEUR	Intangible rights	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2012	3.6	10.9	10.7	25.2
Additions	-	-	12.7	12.7
Transfer between groups	0.5	16.1	-16.5	0.0
Acquisition cost 31 Dec 2012	**4.1**	**27.0**	**6.8**	**37.9**
Accumulated amortisation 1 Jan 2012	1.9	5.4	-	7.3
Amortisation during the period	0.9	3.6	-	4.4
Accumulated amortisation 31 Dec 2012	2.8	9.0	-	11.8
Book value on 31 Dec 2012	**1.3**	**18.0**	**6.8**	**26.1**
Acquisition cost 1 Jan 2011	2.7	10.9	5.6	19.2
Additions	0.9	0.0	5.1	6.1
Acquisition cost 31 Dec 2011	**3.6**	**10.9**	**10.7**	**25.2**
Accumulated amortisation 1 Jan 2011	0.9	3.1	-	4.1
Amortisation during the period	1.0	2.3	-	3.3
Accumulated amortisation 31 Dec 2011	1.9	5.4	-	7.3
Book value 31 Dec 2011	**1.7**	**5.5**	**10.7**	**17.9**

9. Capitalised interest

MEUR	2012	2011
Capitalised during the financial year	0.1	0.2
Undepreciated capitalised interest	0.3	0.2

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

10. Tangible assets

MEUR	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan 2012	0.4	0.4	0.9	0.1	1.8
Additions	-	-	0.0	-	0.0
Acquisition cost on 31 Dec 2012	**0.4**	**0.4**	**0.9**	**0.1**	**1.8**
Accumulated depreciation on 1 Jan 2012	-	0.1	0.7	0.1	0.9
Depreciation during the period	-	0.0	0.1	-	0.2
Accumulated depreciation on 31 Dec 2012	-	0.1	0.9	-	1.1
Book value on 31 Dec 2012	**0.4**	**0.3**	**0.1**	**0.0**	**0.8**
Acquisition cost on 1 Jan 2011	0.4	0.4	0.8	0.1	1.7
Additions	-	-	0.1	-	0.1
Acquisition cost on 31 Dec 2011	**0.4**	**0.4**	**0.9**	**0.1**	**1.8**
Accumulated depreciation on 1 Jan 2011	-	0.1	0.5	0.1	0.7
Depreciation during the period	-	0.0	0.2	0.0	0.2
Accumulated depreciation on 31 Dec 2011	-	0.1	0.7	0.1	0.9
Book value on 31 Dec 2011	**0.4**	**0.3**	**0.2**	**0.0**	**0.9**

11. Investments

MEUR	2012	2011
Investments in subsidiaries		
Acquisition cost 1 Jan	1,778.8	1,620.7
Accumulated impairments 1 Jan	-108.6	-91.1
Additions	0.1	158.1
Impairments / reversals of impairments	14.8	-17.5
Book value 31 Dec	**1,685.1**	**1,670.2**

MEUR	2012	2011
Investments in joint ventures		
Acquisition cost 1 Jan	-	-
Additions	32.5	-
Book value 31 Dec	**32.5**	**-**

MEUR	2012	2011
Other investments		
Acquisition cost 1 Jan	3.9	3.9
Book value 31 Dec	**3.9**	**3.9**

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

12. Non-current receivables

MEUR	31 Dec 2012	31 Dec 2011
Loans receivable from group companies	611.4	581.9
Derivative assets	41.4	22.5
Deferred tax asset	20.1	20.5
Loan receivables from others	4.5	6.3
Total	**677.5**	**631.1**

13. Current receivables

MEUR	31 Dec 2012	31 Dec 2011
From group companies		
Accounts receivable	17.1	6.3
Derivative assets	20.9	47.0
Loans receivable	757.5	362.4
Deferred assets	7.4	6.6
Total	**803.0**	**422.3**
From third parties		
Accounts receivable	0.0	0.1
Derivative assets	30.9	36.8
Deferred assets	16.3	8.1
Total	**47.3**	**45.1**
Total current receivables	**850.3**	**467.4**

14. Equity

MEUR	2012	2011
Restricted equity		
Share capital 1 Jan	64.3	64.3
Share capital 31 Dec	**64.3**	**64.3**
Share premium account 1 Jan	98.0	98.0
Share premium account 31 Dec	**98.0**	**98.0**
Fair value reserves 1 Jan	12.3	10.8
Cash flow hedges	-9.2	1.7
Change in deferred taxes	2.2	-0.2
Fair value reserve 31 Dec	**5.4**	**12.3**
Total restricted equity	**167.7**	**174.6**
Non-restricted equity		
Retained earnings 1 Jan	832.0	900.6
Dividends paid	-61.3	-37.3
Retained earnings 31 Dec	**770.8**	**863.3**
Profit / loss for the period	16.8	-31.3
Non-restricted equity	**787.5**	**832.0**
Total equity	**955.2**	**1,006.6**
Distributable equity	**787.5**	**832.0**

15. Non-current liabilities

MEUR	31 Dec 2012	31 Dec 2011
Corporate bonds	227.1	231.5
Loans from group companies	-	50.0
Loans from financial institutions	202.5	183.3
Deferred tax liability	1.8	4.0
Derivative liabilities	32.6	-
Total non-current liabilities	**464.0**	**468.8**

Maturity after 5 years

MEUR	31 Dec 2012	31 Dec 2011
Corporate bonds	64.1	158.1
Loans from financial institutions	174.7	119.8
Total	**238.8**	**278.0**

16. Current liabilities

MEUR	31 Dec 2012	31 Dec 2011
To group companies		
Accounts payable	40.3	2.7
Derivative liabilities	37.4	31.8
Loans from group companies	1,558.0	1,289.4
Accruals	16.9	1.6
Total	**1,652.6**	**1,325.5**
To third parties		
Loans from financial institutions	35.7	47.9
Commercial papers	148.6	-
Bank overdrafts used	21.3	0.1
Accounts payable	5.0	4.9
Derivative liabilities	7.0	37.8
Accruals	19.3	21.6
Total	**236.9**	**112.3**
Total current liabilities	**1,889.6**	**1,437.8**

Accruals

MEUR	31 Dec 2012	31 Dec 2011
Accrued salaries, wages and employment costs	3.3	5.1
Accrued interests	14.3	15.6
Other accruals	18.7	3.2
Total	**36.2**	**23.9**

17. Commitments

MEUR	31 Dec 2012	31 Dec 2011
Security for guarantees		
Guarantees given on behalf of group companies	411.3	470.3
Guarantees given on behalf of others	0.9	0.0
Total	**412.3**	**470.3**
Contingencies		
Rental commitments given on behalf of others	2.7	3.0
Leasing commitments		
Maturity within the next financial period	1.6	0.4
Maturity after next financial period	4.9	0.6
Total	**9.3**	**4.1**

18. Derivatives

Fair values of derivative financial instruments

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

31 Dec 2011 MEUR	Positive fair value	Negative fair value	Net fair value
Intra group currency forward contracts	47.0	31.8	15.1
Currency forward contracts	36.8	37.8	-1.0
Cross-currency and interest rate swaps	22.5	-	22.5
Total	**106.3**	**69.7**	**36.6**

Nominal values of derivative financial instruments

MEUR	31 Dec 2012	31 Dec 2011
Intra-group currency forward contracts	2,476.4	2,381.2
Currency forward contracts	3,575.9	3,897.4
Cross-currency and interest rate swaps	227.4	231.9
Total	**6,279.6**	**6,510.5**

Key figures

Key financial figures

Consolidated statement of income		2012	2011	2010	2009	2008
Sales	MEUR	3,327	3,139	2,575	2,581	3,399
Exports from and sales outside Finland	MEUR	3,260	3,078	2,516	2,530	3,280
Operating profit	MEUR	131	207	131	0	174
% of sales	%	3.9	6.6	5.1	0.0	5.1
Operating profit excluding restructuring costs	MEUR	157	207	142	61	193
% of sales	%	4.7	6.6	5.5	2.4	5.7
Income before taxes	MEUR	122	192	101	-27	145
% of sales	%	3.7	6.1	3.9	-1.0	13.5
Net income for the period	MEUR	89	149	78	7	121
% of sales	%	2.7	4.8	3.0	0.3	3.6

Other key figures		2012	2011	2010	2009	2008
Wages and salaries	MEUR	452	419	364	351	387
Depreciation, amortisation and impairment	MEUR	70	63	60	60	60
Capital expenditure in intangible assets and property, plant and equipment	MEUR	76	47	44	88	77
Capital expenditure in customer financing	MEUR	34	30	16	19	36
Total % of sales	%	3.3	2.4	2.3	4.1	3.3
Research and development costs	MEUR	75	60	37	37	47
% of sales	%	2.3	1.9	1.4	1.4	1.4
Equity	MEUR	1,232	1,177	1,069	881	864
Total assets	MEUR	3,294	3,120	2,916	2,687	3,039
Interest-bearing net debt [1]	MEUR	478	299	171	335	478
Return on equity	%	7.4	13.3	8.0	0.8	13.7
Return on capital employed	%	8.1	13.3	8.6	0.2	12.7
Total equity / total assets	%	41.4	43.3	42.7	37.5	33.0
Gearing [1]	%	38.8	25.4	16.0	38.0	55.3
Orders received	MEUR	3,058	3,233	2,729	1,828	3,769
Order book	MEUR	2,021	2,426	2,356	2,149	3,054
Average number of employees		10,522	10,692	9,673	10,785	11,777
Number of employees 31 Dec		10,294	10,928	9,954	9,606	11,826
Dividends	MEUR	44 [2]	61	37	24	37

[1] Including cross-currency hedging of the 300 million USD Private Placement corporate bonds.

[2] Board's proposal

Share-related key figures

		2012	2011	2010	2009	2008
Earnings per share						
Basic earnings per share	EUR	1.45	2.42	1.21	0.05	1.91
Diluted earnings per share	EUR	1.45	2.42	1.21	0.05	1.91
Equity per share	EUR	20.02	19.12	17.37	14.20	13.95
Dividend per class B share	EUR	0.72 [4]	1.00	0.61	0.40	0.60
Dividend per class A share	EUR	0.71 [4]	0.99	0.60	0.39	0.59
Dividend per earnings, class B share	%	49.7 [4]	41.3	50.4	782.8	31.4
Dividend per earnings, class A share	%	49.1 [4]	40.9	49.6	763.2	30.8
Effective dividend yield, class B share	%	3.6 [4]	4.4	1.6	2.1	7.4
Price per earnings, class B share	EUR	13.8	9.5	32.3	377.9	13.5
Development of share price, class B share						
Average share price	EUR	22.70	26.79	26.08	11.55	21.47
Highest share price	EUR	33.62	39.60	39.37	19.31	36.49
Lowest share price	EUR	15.65	16.35	19.16	6.37	7.63
Closing price at the end of period	EUR	19.95	22.98	39.03	19.31	8.09
Market capitalisation 31 Dec [1]	MEUR	1,223	1,410	2,390	1,183	495
Market capitalisation of class B shares 31 Dec [2]	MEUR	1,034	1,191	2,023	1,001	419
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	('000)	64,275	58,290	47,097	54,782	85,697
Trading volume, number of class B shares traded (On NASDAQ OMX Helsinki Ltd.)	%	118.8	98.5	84.2	92.2	156.6
Weighted average number of class A shares [3]	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares 31 Dec [3]	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares [2]	('000)	51,819	51,819	51,819	51,812	52,367
Number of class B shares 31 Dec [2]	('000)	51,819	51,819	51,819	51,819	51,787
Diluted weighted average number of class B shares [2]	('000)	51,819	51,819	51,819	51,812	52,456

Trading information is based on NASDAQ OMX Helsinki Ltd statistics.

[1] Including class A and B shares, excluding treasury shares

[2] Excluding treasury shares

[3] No dilution on class A shares

[4] Board's proposal

Calculation of key figures

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

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

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

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

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

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

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

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

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

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

Price / earnings (P/E) $= \dfrac{\text{Closing price for the class B share at the end of period}}{\text{Basic earnings / share}}$

Average share price $= \dfrac{\text{EUR amount traded during period for the class B share}}{\text{Number of class B shares traded during period}}$

Market capitalisation at the end of period	=		Number of class B shares outstanding at the end of period x closing price for the class B share at the end of period + Number of class A shares outstanding at the end of period x closing day average price for the class B share
Trading volume	=		Number of class B shares traded during period

$$\text{Trading volume (\%)} = 100 \times \frac{\text{Number of class B shares traded during period}}{\text{Average weighted number of class B shares during period}}$$

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

Shares and shareholders

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

Share-related key figures 2008–2012, EUR

	2012	2011	2010	2009	2008
Basic earnings per share	1.45	2.42	1.21	0.05	1.91
Equity per share	20.02	19.12	17.37	14.20	13.95
Dividend per class B share	0.72 *	1.00	0.61	0.40	0.60
Dividend per class A share	0.71 *	0.99	0.60	0.39	0.59
Effective dividend yield, class B share, %	3.6 *	4.4	1.6	2.1	7.4
Price per earnings, class B share	13.8	9.5	32.3	377.9	13.5
Development of share price, class B share					
Average share price	22.70	26.79	26.08	11.55	21.47
Highest share price	33.62	39.60	39.37	19.31	36.49
Lowest share price	15.65	16.35	19.16	6.37	7.63
Closing price at the end of period	19.95	22.98	39.03	19.31	8.09

* Board's proposal

Shares and share capital

Cargotec has two classes of shares, of which class B shares are listed and class A shares are unlisted. At the Annual General Meeting, each class A share is assigned one vote, as is each block of ten class B shares, with the provision that each shareholder is entitled to at least one vote. The total number of votes attached to all shares was 15,001,696 at the end of 2012.

There were no changes in Cargotec Corporation's share capital in 2012. On 31 December 2012, share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 54,778,791 class B shares and 9,526,089 class A shares.

Dividend distribution

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

Dividend proposal

The Board of Directors proposes to the Annual General Meeting (AGM), that of the distributable profit, a dividend of EUR 0.71 for each class A shares and EUR 0.72 for each class B shares be paid for the financial year 2012.

Treasury shares

Cargotec held 2,959,487 own class B shares, accounting for 4.60 percent of the share capital and 1.97 percent of the total voting right of all shares, at the end of 2012. The shares were repurchased in 2005–2008. The number of issued class B shares, excluding treasury shares held by the company, totalled 51,819,304.

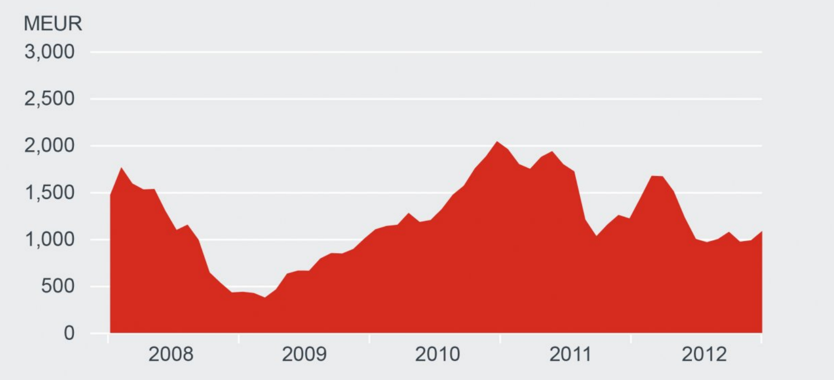
The 2012 AGM authorised the Board to decide on the repurchase of own shares, however, the Board did not exercise the authorisation during the financial period.

Share price development and trading

Cargotec's class B share price fell in 2012 from EUR 22.98 to EUR 19.95 on NASDAQ OMX Helsinki Ltd. Over the same period, the OMX Helsinki Benchmark Cap Index rose by 13 percent.

At the end of 2012, the total market value of class B shares, excluding treasury shares held by the company and calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 1,034 (1,191) million. Cargotec's year-end market capitalisation, in which the unlisted class A shares are valued at the average price of class B shares on the last trading day of the year, was EUR 1,223 (1,410) million, excluding treasury shares held by the company.

Market capitalisation, class B shares

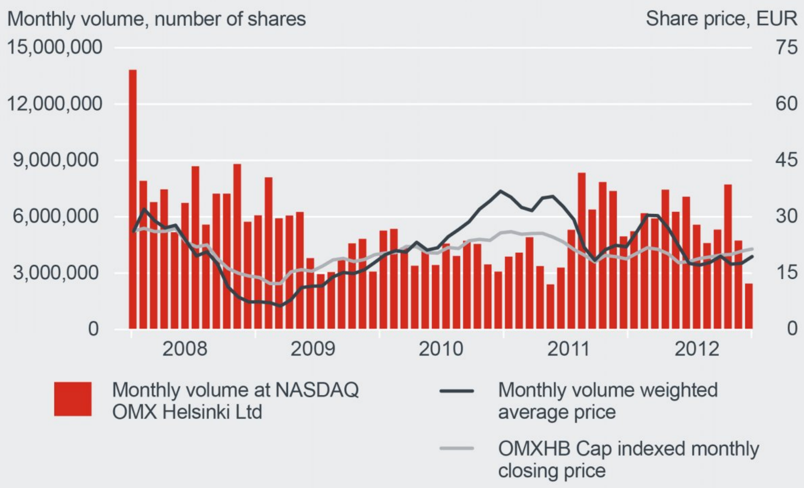


Class B share closed at EUR 19.95 on NASDAQ OMX Helsinki Ltd. on the last trading day of 2012. The highest quotation for 2012 was EUR 33.62 (39.60) and the lowest EUR 15.65 (16.35). The volume weighted average price for the financial period was EUR 22.70 (26.79).

During 2012, a total of 64 (58) million class B shares were traded on NASDAQ OMX Helsinki Ltd., corresponding to a turnover of EUR 1,462 (1,564) million. The average daily trading volume of class B shares 257,102 (230,397) shares or EUR 5,846,279 (6,182,769) million.

In 2012, in addition to NASDAQ OMX Helsinki Ltd., a total of 40 (45) million class B shares were traded on several alternative market places, corresponding to a turnover of EUR 949 (1,205) million. Shares were mainly traded in BATS Chi-X CXE and Turquoise.

Share price and volume



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

Shareholders

At the end of 2012, Cargotec had approximately 24,000 (21,000) registered shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin was the largest owner when including shares owned directly as well as through companies in which a controlling interest is held. There were 6,017,793 (8,500,096) nominee-registered shares, representing 9.36 (13.22) percent of the total number of shares, which corresponds to 4.01 (5.67) percent of all votes.

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

Major shareholders on 31 December 2012

	Shareholder	Class A shares	Class B shares	Shares total	Shares, %	Votes	Votes, %
1	Ownership of Ilkka Herlin, total	2,940,067	5,003,896	7,943,963	12.35	3,440,456	22.93
	Wipunen varainhallinta oy	2,940,067	5,000,000	7,940,067	12.35	3,440,067	22.93
	Herlin Ilkka		3,896	3,896	0.00	389	0.00
2	Mariatorp Oy (in Niklas Herlin's controlling power)	2,940,067	4,900,000	7,840,067	12.19	3,430,067	22.86
3	D-sijoitus Oy (in Ilona Herlin's controlling power)	2,940,067	3,850,000	6,790,067	10.56	3,325,067	22.16
4	Toshiba Elevator And Building Systems Corporation		3,023,340	3,023,340	4.70	302,334	2.02
5	Cargotec Corporation		2,959,487	2,959,487	4.60	295,948	1.97
6	Varma Mutual Pension Insurance Company		2,786,098	2,786,098	4.33	278,609	1.86
7	Kone Foundation	705,888	1,232,454	1,938,342	3.01	829,133	5.53
8	Ilmarinen Mutual Pension Insurance Company		1,329,255	1,329,255	2.07	132,925	0.89
9	Tapiola Mutual Pension Insurance Company		700,000	700,000	1.09	70,000	0.47
10	The State Pension Fund		700,000	700,000	1.09	70,000	0.47
11	Nordea Suomi Fund		475,000	475,000	0.74	47,500	0.32
12	Herlin Heikki		400,000	400,000	0.62	40,000	0.27
13	Fondita Nordic Small Cap Fund		350,000	350,000	0.54	35,000	0.23
14	Sigrid Jusélius Foundation		273,400	273,400	0.43	27,340	0.18
15	Nurminen Hanna		270,268	270,268	0.42	27,026	0.18
16	Evli Suomi Select Fund		232,870	232,870	0.36	23,287	0.16
17	Moving Cargo Oy		226,694	226,694	0.35	22,669	0.15
18	Aktia Capital Fund		225,000	225,000	0.35	22,500	0.15
19	Keva		218,461	218,461	0.34	21,846	0.15
20	Nordea Pro Suomi Fund		200,000	200,000	0.31	20,000	0.13
	Total	**9,526,089**	**29,356,223**	**38,882,312**	**60.45**	**12,461,707**	**83.07**

Nominee registered	6,017,793
Other owners	19,404,775
Total number of shares issued	**64,304,880**

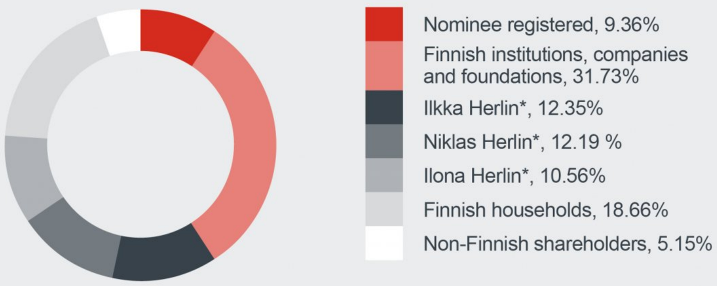
Based on ownership records of the Euroclear Finland Ltd.

Breakdown of share ownership on 31 December 2012

Number of shares	Number of shareholders	% of shareholders	Total shares	% of total number of shares and share capital
1–100	9,499	39.27	560,732	0.87
101–500	9,782	40.44	2,586,756	4.02
501–1,000	2,455	10.15	1,894,324	2.95
1,001–10,000	2,224	9.19	5,924,305	9.21
10,001–100,000	184	0.76	5,478,354	8.52
100,001–1,000,000	34	0.14	7,476,737	11.63
over 1,000,000	10	0.04	37,418,794	58.19
Total	**24,188**	**100.00**	**61,340,002**	**95.39**
of which nominee registered	13			
In the joint book-entry account			5,391	0.01
Number of shares outstanding			**61,345,393**	**95.40**
Treasury shares	1		2,959,487	4.60
Total number of shares			**64,304,880**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

Breakdown by shareholder category on 31 December 2012



* Ownership information includes shares owned directly as well as through companies under controlling power.

Based on ownership records of the Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2012, Vice Chairman of Cargotec's Board of Directors **Tapio Hakakari** acted as interim President and CEO and he did not have an appointed deputy. On 31 December 2012, the aggregate shareholding of the Board of Directors and companies in which they have a controlling interest was 2,940,067 class A shares and 5,235,078 class B shares, which corresponded to 12.71 percent of the total number of all class A and class B shares and 23.09 percent of all votes. The interim President and CEO was not included in the share-based incentive programme nor the option programme.

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

Board authorisations

The 2012 Annual General Meeting authorised the Board of Directors to decide on the repurchase of own shares with non-restricted equity. The shares may be repurchased in order to develop the capital structure of the company, to finance or carry out possible acquisitions, to implement the company's share-based incentive plan, to be transferred for other purposes or to be cancelled. Altogether no more than 6,400,000 own shares may be purchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. This authorisation was not exercised during the financial period. This authorisation remains in effect for a period of 18 months from the resolution by the Annual General Meeting.

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

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

Option programme 2010

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

Stock options	Subscription period	Subscription price	Subscription price deducted with dividends paid 31 Dec 2012
2010A	1 April 2013–30 April 2015	21.35	19.74
2010B	1 April 2014–30 April 2016	31.23	30.23
2010C	1 April 2015–30 April 2017	28.80	28.80

In the spring of 2012, the Board issued stock options to nearly 80 persons, including the members of Cargotec's Executive Board. The minimum earnings criterion for stock options 2010C subscription to commence was 2012 operating profit of EUR 230 million. The target was not fulfilled.

More information on stock options is available in the **Remuneration statement 2012** and on Cargotec's website **www.cargotec.com/investors**.

Share-based incentive programme 2010

In March 2010, the Board of Directors decided to establish a new share-based incentive programme. The programme aims to ensure alignment of the objectives of shareholders and executives in order to increase the value of Cargotec, while committing the executives to the company and offering them a competitive incentive programme based on ownership in the company.

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

	Earnings period	Earnings criteria	Target group
First earnings period	2010–2012	Operating profit margin and sales for financial year 2012	Executive Board in spring 2010
Second earnings period	2011–2013	Operating profit margin and sales for financial year 2013	Executive Board in spring 2011
Third earnings period	2012–2014	Operating profit and sales for financial year 2014	Executive Board in spring 2012

Rewards to be paid on the basis of the earnings period 2010–2012, 2011–2013 and 2012–2014 will correspond to a maximum total of 300,000 Cargotec class B shares (including the proportion to be paid in cash).

Since the minimum earnings criteria for the first earnings period 2010-2012 was not fulfilled, there will be no payout based on the first earnings period.

More information about the incentive programme is available in the **Remuneration statement 2012** and on Cargotec's website **www.cargotec.com/investors**.

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Signatures for Board of Directors' report and financial statements

Helsinki, 11 February 2013

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board and interim President and CEO

Peter Immonen
Member of the Board

Karri Kaitue
Member of the Board

Antti Lagerroos
Member of the Board

Teuvo Salminen
Member of the Board

Anja Silvennoinen
Member of the Board

Our Auditor's report has been issued today.

Helsinki, 11 February 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Tomi Hyryläinen
Authorised Public Accountant

Jouko Malinen
Authorised Public Accountant

Auditor's Report

(Translation from the Finnish Original)

To the Annual General Meeting of Cargotec Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Cargotec Corporation for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, statement of cash flows and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

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

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

Opinion on the Consolidated Financial Statements

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

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

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

The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 11 February, 2013

PricewaterhouseCoopers Oy
Authorised Public Accountants

Tomi Hyryläinen
Authorised Public Accountant

Jouko Malinen
Authorised Public Accountant

Investor information

Cargotec's class B shares are quoted on the NASDAQ OMX Large Cap list of Helsinki Stock Exchange under symbol CGCBV. The company also has unlisted A shares. The accounting par value of a share is one (1) euro. Each class A share has one vote and each complete lot of ten class B shares has one vote in the Shareholders' Meeting, with the provision that each shareholder is entitled to at least one vote.

Share information for class B share

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

Investor relations

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

Investor relations activities in 2012

During 2012, Cargotec conducted around 130 IR meetings. The interest towards Cargotec remained on similar levels as in 2011. The IR team, consisting of Cargotec's President and CEO, CFO and IR Director, conducted meetings in Finland, Sweden, the UK, France, Germany, the Netherlands, Denmark as well as on the east coast of the USA. In addition to one-on-one meetings, several group meetings were hosted at Cargotec's offices in Finland, India, China and Singapore. The IR team also gave presentations at a number of investor seminars for institutional investors in Finland and abroad.

Silent period

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

Disclosure policy

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

Cargotec's information disclosure as a Finnish listed company is regulated by the Finnish and EU legislation as well as rules, standards and recommendations of NASDAQ OMX Helsinki Ltd., the Finnish Financial Supervision Authority and company's corporate governance principles. Cargotec adheres to all this regulation in its communications.

Cargotec disclosure policy is approved by the Board of Directors and it describes Cargotec's main principles for disclosing price sensitive information to the company's stakeholders and communicating with the capital markets.

Market estimates

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

Financial reporting in 2013

- 12 February 2013: Financial statements review 2012
- Week 8: Annual report 2012
- 26 April 2013: January–March 2013 interim report
- 18 July 2013: January–June 2013 interim report
- 24 October 2013: January–September 2013 interim report

Publication of financials

Cargotec Corporation publishes its financial reports and stock exchange and press releases in English. Financial reports and stock exchange and the most significant press releases are published also in Finnish. The reports and releases are available on the company website at **www.cargotec.com**, where they can be ordered to be sent by e-mail. In addition, financial reports can be ordered

- by mail from Cargotec Corporation, Investor Relations, P.O. Box 61, FI-00501 Helsinki, Finland,
- by e-mail from ir(at)cargotec.com or
- by telephone from +358 20 777 4105.

Changes in addresses

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

Contacts

Cargotec Investor Relations

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Meeting requests

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Stock exchange releases 2012

Cargotec’s January-September 2012 interim report: Focus on improving profitability
Thursday, 25 October 2012 12:00 PM

Cargotec receives large repeat order from U.S. Department of Defense
Friday, 19 October 2012 10:00 AM

Cargotec's financial information in 2013
Wednesday, 17 October 2012 9:30 AM

Cargotec reduces its 2012 operating profit margin guidance to approximately 5 percent
Monday, 15 October 2012 9:25 AM

Cargotec's January-September 2012 interim report to be published on Thursday, 25 October 2012
Wednesday, 10 October 2012 10:00 AM

Mikael Mäkinen to head the listing of Cargotec's Marine business in Asia, changes in Executive Board
Thursday, 4 October 2012 9:30 AM

Cargotec plans to adjust operations
Tuesday, 2 October 2012 10:00 AM

Cargotec to proceed with listing of Marine in Asia and change of governance model
Monday, 17 September 2012 10:00 AM

Cargotec receives major port equipment order from DP World Australia
Wednesday, 5 September 2012 9:00 AM

Cargotec receives a major order to deliver a fully automated straddle carrier system to Asciano in Australia
Monday, 3 September 2012 12:00 PM

Cargotec receives large repeat order for four Kalmar quay cranes in West Africa
Friday, 31 August 2012 10:00 AM

Change in Cargotec's Executive Board
Friday, 24 August 2012 2:00 PM

Cargotec's January-June 2012 interim report: Second quarter orders grew 17 percent. Priority in improving profitability.
Thursday, 19 July 2012 12:00 PM

Cargotec to expand offering and presence in China through joint venture with China National Heavy DuTruck Group Co., Ltd
Thursday, 12 July 2012 12:00 PM

Cargotec's January-June 2012 interim report to be published on Thursday, 19 July 2012
Thursday, 5 July 2012 10:00 AM

Cargotec wins a major order from the U.S. Department of Defense
Thursday, 5 July 2012 9:00 AM

Cargotec wins significant order to supply quay cranes for APM Terminals in Rotterdam
Tuesday, 12 June 2012 4:30 PM

Cargotec reduces 2012 profitability guidance
Tuesday, 12 June 2012 9:15 AM

Cargotec plans for further investments in its multi-assembly unit in Poland
Friday, 8 June 2012 9:00 AM

Cargotec has established a joint venture with Jiangsu Rainbow Heavy Industries Co., Ltd. to strengthen presence in China
Friday, 18 May 2012 12:10 PM

Changes in roles of Cargotec's Executive Board members
Thursday, 10 May 2012 2:00 PM

Cargotec's January-March 2012 interim report: First quarter challenging for Terminals segment. Outlook unchanged.
Thursday, 26 April 2012 12:00 PM

Cargotec's January-March 2012 interim report to be published on Thursday, 26 April 2012
Wednesday, 11 April 2012 9:00 AM

Share subscription price and market value of Cargotec Corporation stock options 2010C
Tuesday, 10 April 2012 12:00 PM

Cargotec receives large straddle carrier order from Patrick Stevedores in Australia
Thursday, 29 March 2012 11:00 AM

Cargotec's comparison figures for 2010-2011 in accordance with the new reporting segment structure
Monday, 26 March 2012 1:00 PM

Cargotec Board of Directors' organising meeting
Monday, 19 March 2012 3:45 PM

Decisions taken at Cargotec Corporation's Annual General Meeting
Monday, 19 March 2012 2:25 PM

Cargotec to evaluate listing of Cargotec Marine on the Singapore Exchange to secure further growth
Monday, 19 March 2012 9:45 AM

Cargotec's year 2011 Annual report and Financial statements published
Thursday, 16 February 2012 1:00 PM

Transfer of Cargotec's component manufacturing in Estonia to Komas completed
Monday, 13 February 2012 2:00 PM

Notice of Cargotec Corporation's Annual General Meeting 2012
Tuesday, 7 February 2012 12:30 PM

Cargotec's Financial statements review 2011: Orders grew 18 percent and earnings per share doubled
Tuesday, 7 February 2012 12:00 PM

Cargotec's Stock Exchange Releases and Stock Exchange Announcements published in 2011
Friday, 13 January 2012 10:30 AM

Cargotec's Financial statements review 2011 to be published on Tuesday, 7 February 2012
Thursday, 12 January 2012 2:00 PM

Cargotec secures major port crane orders to Mexico and Philippines
Thursday, 12 January 2012 1:00 PM

Analysts

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

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Annual General Meeting 2013

Cargotec Corporation's Annual General Meeting will be held at the Marina Congress Center, at Katajanokanlaituri 6, Helsinki, Finland on Wednesday, 20 March 2013 at 1:00 p.m. Finnish time. The meeting will be held in Finnish. The notice of the meeting and other meeting material will be available on the **investor pages** at the company website.

Right to attend the meeting

Shareholders wishing to attend the meeting must be registered in the Cargotec shareholder register maintained by Euroclear Finland Ltd on the record date of the meeting, 8 March 2013. Shareholders whose shares are registered in their personal book-entry account are automatically registered in the shareholder register. Holders of nominee-registered shares, who would like to participate in the Annual General Meeting, must be entered into the temporary shareholders' register no later than 15 March 2013, by 10 a.m. (EET). Holders of nominee-registered shares are advised to request the necessary instructions regarding registration in the shareholders' register of the company and the issuing of proxy documents from their custodian bank. A registration in the temporary shareholders' register is regarded as a notice of attendance to the Annual General Meeting.

Notification of participation

Shareholders who wish to attend the meeting must notify Cargotec no later than 4 p.m. (EET) on 15 March 2013 either:

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

Proxies

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

Dividend payment

The Board of Directors will propose to the Annual General Meeting convening on 20 March 2013 that, of the distributable profit, a dividend of EUR 0.71 per class A share and EUR 0.72 per outstanding class B share be paid. The dividend will be paid to shareholders who on the record date for dividend distribution, 25 March 2013, are registered as shareholders in the company's share register. The date proposed by the Board of Directors for the dividend payment is 3 April 2013.