CARGOTEC

Cargotec's financial statements review 2017

STRONG YEAR FOR HIAB

Cargotec's financial statements review 2017: Strong year for Hiab

- Kalmar's project business orders received low
- A record year for Hiab
- MacGregor's orders received increased in the second half of 2017

The figures in these financial statements review are based on Cargotec Corporation's audited 2017 financial statements.

October–December 2017 in brief: Net income increased

- Orders received decreased by 5 percent and totalled EUR 784 (822) million.
- Order book amounted to EUR 1,550 (31 Dec 2016: 1,783) million at the end of the period.
- Sales decreased by 3 percent and totalled EUR 902 (933) million.
- Service sales totalled EUR 229 (231) million.
- Service and software sales represented 31 (30) percent of consolidated sales.
- Operating profit was EUR 57.3 (21.3) million, representing 6.4 (2.3) percent of sales.
- Operating profit excluding restructuring costs increased by 22 percent and amounted to EUR 74.6 (61.0) million, representing 8.3 (6.5) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 112.4 (152.0) million.
- Net income for the period amounted to EUR 29.7 (12.2) million.
- Earnings per share was EUR 0.45 (0.20).

January–December 2017 in brief: Profitability improved

- Orders received decreased by 3 percent and totalled EUR 3,190 (3,283) million.
- Sales decreased by 7 percent and totalled EUR 3,280 (3,514) million.
- Service sales totalled EUR 874 (872) million.
- Service and software sales represented 31 (29) percent of consolidated sales.
- Operating profit was EUR 226.7 (197.7) million, representing 6.9 (5.6) percent of sales.
- Operating profit excluding restructuring costs totalled EUR 263.2 (250.2) million, representing 8.0 (7.1) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 253.5 (373.0) million.
- Net income for the period amounted to EUR 136.3 (125.3) million.
- Earnings per share was EUR 2.11 (1.95).
- The Board of Directors proposes to the Annual General Meeting convening on 20 March 2018 a dividend of EUR 1.04 per class A share and EUR 1.05 per outstanding class B share be paid. The Board also proposes that the dividend shall be paid in two instalments, in March and September 2018. The dividend for class A shares would be paid in two EUR 0.52 instalments. The dividend for outstanding class B shares would be paid in EUR 0.53 and EUR 0.52 instalments.

Outlook for 2018

Cargotec's operating profit excluding restructuring costs for 2018 is expected to improve from 2017 (EUR 263.2 million).

As a result of the adoption of the IFRS 15 standard effective from January 1, 2018, Cargotec's revenue recognition for certain products and customer contracts will change in 2018. The IFRS 15 restated figures for 2017 will be published in March 2018 the latest. The change in accounting principles is not expected to have a material impact on annual operating profit.

Cargotec's key figures

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Orders received	784	822	-5%	3,190	3,283	-3%
Service orders received	212	222	-4%	864	889	-3%
Order book, end of period	1,550	1,783	-13%	1,550	1,783	-13%
Sales	902	933	-3%	3,280	3,514	-7%
Service sales	229	231	-1%	874	872	0%
Software sales*	48	51	-5%	159	148	7%
Service and software sales, % of Cargotec's sales	31%	30%		31%	29%	
Operating profit	57.3	21.3	169%	226.7	197.7	15%
Operating profit, %	6.4%	2.3%		6.9%	5.6%	
Operating profit**	74.6	61.0	22%	263.2	250.2	5%
Operating profit**, %	8.3%	6.5%		8.0%	7.1%	
Income before taxes	49.6	14.2	250%	193.8	169.1	15%
Cash flow from operations	112.4	152.0	-26%	253.5	373.0	-32%
Net income for the period	29.7	12.2	143%	136.3	125.3	9%
Earnings per share, EUR	0.45	0.20	129%	2.11	1.95	8%
Interest-bearing net debt, end of period	472	503	-6%	472	503	-6%
Gearing, %	33.0%	36.0%		33.0%	36.0%	
Interest-bearing net debt / EBITDA***	1.6	1.8		1.6	1.8	
Return on capital employed (ROCE, annualised), %	9.8%	8.8%		9.8%	8.8%	
Personnel, end of period	11,251	11,184	1%	11,251	11,184	1%

*Software sales include Navis business unit and automation software
**Excluding restructuring costs
***Last four quarters' EBITDA

Cargotec's CEO Mika Vehviläinen: A year of change and development

2017 was as a year of changes in our industry. We saw large-scale consolidation, as shipping lines formed alliances and reorganised cargo handling routes. The shipping market was still recovering from severe overcapacity. The on-road load handling market was strong both in the US and in Europe.

In terms of orders received, the year was twofold for us: orders received declined in Kalmar and MacGregor, but the strong development in Hiab continued. In Kalmar, the development in the project business did not meet our expectations. MacGregor's orders grew during the second half of the year. The activity improved in the merchant ship markets, but remained well below historical averages. Hiab's orders received grew in all our main markets supported by the good level of construction activity, and the development was strong especially in Europe.

Also the sales declined in Kalmar and MacGregor but grew in Hiab. The delivery volumes were in line with our expectations in the fourth quarter. We are satisfied that we were able to grow our operating profit despite the sales being lower than in the previous year. We expect that our operating profit, excluding restructuring costs, will improve also in 2018.

Strategy implementation, driven by our three must-win battles – digitalisation, services and leadership – progressed well. A number of new digital products were introduced during the year. We have an ambitious approach to development and to delivering our promise to be the leader in intelligent cargo handling in 2020. In addition to our product and system level digitalisation initiatives, we have launched several projects that focus on utilising robotics and artificial intelligence both internally and in our commercial offering.

In services we took decisive steps to improve and expand our offering as a lifecycle partner to our customers. At Kalmar, the main service business developed well, although the project-based services faced some challenges. Hiab introduced new service concepts which increased its service sales by four percent. MacGregor services suffered from weak market conditions, especially in the offshore business.

Our leadership development serves as an enabler for our transformation as a company. We have now focused on this area for three years, and measure our leaders' behavior and effectiveness on a regular basis. This has clearly improved our working climate, employee satisfaction and performance.

During the year, we were also able to agree on three interesting acquisitions. Argos is one of Brazil's leading loader crane manufacturers. With the acquisition, Hiab will extend its operations to the Brazilian market. MacGregor agreed to acquire Rapp Marine Group in order to strengthen its offering for the fishery and research vessel segment. In addition, Kalmar acquired the port services business of Inver Engineering in Australia. Our balance sheet is strong, enabling further acquisitions.

Reporting segments' key figures

Orders received

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	369	440	-16%	1,555	1,721	-10%
Hiab	289	282	2%	1,116	1,016	10%
MacGregor	126	100	25%	521	546	-5%
Internal orders	0	0		-2	-1	
Total	**784**	**822**	**-5%**	**3,190**	**3,283**	**-3%**

Order book

MEUR	31 Dec 2017	31 Dec 2016	Change
Kalmar	765	900	-15%
Hiab	299	286	5%
MacGregor	487	598	-19%
Internal orders	-1	-1	
Total	**1,550**	**1,783**	**-13%**

Sales

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	479	477	0%	1,623	1,700	-5%
Hiab	280	257	9%	1,084	1,036	5%
MacGregor	144	199	-28%	576	778	-26%
Internal sales	-1	0		-2	-1	
Total	**902**	**933**	**-3%**	**3,280**	**3,514**	**-7%**

Operating profit

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	41.7	31.8	31%	130.2	115.6	13%
Hiab	39.9	32.4	23%	157.1	138.8	13%
MacGregor	-4.2	-28.9	85%	-4.3	-13.7	69%
Corporate administration and support functions	-20.1	-14.0	-44%	-56.3	-42.9	-31%
Total	**57.3**	**21.3**	**169%**	**226.7**	**197.7**	**15%**

Operating profit excluding restructuring costs

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	44.6	41.5	7%	136.6	135.3	1%
Hiab	39.9	32.9	21%	157.3	140.0	12%
MacGregor	2.1	0.5	308%	11.5	17.9	-35%
Corporate administration and support functions	-12.0	-14.0	14%	-42.2	-42.9	2%
Total	**74.6**	**61.0**	**22%**	**263.2**	**250.2**	**5%**

Press conference for analysts and media

A press conference for analysts and media, combined with a live international telephone conference, will be arranged on the publishing day at 10.00 a.m. EET at Cargotec's head office, Porkkalankatu 5, Helsinki. The event will be held in English. The report will be presented by CEO Mika Vehviläinen and Executive Vice President, CFO Mikko Puolakka. The presentation material will be available at www.cargotec.com by latest 10.00 a.m. EET.

The telephone conference, during which questions may be presented, can be accessed using the following numbers with access code 686095:

FI: +358 (0)9 7479 0360
SE: +46 (0)8 5033 6573
UK: +44 (0)330 336 9104
US: +1 646-828-8199

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

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Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec's sales in 2017 totalled approximately EUR 3.3 billion and it employs over 11,000 people. www.cargotec.com

Cargotec's financial statements review 2017

Operating environment in 2017

The number of containers handled at ports globally is estimated to have grown by six percent during 2017 compared to the previous year (Drewry). Interest in Kalmar's efficiency-boosting port automation solutions continued to be high, but due to the uncertainty caused by the strong consolidation of shipping companies, customers are careful with their decisions concerning projects and automation solutions. Customers' investments were targeted to smaller projects. The demand for mobile equipment and services was at last year's level.

The demand for Hiab's load handling equipment was supported in the United States and Europe by the construction activity, which remained at a good level during 2017. The demand continued to be strong in the US and accelerated in Europe during the second half of the year. The demand for services improved from last year.

Merchant ship contracting improved during 2017 compared to the previous year, but remained at a very low level. The risk for order postponements and cancellations is still high. Contracting in the offshore sector declined compared to the previous year. The demand for MacGregor's services declined in the offshore sector, but improved slightly in the merchant ship sector.

Financial performance

Orders received and order book

Orders received by reporting segment

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	369	440	-16%	1,555	1,721	-10%
Hiab	289	282	2%	1,116	1,016	10%
MacGregor	126	100	25%	521	546	-5%
Internal orders	0	0		-2	-1	
Total	**784**	**822**	**-5%**	**3,190**	**3,283**	**-3%**

Orders received by reporting segment, comparable foreign exchange rates*

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	385	440	-12%	1,573	1,721	-9%
Hiab	300	282	6%	1,133	1,016	12%
MacGregor	130	100	29%	528	546	-3%
Internal orders	0	0		-2	-1	
Total	**814**	**822**	**-1%**	**3,233**	**3,283**	**-2%**

*Indicative. 2017 figures are calculated assuming that the foreign exchange rates would have remained at the comparison period's level.

Orders received during the fourth quarter decreased by five percent from the comparison period and totalled EUR 784 (822) million. Compared to the comparison period, currency rate changes had a four percentage point negative impact on orders received. The negative impact is mainly related to the change in EUR/USD exchange rate. Orders received grew in Hiab and MacGregor and decreased in Kalmar. Service orders received decreased by four percent and totalled EUR 212 (222) million. The decline was mainly caused by the weak market situation in MacGregor's offshore business.

Orders received in 2017 decreased by three percent from the comparison period and totalled EUR 3,190 (3,283) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on orders received. 49 percent of the orders in 2017 were received by Kalmar, 35 percent by Hiab and 16 percent by MacGregor. Orders received grew in Hiab and decreased in Kalmar and MacGregor. Service orders received decreased by three percent and totalled EUR 864 (889) million. The decline was mainly caused by the weak market situation in MacGregor's offshore business.

Order book by reporting segment

MEUR	31 Dec 2017	31 Dec 2016	Change
Kalmar	765	900	-15%
Hiab	299	286	5%
MacGregor	487	598	-19%
Internal order book	-1	-1	
Total	**1,550**	**1,783**	**-13%**

The order book decreased by 13 percent from the end of 2016, and at the end of 2017 it totalled EUR 1,550 (31 Dec 2016: 1,783) million. Kalmar's order book totalled EUR 765 (900) million, representing 49 (50) percent, Hiab's EUR 299 (286) million or 19 (16) percent and that of MacGregor EUR 487 (598) million or 32 (34) percent of the consolidated order book.

Orders received by geographical area

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
EMEA	390	427	-9%	1,512	1,537	-2%
Americas	237	232	2%	1,064	985	8%
Asia-Pacific	157	163	-4%	614	761	-19%
Total	**784**	**822**	**-5%**	**3,190**	**3,283**	**-3%**

In geographical terms, the share of orders received in the fourth quarter was 50 (52) percent in EMEA. Americas' share of orders received increased to 30 (28) percent and Asia-Pacific's share was 20 (20) percent.

In 2017, the share of orders received increased to 48 (47) percent in EMEA and to 33 (30) percent in Americas. Asia-Pacific's share decreased to 19 (23) percent.

Sales

Sales by reporting segment

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	479	477	0%	1,623	1,700	-5%
Hiab	280	257	9%	1,084	1,036	5%
MacGregor	144	199	-28%	576	778	-26%
Internal sales	-1	0		-2	-1	
Total	**902**	**933**	**-3 %**	**3,280**	**3,514**	**-7%**

Sales by reporting segment, comparable foreign exchange rates*

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	494	477	3%	1,643	1,700	-3%
Hiab	291	257	13%	1,103	1,036	6%
MacGregor	149	199	-25%	584	778	-25%
Internal sales	-1	0		-2	-1	
Total	**933**	**933**	**0%**	**3,327**	**3,514**	**-5%**

*Indicative. 2017 figures are calculated assuming that the foreign exchange rates would have remained at the comparison period's level.

Fourth quarter sales decreased by three percent from the comparison period to EUR 902 (933) million. Compared to the comparison period, currency rate changes had a three percentage point negative impact on sales. Sales were at last year's level on comparable foreign exchange rates. Sales were at the comparison period's level in Kalmar, increased in Hiab and decreased in MacGregor. Hiab's sales increased in EMEA and Americas. MacGregor's sales declined due to lower delivery volumes in both merchant and offshore sectors. Service sales decreased by one percent from the comparison period and totalled EUR 229 (231) million, representing 25 (25) percent of consolidated sales. Software sales decreased by five percent and amounted to EUR 48 (51) million. Service and software sales amounted to EUR 277 (282) million, representing 31 (30) percent of consolidated sales.

Sales in 2017 decreased by seven percent from the comparison period, to EUR 3,280 (3,514) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on sales. Sales grew from the comparison period in Hiab and declined in Kalmar and MacGregor. Service sales totalled EUR 874 (872) million, representing 27 (25) percent of consolidated sales. Software sales increased by seven percent and amounted to EUR 159 (148) million. Service and software sales amounted to EUR 1,033 (1,020) million, representing 31 (29) percent of consolidated sales.

Sales by geographical area

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
EMEA	435	414	5%	1,448	1,482	-2%
Americas	252	256	-2%	1,034	1,079	-4%
Asia-Pacific	215	263	-18%	798	952	-16%
Total	**902**	**933**	**-3%**	**3,280**	**3,514**	**-7%**

In geographical terms, sales grew in EMEA during the fourth quarter and declined in Americas and Asia-Pacific. EMEA's share of consolidated sales was 48 (45) percent, Americas' 28 (27) percent and Asia-Pacific's 24 (28) percent.

In 2017, sales declined in all geographical areas. EMEA's share of consolidated sales was 44 (42) percent, Americas' 32 (31) percent and Asia-Pacific's 24 (27) percent.

Financial result

Operating profit by reporting segment

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	41.7	31.8	31%	130.2	115.6	13%
Hiab	39.9	32.4	23%	157.1	138.8	13%
MacGregor	-4.2	-28.9	85%	-4.3	-13.7	69%
Corporate administration and support functions	-20.1	-14.0	-44%	-56.3	-42.9	-31%
Total	**57.3**	**21.3**	**169%**	**226.7**	**197.7**	**15%**

Operating profit for the fourth quarter totalled EUR 57.3 (21.3) million. Operating profit includes EUR 17.2 (39.7) million in restructuring costs. EUR 2.9 (9.7) million of the restructuring costs were related to Kalmar, EUR 0.0 (0.5) million to Hiab, EUR 6.3 (29.4) million to MacGregor and EUR 8.1 (0.0) million to corporate administration and support functions.

Operating profit for year 2017 totalled EUR 226.7 (197.7) million. Operating profit includes EUR 36.5 (52.5) million in restructuring costs. EUR 6.4 (19.7) million of the restructuring costs were related to Kalmar, EUR 0.2 (1.2) million to Hiab, EUR 15.8 (31.6) million to MacGregor and EUR 14.1 (0.0) million to corporate administration and support functions.

Operating profit excluding restructuring costs by reporting segment

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Kalmar	44.6	41.5	7%	136.6	135.3	1%
Hiab	39.9	32.9	21%	157.3	140.0	12%
MacGregor	2.1	0.5	308%	11.5	17.9	-35%
Corporate administration and support functions	-12.0	-14.0	14%	-42.2	-42.9	2%
Total	**74.6**	**61.0**	**22%**	**263.2**	**250.2**	**5%**

Operating profit for the fourth quarter, excluding restructuring costs, was EUR 74.6 (61.0) million, representing 8.3 (6.5) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 44.6 (41.5) million, Hiab EUR 39.9 (32.9) million, and MacGregor EUR 2.1 (0.5) million. Kalmar's operating profit excluding restructuring costs increased especially in mobile equipment. Hiab's profitability was supported by higher sales. MacGregor's operating profit excluding restructuring costs increased due to cost savings as well as a higher share of service business.

Operating profit, excluding restructuring costs, for year 2017 was EUR 263.2 (250.2) million, representing 8.0 (7.1) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 136.6 (135.3) million, Hiab EUR 157.3 (140.0) million, and MacGregor EUR 11.5 (17.9) million. Kalmar's operating profit, excluding restructuring costs, improved slightly from the comparison period's level despite the lower sales. Hiab's profitability improvement was driven by higher volumes as well as new products. MacGregor's operating profit, excluding restructuring costs, declined as a consequence of lower volumes driven by the difficult market situation, but remained positive due to cost savings as well as a higher share of service business.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the fourth quarter totalled EUR 4.0 (4.3) million. Net financing expenses totalled EUR 7.7 (7.1) million. Net interest expenses for interest-bearing debt and assets in 2017 totalled EUR 16.2 (20.4) million. Net financing expenses totalled EUR 32.9 (28.6) million. Net financing expenses increased due to higher foreign exchange hedging costs.

Net income for the fourth quarter totalled EUR 29.7 (12.2) million, and earnings per share EUR 0.45 (0.20). Net income for year 2017 was EUR 136.3 (125.3) million, and earnings per share EUR 2.11 (1.95).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,557 (31 Dec 2016: 3,736) million at the end of the year 2017. Equity attributable to the equity holders of the parent was EUR 1,425 (1,395) million, representing EUR 22.10 (21.65) per share. Property, plant and equipment on the balance sheet amounted to EUR 311 (309) million and intangible assets to EUR 1,247 (1,315) million.

Return on equity (ROE, annualised) in 2017 was 9.7 (9.1) percent, and return on capital employed (ROCE, annualised) was 9.8 (8.8) percent. Cargotec's financial target is to reach 15 percent return on capital employed in the next 3–5 years.

Cash flow from operating activities in 2017, before financial items and taxes, totalled EUR 253.5 (373.0) million. Cash flow was burdened by lower advance payments as well as higher working capital needs in certain product categories in Kalmar and Hiab. At the end of the year 2017, net working capital increased to EUR 118 million from the level of EUR 57 million at the end of 2016.

Cargotec's liquidity position is healthy. During the first quarter, Cargotec issued two bonds in a total aggregate amount of EUR 250 million. The maturities of the bonds are five and seven years. During the second quarter, Cargotec refinanced a EUR 300 million revolving credit facility. The facility carries a tenor of five years including two one-year extension options. At the end of the year 2017, interest-bearing net debt totalled EUR 472 (31 Dec 2016: 503) million. Interest-bearing debt amounted to EUR 788 (782) million, of which EUR 121 (142) million was current and EUR 667

(640) million non-current debt. On 31 December 2017, the average interest rate on the loan portfolio was 2.3 (31 December 2016: 2.3) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 317 (31 Dec 2016: 278) million.

At the end of the year 2017, Cargotec's total equity/total assets ratio was 41.5 (31 Dec 2016: 39.1) percent. Gearing was 33.0 (36.0) percent. Profit distribution in 2017 totalled EUR 62.2 (52.8) million.

Corporate topics

Research and development

Research and product development expenditure in 2017 totalled EUR 92.5 (90.8) million, representing 2.8 (2.6) percent of sales. EUR 0.5 (2.3) million was capitalised. Research and development investments were focused on digitalisation as well as projects that aim to improve the competitiveness and cost efficiency of products.

Kalmar

In January, Kalmar launched a new range of light diesel forklifts. The Kalmar DCG50-90 range, comprising seven models, was updated to provide better uptime, productivity and fuel savings to customers.

In March, Kalmar and Cargotec's joint venture Rainbow-Cargotec Industries (RCI) opened a new jetty in China. The new jetty will support Kalmar's business growth in the Asia-Pacific region by enabling the deliveries of fully erect Kalmar yard cranes from RCI. The jetty can berth vessels of up to 50,000 DWT capacities.

In May, Kalmar launched its revised vision for Port 2060 with a video to depict how the sustainable future of cargo handling will look like in the year 2060. According to the Port 2060 vision, the utilisation of data has fundamentally changed the way the world trade operates, making it more efficient, safe and sustainable.

In June, Kalmar launched a new range of mid-sized forklifts, The Kalmar Essential Range, to customers in the Americas and in Europe. The Essential range provides customers with the build quality, high availability and excellent safety at a highly competitive price.

In September, Kalmar introduced two new products: Kalmar Key, which is the industry's first automation platform with open interfaces, and Kalmar Rail-Mounted Gantry Crane (RMG). Kalmar Key provides a common system architecture for building an end-to end, customised automation platform using Kalmar Terminal Logistics System (TLS) as a basis. Kalmar RMG is a highly adaptable, automation ready crane solution suitable for both intermodal and container terminal operations.

In the third quarter, Kalmar announced also two important development efforts with customers. Firstly, Kalmar announced the delivery of the first integrated automation solution to International Container Terminal Services Incorporated (ICTSI) at the Port of Melbourne, Australia. The Kalmar OneTerminal deployment was completed ahead of schedule, and it has made Victoria International Container Terminal (VICT) the world's first fully automated international container handling facility.

In addition, in September, Kalmar announced a joint pilot of the port industry's first fast charging shuttle carrier solution at DP World London Gateway Port in the UK. The pilot project of the fully electric powered Kalmar FastCharge™ Shuttle Carrier will start during the first quarter of 2018.

In October, Kalmar launched a fully electric medium-range forklift that will help customers reduce the environmental impact of their operations. Kalmar is the first leading manufacturer to offer electric forklifts in this capacity range. In November, Kalmar introduced the Essential range of reachstackers, empty container handlers and forklifts and the TL2 terminal tractor in Asia-Pacific.

Hiab

During the first quarter of the year, Hiab brought to market a new ZEPRO tail lift which is lighter than the previous model and easier as well as faster to install.

In March, Hiab delivered the first forestry crane equipped with the camera-based HiVision™ control system to its customer in Sweden. HiVision moves the crane operation to the truck cabin. It has four cameras on top of the forestry crane that provide the operator with a realistic 270-degree view. This enables the crane operator to see the working area and operate the crane from the truck cabin using virtual reality goggles.

Hiab also continued to invest in digitalisation and services by developing connectivity in its products to ensure that by the end of 2018 Hiab equipment are connected and able to communicate with other systems and devices.

During the second quarter, Hiab brought to market a new DEL tail lift model with Power Closure opening feature, which enables the opening and closing of the heavy-duty, steel column lift platform without manual effort, and a new robust ZEPRO folding lift for flexible distribution.

In April, Hiab put its new 4,000m^2 regional distribution centre for Hiab spare parts outside of Indianapolis, United States, into operation.

During the second quarter, Hiab launched the semi-automatic folding (SAF) feature for folding and unfolding the crane with a single control level. The new feature makes the crane operation fast and easy for operators when parking the crane in a safe and controlled way.

In demountables, Hiab introduced a new visual service indicator that is specifically designed to monitor MULTILIFT equipment movements and the time spent in operation. The service indicator alerts the operator proactively when it is time for regular maintenance. In addition, a renewed SkipTop™ automatic load coverage was introduced for MULTILIFT Futura skiploaders.

During the third quarter, Hiab launched its HiConnect™ solution. HiConnect is a new connected service offering, which enhances the productivity of Hiab equipment for fleet operators by enabling real-time insights via web-based dashboards showing the utilisation, condition, and operation of their connected Hiab equipment. These insights will allow customers to reduce unnecessary downtime, optimise performance, and actively manage service and safe operation.

During the third quarter, Hiab introduced continuous slewing on its 30 to 40 metric tonne range of loader cranes. Continuous slewing has previously been available for the biggest HIAB loader cranes with capacity of over 50 tonne metres. Continuous slewing makes the work in construction and transport faster, smarter and safer especially in risky positions.

During the quarter Hiab also organised an open innovation challenge called CargoHack 3 in its Test and Innovation Center in Hudiksvall, Sweden. The participating teams selected from three different challenges to work with: easier and safer load handling, securing the availability of equipment and taking the lead in intelligent load handling solutions.

During the fourth quarter of the year, Hiab brought to market the world’s first electric powered MULTILIFT Futura skiploader in partnership with the Dutch electric vehicle manufacturer EMOSS.

The equipment operate silently and with no emissions. The ePTO solution that ensures the electric power take-off was also expanded to cover more loader crane models.

In addition, the new MULTILIFT Futura 18 skiploader was launched at the end of the fourth quarter. It has the capacity of 18 tonnes and offers the operator increased productivity with decreased fuel consumption as fewer trips are needed to haul the same load. This launch completes the Futura product range where the previous models launched had capacities of 8 and 12 tonnes.

In November, Hiab strengthened the ZEPRO tail lift offering on the French market by bringing to the market three tail lift models. Common for all of them is the short installation time, the combination of low weight and high strength in the steel structures, and components with long-term reliability.

During the fourth quarter, Hiab launched a new oil tank using cyclone technology which reduces oil usage, weight, need for space and running costs. This patented technology is the first of its kind in the industry and works with most Hiab crane models.

The roll-out of the new Hiab Webshop, launched in 2016 for ordering original Hiab spare parts online, continued the expansion to new markets during 2017. By the end of the year, customers and dealers from close to 40 different countries have bought spare parts through the Hiab Webshop.

By the year end, the deliveries of forestry and recycling cranes equipped with HiVision™ control system were rolled out to ten countries.

MacGregor

During the first quarter, MacGregor won Offshore Support Journal's innovation of the Year award for its retrofit device, a 3D motion compensator. MacGregor launched a new crane compensation system for offshore ship-to-ship load transfers. During the quarter, MacGregor and Rolls-Royce signed a Memorandum of Understanding to collaborate on research and development in autonomous cargo ship navigation and cargo systems on board container ships. MacGregor opened a new virtual reality training facility in Arendal, Norway.

During the second quarter, MacGregor and ESL Shipping agreed to jointly develop and test autonomous discharging feature on bulk handling cranes. MacGregor also acquired the rights for a software to increase the efficiency of RoRo operations.

During the third quarter, MacGregor started a joint research project with the Technical University in Hamburg to develop an augmented reality-based system to support maintenance and service activities on ships. MacGregor is also participating in another collaboration project in Germany to work together with industry partners to enable remote-controlled harbour tug operations by 2020.

During the fourth quarter, MacGregor started piloting a customer interaction platform in order to establish a channel to provide a better access to relevant documentation and equipment insights as well as recommended actions to the customers. The platform will eventually serve as a tool for future MacGregor digital service offering.

Capital expenditure

Capital expenditure in 2017, excluding acquisitions and customer financing, totalled EUR 47.2 (40.1) million. Investments in customer financing were EUR 37.1 (40.4) million. Of the capital expenditure, EUR 9.0 (10.5) million concerned intangible assets, such as global systems that in future enable higher efficiency in operational activities as well as in support functions. Depreciation, amortisation and impairment amounted to EUR 72.0 (84.8) million.

In March 2016, as part of plans to consolidate its assembly operations in Europe, Kalmar announced plans to invest approximately EUR 9 million in 2016–2017 in the expansion of the assembly unit in Stargard, Poland. The related investments amounted to around EUR 6 million in 2017.

Acquisitions

In December 2017, MacGregor signed an agreement to acquire Rapp Marine Group (RMG) in order to strengthen its offering for the fishery and research vessel segment. MacGregor's existing portfolio includes already various deck handling equipment, such as cranes and booms, but with RMG, MacGregor is able to offer complete solutions with advanced winches and related control systems. The enterprise value of the acquisition was approximately EUR 16 million. The results of RMG business will be consolidated in MacGregor business area results once the transaction has been completed which is expected to happen during February 2018. RMG employs about 120 people with main locations in Norway, the USA and the United Kingdom. The sales in 2017 are estimated to be approximately EUR 40 million, of which approximately 30 percent is related to services. RMG's operating profit margin is on the same level as MacGregor's current profitability.

In December 2017, Kalmar signed an agreement to acquire the port services business of Inver Engineering in Australia. The investment in Inver Port Services supports Kalmar's strategic aim to grow in services while strengthening and broadening Kalmar's existing service capabilities throughout Australia, New Zealand and the Pacific. The acquisition was closed on 29 December 2017. The annual sales of the company is around EUR 5 million and it employs 23 people.

During the third quarter, Hiab entered into an agreement to acquire the loader crane business of one of Brazil's leading loader crane manufacturers Argos Guindastes Indústria e Comércio Ltda. The acquisition was completed in the beginning of October. The acquisition will strengthen Hiab's strategy and market leadership ambition by making a strong entrance to the Brazilian market and it will also create a solid foundation for Hiab’s business in the whole area. The sales of Argos amounted to approximately EUR 6 million in 2017. The results of Argos loader crane business have been consolidated in Hiab business area results starting from October 2017.

Operational restructurings

MacGregor announced on 9 November 2017 planned measures to achieve annual cost savings of approximately EUR 13 million by reorganising its operations and began statutory cooperation negotiations. The statutory cooperation negotiations were finalised in December, resulting in restructuring of operations and reducing approximately 170 full-time equivalents globally. The planned savings are estimated to be reached in 2018.

In May 2017, Cargotec announced it will target EUR 50 million savings by reducing indirect purchasing spend, streamlining processes and planning Cargotec Business Services operations. Cargotec targets annual cost savings of EUR 50 million from 2020 and onwards. Approximately 2/3 of the savings will come from reductions in global indirect purchasing spend like logistics, external services and facilities. The remaining part of the savings will come from applying new technologies, like automation, in support processes and from the new Cargotec Business Services operations that has started its activities in Sofia, Bulgaria. During 2017, the realised savings from the programme amounted to around EUR 10 million. The estimated restructuring costs related to the programme are around EUR 30 million in 2018.

Related to the savings targets and as a result of cooperation negotiations, Cargotec will reduce 45 positions in Finland. In addition, Cargotec and Tieto entered into a partnership in IT Service Management and Solution Expertise Services under which Tieto took over Cargotec's overall IT service management and a major part of Cargotec's solution expertise services. As part of the deal, a total of 50 employees from Cargotec in Finland, Sweden and USA were transferred to Tieto on 1 November, 2017.

In October 2016, Cargotec announced that it will launch a programme to achieve cost savings of approximately EUR 25 million in MacGregor. The global employee co-operation negotiations resulted in the decision to reduce 230 person-years. The measures affected particularly operations in China, Finland, Norway, Singapore and Sweden. MacGregor realised the targeted savings from the programme during 2017.

In September 2016, Cargotec announced plans to re-organise the maritime software company INTERSCHALT operations in Germany, USA and China. Re-organisations affected tens of employees. The savings resulting from these activities amounted to approximately EUR 2 million in 2017.

In July 2016, Kalmar completed the employee cooperation negotiations in Lidhult, Sweden, announced in March 2016. As a result, Kalmar has transferred the production of forklift trucks from Sweden to Poland. At the same time, Kalmar invests in new, state of the art premises in Sweden and transforms the operations in Southern Sweden into a Business, Innovation and Technology Centre. The change in Lidhult will lead to a permanent reduction of 160 employees and gradual operational closing. The total benefits of the activities are expected to amount to approximately EUR 13 million annually from 2018 onwards.

Personnel

Cargotec employed 11,251 (31 Dec 2016: 11,184) people at the end of 2017. Kalmar employed 5,819 (5,702) people, Hiab 3,370 (2,997), MacGregor 1,859 (2,256), and corporate administration and support functions 203 (230). The average number of employees in 2017 was 11,128 (11,193).

At the end of the year 2017, 11 (31 Dec 2016: 11) percent of the employees were located in Sweden, 8 (9) percent in Finland, and 43 (40) percent in the rest of Europe. Asia-Pacific personnel represented 21 (24) percent, North and South America 15 (14) percent, and the rest of the world 2 (2) percent of total employees.

Salaries and remunerations to employees totalled EUR 570 (572) million in 2017.

The annual Compass Employee Engagement survey provides valuable information on our employees' work-related feelings and thoughts. The Compass 2017 survey had a participation rate of 86 (2016: 88) percent. According to the results, our people take pride in the work they do and evaluate both our team collaboration and team performance positively. The biggest increase was seen in the customer mindset related question concerning the use of customer feedback to improve work processes. This is an especially pleasing result as it indicates progress in our strategic pursuit to offer world-class services.

Despite the positive feedback, we have also identified improvement areas. The results show that we need to concentrate on being clear enough when communicating direction and on creating confidence for the future. Further investments in development and training are also needed to ensure the necessary skills and motivation to take us to a top position in the intelligent cargo handling industry.

Corporate responsibility

In 2017, we created the Cargotec Offering for eco-efficiency, which demonstrates our competitive advantage in terms of making the industry more sustainable. With this offering, we aim to set a new standard for sustainable cargo handling and intensify the public discussion of sustainable business.

The second corporate responsibility focus area was safety. In this area, we developed safety campaigns throughout the company, which achieved external recognition from industry organisations. As our IIFR rate in our production sites is still unsatisfactory, 6.1 (2016: 5.7) injuries per million hours worked in 2017, we will continue to increase safety awareness in 2018.

In the area of compliance, we continued to develop our ethics and compliance work to ensure that we have robust processes and procedures in place for the effective detection, prevention and remediation of any inappropriate conduct such as bribery, corruption or fraudulent business practices. We will continue this work in 2018, with a focus on third parties such as sales intermediaries and suppliers.

We continued with our sourcing sustainability management program in the fourth quarter, with the development and delivery of a Supplier Code of Conduct. We also finalized our plan for a self-assessment process for supplier sustainability.

We increased the amount of transparency and communication about our sustainability efforts by publishing revised sustainability webpages and stepping up the discussions of sustainability with our investors. Internally, we focused on paying continuous management attention to this subject through ongoing sustainability reviews at various management levels.

Internal control and risk management

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the company's Code of Conduct and internal controls. With respect to the financial reporting process, these are supported by Cargotec's policies and guidelines, as well as its internal financial reporting process and communication. Cargotec's internal control policy, which is approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. The company SpeakUp Line gives an opportunity to confidentially and anonymously raise concerns of possible misconduct or other matters that may not be in line with company values and policies.

Similarly to other Cargotec operations, responsibility for internal control is divided into three tiers. The line management is principally responsible for internal control. This is backed by corporate support functions, which define instructions applicable across the company and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers function effectively.

Cargotec's Corporate Audit is an assurance and consulting function that operates separately from the operative organisation and reports to the Board Audit and Risk Management Committee and, administratively, to the CEO. Corporate Audit takes account of the major risks identified in the company's risk map when developing the audit plan and monitors the mitigation of selected risks. The audits of the operations of subsidiaries and business units assess the effectiveness of internal control and risk management, as well as compliance with operating principles and guidelines. Furthermore, Corporate Audit audits and assesses financial reporting processes and compliance with the related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board Audit and Risk Management Committee.

At Cargotec, risk management forms part of the internal control operations. Approved by the Board of Directors and based on Cargotec's values, the risk management policy specifies the objectives and principles of the risk management as well as the responsibilities involved. A core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively. The 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 that are in charge of identifying, managing and reporting risks. Financial risks are managed centrally by the Corporate Treasury, and reported on for corporate management and the Board of Directors on a regular basis.

The main strategic risks that were identified in 2017 were related to the changes in corporate structure as well as efficient implementation of the strategy. Operational risks were related to supply chain issues, legality, ethical code of conduct, contract risks, as well as information security and product liability. Employee, customer and third-party health, safety and environmental risks are carefully considered and continuously monitored as top priorities in Cargotec's risk evaluation and management processes.

Executive Board

On 31 December 2017, Cargotec's Executive Board consisted of Mika Vehviläinen, CEO; Mikko Puolakka, Executive Vice President, CFO; Mikko Pelkonen, Senior Vice President, Human Resources; Mikael Laine, Senior Vice President, Strategy; and business area presidents Antti Kaunonen (Kalmar), Roland Sundén (Hiab), and Michel van Roozendaal (MacGregor). Outi Aaltonen, Senior Vice President, General Counsel, acts as Secretary to the Executive Board.

Reporting segments

Kalmar

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Orders received	369	440	-16%	1,555	1,721	-10%
Order book, end of period	765	900	-15%	765	900	-15%
Sales	479	477	0%	1,623	1,700	-5%
Service sales	121	123	-2%	445	436	2%
% of sales	25%	26%		27%	26%	
Software sales	48	51	-5%	159	148	7%
% of sales	10%	11%		10%	9%	
Operating profit	41.7	31.8	31%	130.2	115.6	13%
% of sales	8.7%	6.7%		8.0%	6.8%	
Operating profit*	44.6	41.5	7%	136.6	135.3	1%
% of sales*	9.3%	8.7%		8.4%	8.0%	
Personnel, end of period	5,819	5,702	2%	5,819	5,702	2%

*Excluding restructuring costs

In the fourth quarter, orders received by Kalmar decreased by 16 percent and totalled EUR 369 (440) million. Orders received declined especially in the project business.

Major orders received by Kalmar in 2017 included:

- orders for a total of 708 terminal tractors in the Americas region during the annual Dealer Meeting,
- repeat order of sixteen hybrid shuttle carriers from the Port of Virginia in US. The order includes an option for a further 40 units,
- six Rubber Tyred Gantry (RTG) cranes to Ports America Chesapeake LLC in Baltimore, Maryland, US,
- first order of collaborative stowage solution XVELA from Ocean Network Express Pte. Ltd., as well as
- an agreement to supply an automated straddle carrier system for EUROGATE Container Terminal Wilhemshaven in Germany.

Orders received in 2017 decreased by 10 percent and totalled EUR 1,555 (1,721) million. The orders received declined especially in the project business.

Kalmar’s order book decreased by 15 percent from the 2016 year-end, and at the end of the year it totalled EUR 765 (31 Dec 2016: 900) million.

Kalmar’s fourth quarter sales remained at the comparison period’s level and totalled EUR 479 (477) million. Service sales decreased by two percent to EUR 121 (123) million, representing 25 (26) percent of sales. The service business developed well, but the sales of crane upgrades were below the comparison period’s level. Sales in 2017 decreased by five percent and totalled EUR 1,623 (1,700) million. Service sales increased by two percent to EUR 445 (436) million, despite lower sales in crane modernisation business. Service sales represented 27 (26) percent of sales.

Kalmar’s fourth quarter operating profit totalled EUR 41.7 (31.8) million. Operating profit includes EUR 2.9 (9.7) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 44.6 (41.5) million, representing 9.3 (8.7) percent of sales. Compared to the comparison period, operating profit excluding restructuring costs increased especially in mobile equipment.

Operating profit for 2017 totalled EUR 130.2 (115.6). Operating profit includes EUR 6.4 (19.7) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 136.6 (135.3) million, representing 8.4 (8.0) percent of sales. Kalmar's operating profit, excluding restructuring costs, improved slightly from the comparison period's level despite the lower sales.

Hiab

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Orders received	289	282	2%	1,116	1,016	10%
Order book, end of period	299	286	5%	299	286	5%
Sales	280	257	9%	1,084	1,036	5%
Service sales	60	57	6%	242	233	4%
% of sales	22%	22%		22%	22%	
Operating profit	39.9	32.4	23%	157.1	138.8	13%
% of sales	14.3%	12.6%		14.5%	13.4%	
Operating profit*	39.9	32.9	21%	157.3	140.0	12%
% of sales*	14.3%	12.8%		14.5%	13.5%	
Personnel, end of period	3,370	2,997	12%	3,370	2,997	12%

*Excluding restructuring costs

Hiab's orders received for the fourth quarter increased by two percent from the comparison period and totalled EUR 289 (282) million. Orders received increased in the EMEA region.

Major orders received by Hiab in 2017 included:

- an order for 69 hooklifts and seven loader cranes from Finland,
- an order for over 600 loader cranes from India, as well as
- orders for over 30 loader cranes from the United Kingdom.

Orders received in 2017 increased by 10 percent from the comparison period and totalled EUR 1,116 (1,016) million. The order book totalled EUR 299 (31 Dec 2016: 286) million at the end of year 2017.

Hiab's fourth quarter sales increased by nine percent and totalled EUR 280 (257) million. Sales increased in EMEA and Americas. Service sales grew six percent to EUR 60 (57) million, representing 22 (22) percent of sales. Sales in 2017 grew five percent from the comparison period and totalled EUR 1,084 (1,036) million. Service sales grew by four percent and amounted to EUR 242 (233) million, representing 22 (22) percent of sales.

Operating profit for Hiab in the fourth quarter improved from the comparison period and totalled EUR 39.9 (32.4) million. Operating profit includes EUR 0.0 (0.5) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 39.9 (32.9) million, representing 14.3 (12.8) percent of sales. Operating profit increased due to higher sales.

Operating profit for 2017 improved from the comparison period and totalled EUR 157.1 (138.8) million. Operating profit includes EUR 0.2 (1.2) million in restructuring costs. Operating profit, excluding restructuring costs, increased by 12 percent to EUR 157.3 (140.0) million, representing 14.5 (13.5) percent of sales. Hiab's profitability improvement was driven by higher volumes as well as new products.

MacGregor

MEUR	Q4/17	Q4/16	Change	2017	2016	Change
Orders received	126	100	25%	521	546	-5%
Order book, end of period	487	598	-19%	487	598	-19%
Sales	144	199	-28%	576	778	-26%
Service sales	48	51	-5%	188	204	-8%
% of sales	34%	26%		33%	26%	
Operating profit	-4.2	-28.9	85%	-4.3	-13.7	69%
% of sales	-2.9%	-14.6%		-0.7%	-1.8%	
Operating profit*	2.1	0.5	308%	11.5	17.9	-35%
% of sales*	1.4%	0.3%		2.0%	2.3%	
Personnel, end of period	1,859	2,256	-18%	1,859	2,256	-18%

*Excluding restructuring costs

MacGregor’s orders received in the fourth quarter increased by 25 percent from the comparison period to EUR 126 (100) million. Around 65 percent of the orders received were related to merchant ships and around 35 percent to the offshore sector. Orders received increased in Americas and in Asia-Pacific. Orders received in 2017 decreased by five percent to EUR 521 (546) million.

Major orders received by MacGregor in 2017 included:

- hatch covers and cranes for five bulk carriers in China,
- floating linkspans to Calais, France,
- two fabrication, engineering, and project management solutions of complete subsea mooring and riser systems for floating storage and regasification units, one for Excelerate Energy, and the second one to Summit LNG Terminal, as well as
- optimising container carrying capabilities of 31 Mediterranean Shipping Company’s container vessels.

MacGregor’s order book decreased by 19 percent from the 2016 year-end, totalling EUR 487 (31 Dec 2016: 598) million at the end of year 2017. Around three quarters of the order book is merchant ship-related and one quarter is offshore vessel-related.

MacGregor’s fourth quarter sales decreased by 28 percent from the comparison period to EUR 144 (199) million. The sales were burdened by the low delivery volumes. The share of service sales was 34 (26) percent, or EUR 48 (51) million. Sales in 2017 decreased by 26 percent from the comparison period to EUR 576 (778) million. The share of service sales was 33 (26) percent or EUR 188 (204) million. Service sales decreased in the offshore sector but grew in the merchant ship sector.

MacGregor’s operating profit for the fourth quarter totalled EUR -4.2 (-28.9) million. Operating profit includes EUR 6.3 (29.4) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 2.1 (0.5) million, representing 1.4 (0.3) percent of sales. Operating profit, excluding restructuring costs, increased due to cost savings despite the lower sales.

Operating profit for 2017 totalled EUR -4.3 (-13.7) million. Operating profit includes EUR 15.8 (31.6) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR

11.5 (17.9) million, representing 2.0 (2.3) percent of sales. MacGregor's operating profit excluding restructuring costs declined as a consequence of lower volumes driven by the difficult market situation, but remained positive due to cost savings as well as a higher share of service business.

Annual General Meeting and shares

Decisions taken at the Annual General Meeting

Cargotec Corporation’s Annual General Meeting (AGM), held on 21 March 2017, adopted the financial statements and consolidated financial statements of year 2016. The meeting granted discharge from liability for the CEO and the members of the Board of Directors for the accounting period 1 January–31 December 2016.The AGM approved a dividend of EUR 0.94 to be paid for each class A share and a dividend of EUR 0.95 be paid for each class B share outstanding. The dividend payment date was 30 March 2017.

The AGM approved that the Articles of Association of the company be changed regarding the number of regular and deputy members of the Board of Directors. The minimum number of members is changed to six (6), the maximum to twelve (12), and there will be no deputy members. The AGM authorised the Board to decide on the repurchase of Cargotec's shares with non-restricted equity. The number of the Board members was confirmed at ten. Kimmo Alkio, Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors, and Teresa Kemppi-Vasama and Johanna Lamminen were elected as new members. The AGM elected accounting firm PricewaterhouseCoopers Oy and authorised public accountant Tomi Hyryläinen as auditors. The auditors' fees were decided to be paid according to invoice approved by the company.

On 21 March 2017, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected at its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. The Board also elected the Chairmen and the members for the Audit and Risk Committee as well as the Nomination and Compensation Committee.

Outi Aaltonen, Senior Vice President, General Counsel, will continue as Secretary to the Board. Cargotec published stock exchange releases on the decisions taken at the AGM as well as the Board of Directors’ organising meeting on 21 March 2017. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec’s website at www.cargotec.com.

Shares and trading

Share capital, own shares and share issue

Cargotec Corporation’s share capital totalled EUR 64,304,880 at the end of 2017. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089.

On 21 March 2017, the Board of Directors of Cargotec Corporation decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to Cargotec's share-based incentive programme 2014, 2016 allocation of restricted shares programme 2014–2016 under the share-based incentive programme 2014, and 2016 allocation of restricted shares programme 2016–2018 under the share-based incentive programme 2016. In the share issue, 56,709 own class B shares held by the company have been transferred without consideration to the key employees participating in the share based incentive programmes in accordance with the programme specific terms and conditions. The decision on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting on 18 March 2014. According to the authorisation, the Board of Directors can decide on a share issue amounting to a maximum of 952,000 class A shares and 5,448,000 class B shares. Previously, in accordance with the authorisation, 26,684 own class B shares were transferred in March 2014, 28,030 class B shares in March 2015 and 27,601 class B shares in March 2016. More detailed information about the launch and the terms and conditions of the programmes is available in stock exchange releases published on 4 February 2014 and on 10 February 2016.

After the transfer of shares, Cargotec holds a total of 208,390 own class B shares, accounting for 0.32 percent of the total number of shares and 0.14 percent of the total number of votes. At the end of 2017, the number of outstanding class B shares totalled 54,973,689.

Share-based incentive programmes

In February 2017, The Board of Directors of Cargotec Corporation has resolved to establish a new share-based incentive programme directed to the key employees of Cargotec. The performance share programme includes three performance periods, calendar years 2017–2018, 2018–2019 and 2019–2020. Each performance period includes two measuring periods, both lasting for one calendar year. For measuring periods, the Board of Directors will annually resolve on the performance criteria and on the required performance levels for each criterion. During the performance period 2017–2018, the programme is directed to approximately 100 key employees, including the members of the Executive Board. The incentive programme supports increasing growth of the service and software business according to Cargotec's strategy.

For the key employees of the business areas Kalmar, Hiab, and MacGregor, the potential reward of the programme from the measuring period 2017 will be based on the business areas' service gross profit and return on capital employed (ROCE %, excluding restructuring costs), and for Navis software divisions' key employees, on Navis' sales and on strategic targets of Xvela business. For the Cargotec corporate key employees, the performance criteria are Cargotec's service gross profit and return on capital employed (ROCE %, excluding restructuring costs). The rewards to be paid on the basis of the performance period 2017–2018 will amount up to an approximate maximum total of 200,000 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees.

After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods 2017 and 2018, and potential rewards from the performance period 2017–2018 will be paid partly in Cargotec's class B shares and partly in cash in 2019. As a rule, no reward will be paid, if a key employee's employment or service ends before the reward payment. The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.

Market capitalisation and trading

At the end of 2017, the total market value of class B shares was EUR 2,595 (2,355) million, excluding own shares held by the company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 3,047 (2,762) million, excluding own shares held by the company.

The class B share closed at EUR 47.20 (42.89) on the last trading day of December on Nasdaq Helsinki. The volume-weighted average share price for the financial period was EUR 49.85 (34.31), the highest quotation being EUR 59.25 (43.35) and the lowest EUR 40.26 (24.30). During the period, a total of 33 (43) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,665 (1,456) million. In addition, according to Fidessa, a total of 48 (68) million class B shares were traded in several alternative marketplaces, such as Cboe OTC and Cboe CXE, corresponding to a turnover of EUR 2,428 (2,334) million.

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. A slowdown in global economic growth could reduce the growth in container traffic. Furthermore, the consolidation of ship companies may change port volumes in the future and affect customers' decision making. Project executions may face risks related to schedule, cost and delivery guarantees. Furthermore, potential bottlenecks in the supply chain could postpone deliveries and have a negative impact on sales and results. Uncertainty may be increased by risks stemming from political instability, volatility on the currency and raw material markets, or from the financing sector. Hiab's demand is impacted by the development of the construction market. A significant share of Hiab's orders are from the United States. Even though the cash flows are hedged for the existing order book, the weakening of the US dollar in the longer term could weaken Hiab's results. Greater difficulty in obtaining financing would weaken customers' liquidity and investments.

MacGregor's market situation still involves uncertainties. It is anticipated that the oversupply in the merchant ship market will take longer to balance out, since capacity will continue to increase while demand is expected to grow very moderately. At the same time, the low oil price and uncertainty regarding its development has led to an intense fall in investments by the oil industry and created oversupply in the offshore market. The concurrent deterioration in both markets has a negative impact on the financial situation of shipyards and ship owners, as well as ship operators. In the challenging market situation, customers may also try to postpone or cancel orders. In some cases the financial situation of customers may deteriorate significantly or even lead to customer insolvency.

Cargotec is involved in certain legal disputes and trials. The interpretation of international agreements and legislation may weaken the predictability of the end results of legal disputes and trials.

There are also ethical risks related to the industries and the geographical scope where Cargotec operates in. Cargotec has increased its investments to develop ethical business practices and the related internal processes are continuously being developed further.

More information on risks is available at www.cargotec.com, under Investors > Governance > Internal control and risk management.

Events after the reporting period

On 5 February 2018, MacGregor completed the acquisition of Rapp Marine Group (RMG) to strengthen its offering for the fishery and research segment. MacGregor announced to acquire Rapp Marine Group in December 2017 for an enterprise value of approximately EUR 16 million.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2017 was EUR 1,271,421,418.57 of which net income for the period was EUR 83,536,297.91. The Board of Directors proposes to the Annual General Meeting convening on 20 March 2018 that of the distributable profit, a dividend of EUR 1.04 for each of the 9,526,089 class A shares and EUR 1.05 for each of the 54,973,689 outstanding class B shares be paid, totalling EUR 67,629,506.01. The remaining distributable equity, EUR 1,203,791,912.56, will be retained and carried forward.

The Board of Directors also proposes that the dividend shall be paid in two instalments, in March and in September 2018. The first instalment of EUR 0.52 per each of class A shares and EUR 0.53

per each of class B shares outstanding shall be paid to shareholders who on the record date for dividend distribution, 22 March 2018, are registered as shareholders in the company's shareholder register. The dividend payment date proposed by the Board of Directors is 29 March 2018.

The second instalment of EUR 0.52 per each of class A shares and EUR 0.52 per each of class B shares outstanding shall be paid in September 2018. The second instalment shall be paid to shareholders who are registered as shareholders in the company's shareholder register on the dividend record date, which, together with the payment date, shall be confirmed by the Board of Directors in its meeting scheduled for 18 September 2018. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would be 20 September 2018 and the dividend payment date 27 September 2018, unless the renewal of the securities processing infrastructure by Euroclear Finland Ltd brings the dividend payment date a few days earlier.

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

Outlook for 2018

Cargotec's operating profit excluding restructuring costs for 2018 is expected to improve from 2017 (EUR 263.2 million).

As a result of the adoption of the IFRS 15 standard effective from January 1, 2018, Cargotec's revenue recognition for certain products and customer contracts will change in 2018. The IFRS 15 restated figures for 2017 will be published in March 2018 the latest. The change in accounting principles is not expected to have a material impact on annual operating profit.

Annual General Meeting 2018

The Annual General Meeting of Cargotec Corporation will be held at the Marina Congress Center in Helsinki on Tuesday, 20 March 2018 at 1.00 p.m. EET.

Financial calendar 2018

Financial Statements and Annual Report 2017 will be available at www.cargotec.com on week 8
The Annual General Meeting of Cargotec Corporation will be held on Tuesday, 20 March 2018
Interim report January–March 2018, on Tuesday, 24 April 2018
Half year financial report January–June 2018, on Thursday, 19 July 2018
Interim report January–September 2018, on Friday, 26 October 2018

Helsinki, 7 February 2018
Cargotec Corporation
Board of Directors

Consolidated statement of income

MEUR	Q4/17	Q4/16	2017	2016
Sales	**902.0**	**932.9**	**3 280.1**	**3,513.7**
Cost of goods sold	-668.1	-710.9	-2 423.4	-2,674.0
Gross profit	**233.8**	**222.0**	**856.7**	**839.7**
Gross profit. %	*25.9%*	*23.8%*	*26.1%*	*23.9%*
Other operating income	8.2	9.3	35.8	38.1
Selling and marketing expenses	-56.5	-57.7	-221.8	-221.1
Research and development expenses	-27.5	-26.6	-98.2	-94.1
Administration expenses	-73.5	-74.8	-273.6	-277.0
Restructuring costs	-17.2	-39.7	-36.5	-52.5
Other operating expenses	-9.8	-10.9	-36.7	-37.8
Costs and expenses	-176.3	-200.4	-631.0	-644.4
Share of associated companies' and joint ventures' net income	-0.2	-0.3	0.9	2.5
Operating profit	**57.3**	**21.3**	**226.7**	**197.7**
Operating profit, %	*6.4%*	*2.3%*	*6.9%*	*5.6%*
Financing income and expenses	-7.7	-7.1	-32.9	-28.6
Income before taxes	**49.6**	**14.2**	**193.8**	**169.1**
Income before taxes, %	*5.5%*	*1.5%*	*5.9%*	*4.8%*
Income taxes	-20.0	-2.0	-57.5	-43.8
Net income for the period	**29.7**	**12.2**	**136.3**	**125.3**
Net income for the period, %	*3.3%*	*1.3%*	*4.2%*	*3.6%*
Net income for the period attributable to:				
Equity holders of the parent	29.1	12.7	136.1	126.0
Non-controlling interest	0.6	-0.5	0.2	-0.7
Total	**29.7**	**12.2**	**136.3**	**125.3**
Earnings per share for profit attributable to the equity holders of the parent:				
Basic earnings per share, EUR	0.45	0.20	2.11	1.95
Diluted earnings per share, EUR	0.45	0.19	2.10	1.94

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

Consolidated statement of comprehensive income

MEUR	Q4/17	Q4/16	2017	2016
Net income for the period	29.7	12.2	136.3	125.3
Items that cannot be reclassified to statement of income:				
Actuarial gains (+) / losses (-) from defined benefit plans	-4.6	-4.6	-5.0	-6.9
Taxes relating to items that cannot be reclassified to statement of income	1.0	1.0	1.1	1.5
Total	**-3.6**	**-3.6**	**-3.9**	**-5.4**
Items that can be reclassified to statement of income:				
Gains (+) / losses (-) on cash flow hedges	2.5	-19.0	50.2	1.7
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	-5.4	2.8	-16.2	1.4
Gains (+) / losses (-) on net investment hedges	-	-4.0	10.9	22.4
Translation differences	-18.3	15.4	-81.9	-34.8
Taxes relating to items that can be reclassified to statement of income	0.6	3.5	-4.8	1.0
Total	**-20.6**	**-1.3**	**-41.8**	**-8.3**
Comprehensive income for the period	**5.5**	**7.3**	**90.6**	**111.6**
Comprehensive income for the period attributable to:				
Equity holders of the parent	4.9	7.8	90.4	112.2
Non-controlling interest	0.6	-0.4	0.2	-0.7
Total	**5.5**	**7.3**	**90.6**	**111.6**

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

Consolidated balance sheet

ASSETS, MEUR	**31 Dec 2017**	**31 Dec 2016**
Non-current assets		
Goodwill	986.7	1,024.5
Other intangible assets	260.8	290.2
Property, plant and equipment	310.8	308.6
Investments in associated companies and joint ventures	109.8	123.4
Available-for-sale investments	0.2	3.8
Loans receivable and other interest-bearing assets*	5.0	3.0
Deferred tax assets	149.9	185.0
Derivative assets	6.1	16.9
Other non-interest-bearing assets	8.5	7.9
Total non-current assets	**1,837.8**	**1,963.4**
Current assets		
Inventories	607.0	647.0
Loans receivable and other interest-bearing assets*	2.5	1.9
Income tax receivables	36.4	26.1
Derivative assets	13.3	45.8
Accounts receivable and other non-interest-bearing assets	751.3	778.9
Cash and cash equivalents*	309.1	273.2
Total current assets	**1,719.6**	**1,773.0**
Total assets	**3,557.5**	**3,736.3**

EQUITY AND LIABILITIES, MEUR	31 Dec 2017	31 Dec 2016
Equity attributable to the equity holders of the parent		
Share capital	64.3	64.3
Share premium account	98.0	98.0
Translation differences	-31.2	37.3
Fair value reserves	2.1	-24.7
Reserve for invested non-restricted equity	69.0	69.0
Retained earnings	1,223.0	1,151.1
Total equity attributable to the equity holders of the parent	**1,425.2**	**1,395.0**
Non-controlling interest	2.3	2.2
Total equity	**1,427.5**	**1,397.2**
Non-current liabilities		
Interest-bearing liabilities*	673.8	656.8
Deferred tax liabilities	13.2	73.1
Pension obligations	87.5	81.4
Provisions	17.1	37.6
Other non-interest-bearing liabilities	61.5	49.4
Total non-current liabilities	**853.1**	**898.2**
Current liabilities		
Current portion of interest-bearing liabilities*	83.8	119.4
Other interest-bearing liabilities*	37.6	45.8
Provisions	103.5	112.8
Advances received	116.2	160.6
Income tax payables	49.1	32.0
Derivative liabilities	6.4	34.1
Accounts payable and other non-interest-bearing liabilities	880.3	936.2
Total current liabilities	**1,276.9**	**1,440.8**
Total equity and liabilities	**3,557.5**	**3,736.3**

*Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

	Attributable to the equity holders of the parent							Non-controlling interest	Total equity
MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total		
Equity 1 Jan 2017	**64.3**	**98.0**	**37.3**	**-24.7**	**69.0**	**1,151.1**	**1,395.0**	**2.2**	**1,397.2**
Net income for the period						136.1	136.1	0.2	136.3
Cash flow hedges				26.8			26.8		26.8
Net investment hedges			8.7				8.7		8.7
Translation differences			-77.3				-77.3	0.0	-77.3
Actuarial gains(+) / losses(-) from defined benefit plans						-3.9	-3.9		-3.9
Comprehensive income for the period*			**-68.6**	**26.8**	**-**	**132.2**	**90.4**	**0.2**	**90.6**
Profit distribution						-61.1	-61.1	-1.0	-62.2
Treasury shares acquired					-		-		-
Stock options exercised					-		-		-
Share-based payments*						3.2	3.2		3.2
Transactions with owners of the company					**-**	**-58.0**	**-58.0**	**-1.0**	**-59.0**
Transactions with non-controlling interests						-2.3	-2.3	0.9	-1.4
Equity 31 Dec 2017	**64.3**	**98.0**	**-31.2**	**2.1**	**69.0**	**1,223.0**	**1,425.2**	**2.3**	**1,427.5**
*Net of tax									
Equity 1 Jan 2016	**64.3**	**98.0**	**47.7**	**-26.7**	**76.1**	**1,079.9**	**1,339.3**	**2.4**	**1,341.8**
Net income for the period						126.0	126.0	-0.7	125.3
Cash flow hedges				2.0			2.0		2.0
Net investment hedges			17.9				17.9		17.9
Translation differences			-28.2				-28.2	0.1	-28.2
Actuarial gains(+) / losses(-) from defined benefit plans						-5.4	-5.4		-5.4
Comprehensive income for the period*			**-10.3**	**2.0**	**-**	**120.6**	**112.2**	**-0.7**	**111.6**
Profit distribution						-52.2	-52.2	-0.6	-52.8
Treasury shares acquired					-7.6		-7.6		-7.6
Stock options exercised					0.5		0.5		0.5
Share-based payments*						2.8	2.8		2.8
Transactions with owners of the company					**-7.1**	**-49.4**	**-56.5**	**-0.6**	**-57.2**
Transactions with non-controlling interests							-	1.1	1.1
Equity 31 Dec 2016	**64.3**	**98.0**	**37.3**	**-24.7**	**69.0**	**1,151.1**	**1,395.0**	**2.2**	**1,397.2**
*Net of tax									

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

Consolidated statement of cash flows

MEUR	2017	2016
Net income for the period	136.3	125.3
Depreciation, amortisation and impairment	72.0	84.8
Financing items	32.9	28.6
Taxes	57.5	43.8
Change in receivables	-13.8	10.3
Change in payables	-51.4	66.9
Change in inventories	17.0	13.3
Change in net working capital	-48.2	90.5
Other adjustments	2.9	0.0
Cash flow from operations before financing items and taxes	**253.5**	**373.0**
Interest received	4.8	1.1
Interest paid	-20.1	-21.9
Dividends received	5.5	0.3
Other financing items	14.6	10.4
Income taxes paid	-77.5	-49.4
Net cash flow from operating activities	**180.9**	**313.5**
Acquisitions of businesses, net of cash acquired	-14.4	-66.8
Disposals of businesses, net of cash sold	-1.2	-
Investments in associated companies and joint ventures	-4.7	-2.7
Investments in fixed assets	-84.3	-80.5
Disposals of fixed assets	13.7	17.6
Cash flow from investing activities, other items	1.3	0.9
Net cash flow from investing activities	**-89.7**	**-131.5**
Proceeds from share subscriptions	-	0.5
Treasury shares acquired	-	-7.6
Acquisition of non-controlling interests	-0.4	-
Proceeds from long-term borrowings	253.2	-
Repayments of long-term borrowings	-243.1	-3.2
Proceeds from short-term borrowings	7.6	38.2
Repayments of short-term borrowings	-17.7	-58.9
Profit distribution	-62.2	-52.8
Net cash flow from financing activities	**-62.6**	**-83.9**
Change in cash and cash equivalents	**28.6**	**98.1**
Cash and cash equivalents, and bank overdrafts at the beginning of period	260.8	164.9
Effect of exchange rate changes	-4.6	-2.2
Cash and cash equivalents, and bank overdrafts at the end of period	**284.7**	**260.8**
Bank overdrafts at the end of period	24.4	12.4
Cash and cash equivalents at the end of period	**309.1**	**273.2**

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

Key figures

		2017	2016
Equity / share	EUR	22.10	21.65
Interest-bearing net debt	MEUR	471.7	503.5
Total equity / total assets	%	41.5%	39.1%
Gearing	%	33.0%	36.0%
Interest-bearing net debt / EBITDA, rolling 12 months		1.6	1.8
Return on equity (ROE), annualised	%	9.7%	9.1%
Return on capital employed (ROCE), annualised	%	9.8%	8.8%

Additional information regarding interest-bearing net debt and gearing is disclosed in note 6, Interest-bearing net debt and liquidity.

Notes to the financial statements review

1. General information

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

2. Accounting principles and new accounting standards

The financial statements review has been prepared according to IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2016 and comply with changes in IAS/IFRS standards effective from 1 January 2017. These changes had no material impact on the financial statements review. All figures presented have been rounded and, consequently, the sum of individual figures may deviate from the presented sum figure.

3. Segment information

Sales, MEUR	Q4/17	Q4/16	2017	2016
Kalmar	479	477	1,623	1,700
Hiab	280	257	1,084	1,036
MacGregor	144	199	576	778
Internal sales	-1	0	-2	-1
Total	**902**	**933**	**3,280**	**3,514**

Sales by geographical area, MEUR	Q4/17	Q4/16	2017	2016
EMEA	435	414	1,448	1,482
Asia-Pacific	215	263	798	952
Americas	252	256	1,034	1,079
Total	**902**	**933**	**3,280**	**3,514**

Sales by geographical area, %	Q4/17	Q4/16	2017	2016
EMEA	48%	45%	44%	42%
Asia-Pacific	24%	28%	24%	27%
Americas	28%	27%	32%	31%
Total	**100%**	**100%**	**100%**	**100%**

Operating profit and EBITDA, MEUR	Q4/17	Q4/16	2017	2016
Kalmar	41.7	31.8	130.2	115.6
Hiab	39.9	32.4	157.1	138.8
MacGregor	-4.2	-28.9	-4.3	-13.7
Corporate administration and support functions	-20.1	-14.0	-56.3	-42.9
Operating profit	**57.3**	**21.3**	**226.7**	**197.7**
Depreciation and amortisation	19.4	26.8	72.0	84.8
EBITDA	**76.7**	**48.1**	**298.8**	**282.5**

Operating profit, %	Q4/17	Q4/16	2017	2016
Kalmar	8.7%	6.7%	8.0%	6.8%
Hiab	14.3%	12.6%	14.5%	13.4%
MacGregor	-2.9%	-14.6%	-0.7%	-1.8%
Cargotec	6.4%	2.3%	6.9%	5.6%

Restructuring costs, MEUR	Q4/17	Q4/16	2017	2016
Kalmar	-2.9	-9.7	-6.4	-19.7
Hiab	0.0	-0.5	-0.2	-1.2
MacGregor	-6.3	-29.4	-15.8	-31.6
Corporate administration and support functions	-8.1	0.0	-14.1	0.0
Total	**-17.2**	**-39.7**	**-36.5**	**-52.5**

Operating profit excl. restructuring costs, MEUR	Q4/17	Q4/16	2017	2016
Kalmar	44.6	41.5	136.6	135.3
Hiab	39.9	32.9	157.3	140.0
MacGregor	2.1	0.5	11.5	17.9
Corporate administration and support functions	-12.0	-14.0	-42.2	-42.9
Total	**74.6**	**61.0**	**263.2**	**250.2**

Operating profit excl. restructuring costs, %	**Q4/17**	**Q4/16**	**2017**	**2016**
Kalmar	9.3%	8.7%	8.4%	8.0%
Hiab	14.3%	12.8%	14.5%	13.5%
MacGregor	1.4%	0.3%	2.0%	2.3%
Cargotec	8.3%	6.5%	8.0%	7.1%

Orders received, MEUR	**Q4/17**	**Q4/16**	**2017**	**2016**
Kalmar	369	440	1,555	1,721
Hiab	289	282	1,116	1,016
MacGregor	126	100	521	546
Internal orders received	0	0	-2	-1
Total	**784**	**822**	**3,190**	**3,283**

Orders received by geographical area, MEUR	**Q4/17**	**Q4/16**	**2017**	**2016**
EMEA	390	427	1,512	1,537
Asia-Pacific	157	163	614	761
Americas	237	232	1,064	985
Total	**784**	**822**	**3,190**	**3,283**

Orders received by geographical area, %	**Q4/17**	**Q4/16**	**2017**	**2016**
EMEA	50%	52%	47%	47%
Asia-Pacific	20%	20%	19%	23%
Americas	30%	28%	33%	30%
Total	**100%**	**100%**	**100%**	**100%**

Order book, MEUR	**31 Dec 2017**	**31 Dec 2016**
Kalmar	765	900
Hiab	299	286
MacGregor	487	598
Internal order book	-1	-1
Total	**1,550**	**1,783**

Number of employees at the end of period	**31 Dec 2017**	**31 Dec 2016**
Kalmar	5,819	5,702
Hiab	3,370	2,997
MacGregor	1,859	2,256
Corporate administration and support functions	203	230
Total	**11,251**	**11,184**

Average number of employees	**2017**	**2016**
Kalmar	5,740	5,588
Hiab	3,192	2,995
MacGregor	1,965	2,390
Corporate administration and support functions	232	221
Total	**11,128**	**11,193**

4. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	2017	2016
Intangible assets	9.0	10.5
Property, plant and equipment	75.3	70.0
Total	**84.3**	**80.5**

Depreciation, amortisation and impairment, MEUR	2017	2016
Intangible assets	28.8	29.3
Land and buildings	5.6	15.1
Machinery and equipment	37.6	40.4
Total	**72.0**	**84.8**

5. Taxes in statement of income

MEUR	2017	2016
Current year tax expense	83.2	53.0
Change in current year's deferred tax assets and liabilities	-28.9	-10.9
Tax expense for previous years	3.2	1.8
Total	**57.5**	**43.8**

6. Interest-bearing net debt and liquidity

MEUR	31 Dec 2017	31 Dec 2016
Interest-bearing liabilities*	795.2	821.9
Loans receivable and other interest-bearing assets	-7.4	-5.0
Cash and cash equivalents	-309.1	-273.2
Interest-bearing net debt on balance sheet	**478.7**	**543.7**
Foreign currency hedge of corporate bonds*	-6.9	-40.2
Interest-bearing net debt	**471.7**	**503.5**
Equity	1,427.5	1,397.2
Gearing	**33.0%**	**36.0%**

The fair values of interest-bearing assets and liabilities are not significantly different from their carrying amounts.

*Cash flow hedge accounting is applied to cash flows of the USD 85 (31 Dec 2016: 205) million Private Placement corporate bond. The cash flows of the bond are converted into euro flows through a long-term cross-currency swap. As a result of the hedging, Cargotec effectively holds a long-term euro-denominated fixed rate debt.

MEUR	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	309.1	273.2
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-121.4	-165.1
Total liquidity	**487.7**	**408.1**

7. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 31 Dec 2017	Negative fair value 31 Dec 2017	Net fair value 31 Dec 2017	Net fair value 31 Dec 2016
Currency forward contracts	13.3	6.4	6.9	-11.8
Cash flow hedge accounting	6.0	0.3	5.7	-8.4
Net investment hedge accounting	-	-	-	-12.2
Cross-currency and interest rate swaps	6.1	-	6.1	40.5
Total	**19.4**	**6.4**	**13.0**	**28.7**
Non-current portion:				
Cross-currency and interest rate swaps	6.1	-	6.1	16.9
Non-current portion	**6.1**	**-**	**6.1**	**16.9**
Current portion	**13.3**	**6.4**	**6.9**	**11.8**

A cross-currency and interest rate swap hedges the US Private Placement corporate bond which was issued in February 2007 and will mature in 2019. Cash flow hedge accounting is applied for this instrument.

Financial assets and liabilities recognised at fair value through profit and loss comprise solely currency derivatives as well as the cross-currency and interest rate swap. The recurring measurement of these instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables. Therefore, these measurements are categorised in the fair value hierarchy as level 2 fair values.

Nominal values of derivative financial instruments

MEUR	31 Dec 2017	31 Dec 2016
Currency forward contracts	1,980.3	3,578.6
Cash flow hedge accounting	1,104.5	1,311.4
Net investment hedge accounting	-	566.4
Cross-currency and interest rate swaps	70.9	194.5
Total	**2,051.1**	**3,773.1**

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

8. Commitments

MEUR	31 Dec 2017	31 Dec 2016
Guarantees	0.2	0.2
Customer financing	18.4	20.6
Operating leases	189.4	194.9
Other contingent liabilities	0.6	2.4
Total	**208.6**	**218.1**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 31 December 2017 was EUR 461.2 (31 Dec 2016: 424.3) million.

Certain products are sold under customer finance arrangements in which some level of risk is typically retained by Cargotec. When the level of retained risk is low and, therefore, not reflected on the balance sheet, it is reported in full as a contingent liability under commitments. No significant liabilities are expected to arise from the commitments related to customer financing.

Cargotec leases globally a large part of the properties needed in the operations under non-cancellable operating leases with varying terms and conditions.

The future minimum lease payments under non-cancellable operating leases

MEUR	31 Dec 2017	31 Dec 2016
Less than 1 year	37.3	34.9
1–5 years	87.3	85.1
Over 5 years	64.8	74.9
Total	**189.4**	**194.9**

The aggregate operating lease expenses totalled EUR 40.1 (2016: 39.5) million.

Cargotec received in October 2016 a USD 13 million verdict in a local jury trial in Hempstead, USA. Verdict is related to business acquisition negotiations Cargotec USA had in 2010 and 2011. The negotiations were closed without results. The claim is based on Cargotec having breached confidentiality obligations related to the negotiations. Cargotec disputes the claim and has appealed to the Court of Appeals.

There are also certain other legal claims and disputes based on various grounds pending against Cargotec around the world. Management believes that the outcome of these disputes will not have a material effect on Cargotec's financial position.

9. Acquisitions and disposals

Acquisitions in 2017

On 20 December 2017, MacGregor signed an agreement to acquire the share capital of Rapp Marine Group AS ("RMG") in Norway and the transaction is expected to be closed in February. The purchase price is approximately EUR 16 million and will be paid in full on closing of the deal. RMG is a privately owned company specialised in providing winches and related equipment to fishery and research vessels. The acquisition supports MacGregor's growth strategy by enabling a strong position in the product areas related to fishery and research vessels, completing the product offering of winches and related control systems, and increasing service sales. RMG employs about 120 people and its main locations are in Norway, the USA and the United Kingdom. The sales in 2017 are estimated to be approximately EUR 40 million, of which approximately 30 percent is related to services. RMG's profitability is on the same level as MacGregor's current profitability.

On 29 December 2017, Kalmar acquired the share capital of Inver Port Services Pty Ltd ("Inver") in Australia. The purchase price of EUR 5.1 million was fully paid on closing of the deal. Inver is a privately owned company specialised in providing repairs, maintenance and crane refurbishment projects for major terminal operators across Australia, New Zealand and the Pacific. The company's sales account for approximately EUR 5 million and it employs 23 people. The acquisition supports Kalmar's strategic aim to grow in services while strengthening and broadening the existing service capabilities throughout Australia, New Zealand and the Pacific.

On 3 October 2017, Hiab completed the acquisition of the Brazilian company Argos Guindastes Indústria e Comércio Ltda's ("Argos") share capital. Argos is a privately owned company specialized in loader cranes with a manufacturing facility in Brazil and an extensive distribution network in Latin America. Argos is one of the leading loader crane manufacturers in Brazil, and with the acquisition, Hiab is strengthening its strategy and market leadership by entering the Brazilian market. Additionally, the acquisition creates a strong foundation for Hiab's business in the whole region. As a result of the acquisition, approximately 60 employees transferred to Hiab. The purchase price consists of EUR 7.4 million paid on acquisition, EUR 2.8 million deferred consideration to be paid during the next three years, and a conditional payment that, subject to earn-out criteria, is due in 2021 and limited to a maximum amount of EUR 4.1 million. The contingent consideration has not been included in the preliminary purchase price allocation. The result of Argos has been consolidated into Hiab segment's result from the beginning of October 2017. Since the acquisition date, Argos has contributed EUR 1.4 million and EUR -0.2 million to Cargotec's sales and operating profit, respectively. Had Argos been acquired on 1 January 2017, it would have increased Cargotec's full year sales by approximately EUR 6 million and decreased the operating profit by approximately EUR 1 million.

Consolidation of the acquired businesses is provisional as of 31 December 2017. Fair value measurement of the acquired assets and liabilities is preliminary and subject to adjustments until the valuation is finalised. In the preliminary valuation, customer relationships, trademarks and technology have been identified as the acquired intangible assets. According to the preliminary valuation, the acquisition will generate goodwill, which will not be tax-deductible. Goodwill is primarily based on personnel and expected synergy benefits.

Acquired net assets and goodwill, Argos and Inver, MEUR	
Intangible assets	6.0
Property, plant and equipment	2.7
Inventories	0.8
Accounts receivable and other non-interest-bearing assets	0.0
Accounts payable and other non-interest-bearing liabilities	-0.1
Deferred tax liabilities	-1.9
Net assets	**7.5**
Purchase price, payable in cash	15.2
Total consideration	**15.2**
Goodwill	**7.8**
Purchase price, paid in cash	12.4
Cash flow impact	**12.4**

The initial allocation of goodwill resulting from the acquisition is EUR 4.9 million to Hiab segment and EUR 2.8 million to Kalmar segment.

Disposals in 2017

In April, as part of the reorganising programme, MacGregor sold the majority of its ownership in the British subsidiary Woodfield Systems Limited to the company's management at a gross consideration of EUR 4.3 million including EUR 2.3 million of deferred consideration. In connection with the acquisition, a new company Woodfield Industries Limited was established which owns Woodfield Systems Limited. As a part of the arrangement, MacGregor obtained a 10 percent ownership in the new company and this ownership is accounted for as an associated company based on the level of influence retained by MacGregor. The transaction resulted in one-time costs of approximately EUR 5 million.

In May, Cargotec sold its 45 percent ownership of the Estonian subsidiary Linda Properties OÜ. The disposal had no impact on Cargotec's result.

Acquisitions and disposals 2016

INTERSCHALT maritime systems AG

Kalmar and MacGregor acquired on 2 March 2016 the privately owned INTERSCHALT maritime systems AG ("INTERSCHALT") by purchasing the full share capital of the entity for EUR 62.1 million. The acquisition includes a German parent company and subsidiaries in China, Germany, Singapore, and the USA. INTERSCHALT delivers as its main products software solutions, and related maintenance and support services that allow to enhance and optimize containerships' steering and cargo handling. Additionally, INTERSCHALT offers services for navigation equipment used in ships, and delivers equipment to ships for recording data about the ship's movement and steering including voyage data recorders, and related services. The software solutions and services related to efficiency and optimisation were acquired by Kalmar, and the safety solutions with related services were acquired by MacGregor. The acquisition supports Cargotec's growth strategy by expanding Kalmar's strong existing software and automation business related to container handling from ports to sea and among ports, and by expanding MacGregor's service business. In connection with the acquisition, the personnel of Kalmar and MacGregor increased by 231 employees who are mainly located in Germany.

The goodwill generated in the acquisition arises mostly from personnel and expected synergy benefits. The goodwill recognised at the acquisition is not tax-deductible. The following table summarises the consideration transferred, assets acquired, and liabilities assumed at their acquisition date fair values.

Acquired net assets and goodwill, MEUR	
Intangible assets	29.2
Property, plant and equipment	1.9
Inventories	2.6
Accounts receivable and other non-interest-bearing assets	4.0
Interest-bearing receivables	1.2
Cash and cash equivalents	3.7
Deferred tax assets	3.6
Accounts payable and other non-interest-bearing liabilities	-11.2
Interest-bearing liabilities	-5.9
Deferred tax liabilities	-8.7
Net assets	**20.4**
Purchase price, payable in cash	62.1
Total consideration	**62.1**
Goodwill	**41.7**
Purchase price, paid in cash	62.1
Cash and cash equivalents acquired	2.2
Cash flow impact	**64.3**

The fair value measurement of acquired assets resulted in the identification of intangible assets related to customer relationships, technology and order book. The fair value of the acquired intangible assets was EUR 29.2 million on the acquisition date. The goodwill resulting from the acquisition is mostly allocated to Kalmar segment, and partly to MacGregor segment. The deal consideration was fully paid in cash. The cost of acquisition does not include additional conditional amounts.

INTERSCHALT has contributed EUR 24.1 million to Cargotec's sales and EUR -7.0 million to net income since the acquisition date. Transaction costs of EUR 0.3 million in 2015 and EUR 1.3 million in 2016 related to the acquisition have been included in the operating profits of Kalmar and MacGregor segments, and in other operating expenses in the consolidated statement of income. In addition, the cumulative operating profit for 2016 includes EUR 1.9 million in amortisation and depreciation of fixed assets, and EUR 3.6 million of restructuring costs.

Had the business been acquired on 1 January 2016, the contribution of INTERSCHALT to Cargotec's 2016 sales and net income, including the consolidation period, would have been EUR 28.9 million and EUR -7.7 million respectively. The pro forma loss for the year includes depreciation and amortisation related to fair value adjustments recognised at acquisition amounting to approximately EUR 2.3 million.

Other acquisitions

MacGregor obtained control of the privately owned Flintstone Technology Ltd on 22 September 2016 by acquiring 51 percent of its share capital. Flintstone Technology Ltd is a UK-based technology company of ten employees that is developing mooring and fluid handling equipment for the offshore industry. In addition to the EUR 2.3 million paid at the acquisition, MacGregor is committed to pay a contingent consideration of up to EUR 1.9 million depending on the amount of orders received by the end of 2018. The acquisition does not have a significant effect on Cargotec's cash flow or balance sheet.

10. Events after the financial period

On 5 February 2018, MacGregor completed the acquisition of Rapp Marine Group (RMG) to strengthen its offering for the fishery and research segment. MacGregor announced to acquire Rapp Marine Group in December 2017 for an enterprise value of approximately EUR 16 million.

Key exchange rates for the euro

Closing rate	31 Dec 2017	31 Dec 2016
SEK	9.844	9.553
USD	1.199	1.054

Average rate	2017	2016
SEK	9.639	9.450
USD	1.131	1.102

Calculation of key figures

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

*Including foreign currency hedging of the USD Private Placement corporate bonds.

In addition, Cargotec uses and presents alternative performance measures (APMs) to better convey underlying business performance and to enhance comparability from period to period. APMs are reported as complementary information.

The alternative performance measures used by Cargotec are:

Operating profit excluding restructuring costs (MEUR and % of sales)	=	Operating profit + restructuring costs
Interest-bearing net debt (MEUR)	=	Interest-bearing liabilities - loans receivable and other interest-bearing assets +/- foreign currency hedge of corporate bonds
Interest-bearing net debt / EBITDA, rolling 12 months	=	Interest-bearing net debt / EBITDA (earnings before interest, taxes, depreciation and amortisation), rolling 12 months

Quarterly key figures

Cargotec		**Q4/2017**	**Q3/2017**	**Q2/2017**	**Q1/2017**	**Q4/2016**
Orders received	MEUR	784	749	800	857	822
Order book	MEUR	1,550	1,698	1,720	1,834	1,783
Sales	MEUR	902	740	845	793	933
Operating profit	MEUR	57.3	52.7	60.4	56.3	21.3
Operating profit	%	6.4%	7.1%	7.2%	7.1%	2.3%
Operating profit*	MEUR	74.6	57.4	72.1	59.2	61.0
Operating profit*	%	8.3%	7.8%	8.5%	7.5%	6.5%
Basic earnings / share	EUR	0.45	0.51	0.58	0.57	0.20

Kalmar		**Q4/2017**	**Q3/2017**	**Q2/2017**	**Q1/2017**	**Q4/2016**
Orders received	MEUR	369	351	386	448	440
Order book	MEUR	765	887	926	977	900
Sales	MEUR	479	377	403	364	477
Operating profit*	MEUR	44.6	30.9	33.2	27.9	41.5
Operating profit*	%	9.3%	8.2%	8.2%	7.7%	8.7%

Hiab		**Q4/2017**	**Q3/2017**	**Q2/2017**	**Q1/2017**	**Q4/2016**
Orders received	MEUR	289	260	279	288	282
Order book	MEUR	299	293	290	302	286
Sales	MEUR	280	252	282	270	257
Operating profit*	MEUR	39.9	33.7	44.1	39.6	32.9
Operating profit*	%	14.3%	13.4%	15.6%	14.6%	12.8%

MacGregor		**Q4/2017**	**Q3/2017**	**Q2/2017**	**Q1/2017**	**Q4/2016**
Orders received	MEUR	126	139	136	121	100
Order book	MEUR	487	519	507	556	598
Sales	MEUR	144	112	160	160	199
Operating profit*	MEUR	2.1	2.2	4.9	2.4	0.5
Operating profit*	%	1.4%	2.0%	3.0%	1.5%	0.3%

*Operating profit excluding restructuring costs