

## **Cargotec's financial statements review 2016: Operating profit excluding restructuring costs continued to improve, strong cash flow**

- **Strong quarter for Kalmar**
- **New product launches boosted Hiab's orders in the fourth quarter**
- **Challenging market situation continued in MacGregor**

The figures in this financial statements review are based on Cargotec Corporation's audited 2016 Financial statements.

### **October–December 2016 in brief: Strong cash flow**

- Orders received totalled EUR 822 (824) million.
- Order book amounted to EUR 1,783 (31 Dec 2015: 2,064) million at the end of the period.
- Sales declined 4 percent and totalled EUR 933 (977) million.
- Sales of services totalled 231 (230) million, representing 25 (24) percent of consolidated sales.
- Operating profit excluding restructuring costs increased 17 percent and was EUR 61.0 (52.1) million, representing 6.5 (5.3) percent of sales.
- Operating profit was EUR 21.3 (45.0) million, representing 2.3 (4.6) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 152.0 (87.3) million.
- Net income for the period amounted to EUR 12.2 (35.4) million.
- Earnings per share was EUR 0.20 (0.55).

### **January–December 2016 in brief: Profitability improved**

- Orders received decreased 8 percent and totalled EUR 3,283 (3,557) million.
- Sales declined 6 percent and totalled EUR 3,514 (3,729) million.
- Sales of services totalled EUR 872 (883) million, representing 25 (24) percent of consolidated sales.
- Operating profit excluding restructuring costs increased 8 percent and was EUR 250.2 (230.7) million, representing 7.1 (6.2) percent of sales.
- Operating profit was EUR 197.7 (213.1) million, representing 5.6 (5.7) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 373.0 (314.6) million.
- Net income for the period amounted to EUR 125.3 (142.9) million.
- Earnings per share was EUR 1.95 (2.21).
- The Board of Directors proposes a dividend of EUR 0.94 per class A share and EUR 0.95 per outstanding class B share be paid.

### **Outlook for 2017**

Cargotec's operating profit excluding restructuring costs for 2017 is expected to improve from 2016 (EUR 250.2 million).

## Cargotec's key figures

MEUR	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
Orders received	<b>822</b>	824	0%	<b>3,283</b>	3,557	-8%
Service orders received	<b>222</b>	215	3%	<b>889</b>	880	1%
Order book, end of period	<b>1,783</b>	2,064	-14%	<b>1,783</b>	2,064	-14%
Sales	<b>933</b>	977	-4%	<b>3,514</b>	3,729	-6%
Sales of services	<b>231</b>	230	1%	<b>872</b>	883	-1%
Sales of services, % of Cargotec's sales	<b>25</b>	24		<b>25</b>	24	
Operating profit*	<b>61.0</b>	52.1	17%	<b>250.2</b>	230.7	8%
Operating profit, %*	<b>6.5</b>	5.3		<b>7.1</b>	6.2	
Operating profit	<b>21.3</b>	45.0	-53%	<b>197.7</b>	213.1	-7%
Operating profit, %	<b>2.3</b>	4.6		<b>5.6</b>	5.7	
Income before taxes	<b>14.2</b>	36.9		<b>169.1</b>	186.2	
Cash flow from operations	<b>152.0</b>	87.3		<b>373.0</b>	314.6	
Net income for the period	<b>12.2</b>	35.4		<b>125.3</b>	142.9	
Earnings per share, EUR	<b>0.20</b>	0.55		<b>1.95</b>	2.21	
Net debt, end of period	<b>503</b>	622		<b>503</b>	622	
Gearing, %	<b>36.0</b>	46.4		<b>36.0</b>	46.4	
Personnel, end of period	<b>11,184</b>	10,837		<b>11,184</b>	10,837	

\*excluding restructuring costs

## Cargotec's CEO Mika Vehviläinen:

2016 was a good year for Cargotec: operating profit excluding restructuring costs was the highest in Cargotec's history, operating profit margin continued to improve and we had a strong cash flow. Hiab in particular had a very good year. Hiab successfully launched a number of new product innovations and outgrew its competitors. Profitability improved also in Kalmar. We made significant investments in the software business, among other things, to enable future growth. Considering MacGregor's challenging market conditions, the year was satisfactory and new measures to ensure profitability were implemented quickly.

Cargotec's strategic areas of focus are digitalisation, services business and leadership excellence. We made noticeable progress in all three areas. To promote digitalisation, we established the Cargotec IoT<sup>1</sup> Cloud platform as a solid foundation for our digital solutions. The first products to utilise the platform have now been launched. The number of products we connect to analytics platforms is strongly increasing. The Navis software business is one of our key enablers of future growth. We supplemented its offering through the acquisition of the INTERSCHALT software company, which provides products for stowage planning, equipment management and vessel monitoring. Key players in the shipping and harbour industry started testing our XVELA

<sup>1</sup> IoT = Internet of Things

collaboration platform for the performance optimisation of terminals and vessels. During the year, we invested over EUR 90 million in product development.

We have significant growth potential in the services business. In 2016, Hiab's services business developed favourably, Kalmar's performance improved towards the end of the year and MacGregor suffered from the weak market conditions.

I am very satisfied with our progress in developing our leadership. We have engaged over 200 key leaders already, and an intensive people leader development continues in 2017, through which we aim to establish a more uniform performance-based leadership culture at Cargotec.

We continue to develop services business, digitalisation and leadership excellence in 2017. These are key factors for the achievement of market leadership in intelligent cargo handling. I believe that our investment in the development of operations will improve our operating profit also in 2017.

## **Alternative performance measures (APMs) used in Cargotec's financial reporting**

New ESMA (European Securities and Markets Authority) guidelines on Alternative Performance Measures (Alternative performance measure (APM) = financial measure other than financial measure defined or specified in IFRS) are effective as of 3 July 2016. The new guidelines have had no impact on performance measures used by Cargotec, but in accordance with the guidelines, Cargotec publishes the explanation of use, definitions as well as reconciliations of its APMs to IFRS financial statements.

APMs are used at Cargotec to better convey the underlying business performance and to enhance comparability from period to period. APMs are not substituting the performance measures stipulated by IFRS, but are instead reported as complementary information.

The alternative performance measures used by Cargotec are:

- Operating profit excluding restructuring costs = Operating profit + restructuring costs
- Operating profit excluding restructuring costs, % of sales = (Operating profit + restructuring costs) / Sales \* 100
- Interest-bearing net-debt = Interest-bearing debt – interest-bearing assets +/- Foreign-currency hedge of corporate bonds

Restructuring costs include restructuring provisions, asset impairments and disposals, expenses for vacant premises and other restructuring-related expenses in case of a significant restructuring programme of Cargotec or its business area. In the financial statements review, the reconciliation of operating profit excluding restructuring costs to operating profit of the statement of income is presented in note 3. Reconciliation of interest-bearing net debt to interest-bearing liabilities and assets is presented in note 6.

**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 9:30 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](http://www.cargotec.com) by 9:00 a.m. EEST.

The telephone conference, during which questions may be presented, can be accessed using the following numbers with access code Cargotec/2609290:

FI: +358 9 7479 0404

SE: +46 8 5065 3942

UK: +44 330 336 9411

US: +1 719 457 2086

The event can also be viewed as a live webcast at [www.cargotec.com](http://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) is a leading provider of cargo and load handling solutions with the goal of becoming the leader in intelligent cargo handling. Cargotec's business areas Kalmar, Hiab and MacGregor offer products and services that ensure our customers a continuous, reliable and sustainable performance. Cargotec's sales in 2016 totalled approximately EUR 3.5 billion and it employs over 11,000 people. [www.cargotec.com](http://www.cargotec.com)

## **Cargotec's financial statements review 2016**

### **Market environment**

The number of containers handled at ports is estimated to have increased by approximately one per cent. Thus, the growth in 2016 was slower compared with previous years. Interest in efficiency-boosting port automation solutions continued to be high, but it resulted in only a few new decisions to invest in automation solutions. Because of the uncertainty caused by the strong consolidation of shipping companies, customers are careful with their decisions concerning major projects and automation solutions. Demand for container handling equipment was satisfactory, and demand for services was at the previous year's level.

In the United States, the load handling market was strengthened by the strong construction activity. The U.S. truck market was still on a good level, even though fewer trucks were registered compared with the previous year. In Europe, the market activity improved, but activity levels varied between countries. Demand for services was good and improved from the previous year.

The market for marine cargo handling equipment continued to decline in 2016, with a significant drop in the number of new orders. The challenging market conditions may lead to increasing centralisation, restructuring and bankruptcies in the industry. The risk for order postponements and cancellations is still high. In the offshore industry, the slightly increased oil price did not yet support investment activity in the latter part of 2016. We will probably see centralisation also in the offshore sector. Demand for services has decreased, while various players in the field are also minimising their maintenance and service costs.

### **Financial performance**

#### **Orders received and order book**

Orders received during the fourth quarter were at last year's level and totalled EUR 822 (824) million. Compared to the comparison period, currency rate changes had no impact on orders received. Orders received increased by about 11 percent at Kalmar compared to the comparison period due to good demand in the EMEA region. Orders received increased by about 13 percent at Hiab, as the market areas EMEA and Americas grew. Orders received decreased at MacGregor by about 44 percent due to a challenging market situation. Service orders increased and totalled EUR 222 (215) million.

Orders received in 2016 decreased by eight percent from the comparison period and totalled EUR 3,283 (3,557) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on orders received. 52 percent of the orders were received by Kalmar, 31 percent by Hiab and 17 percent by MacGregor. In geographic terms, the Americas' share of all orders was 30 (31) percent. Asia-Pacific's share of orders decreased to 23 (28) percent. EMEA's share of orders received increased and was 47 (41) percent. The share of service orders was 27 (25) percent of all orders received.

The order book decreased from the 2015 year-end level, and at the end of 2016 it totalled EUR 1,783 (31 Dec 2015: 2,064) million. Kalmar's order book totalled EUR 900 (877) million, representing 50 (42) percent, Hiab's EUR 286 (305) million or 16 (15) percent and that of MacGregor EUR 598 (883) million or 34 (43) percent of the consolidated order book.

### Orders received by reporting segment

MEUR	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
Kalmar	<b>440</b>	395	11%	<b>1,721</b>	1,764	-2%
Hiab	<b>282</b>	250	13%	<b>1,016</b>	967	5%
MacGregor	<b>100</b>	180	-44%	<b>546</b>	828	-34%
Internal orders	<b>0</b>	0		<b>-1</b>	-1	
Total	<b>822</b>	824	0%	<b>3,283</b>	3,557	-8%

### Orders received by geographic area

MEUR	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
EMEA	<b>427</b>	373	14%	<b>1,537</b>	1,471	5%
Asia-Pacific	<b>163</b>	205	-21%	<b>761</b>	1,002	-24%
Americas	<b>232</b>	246	-6%	<b>985</b>	1,085	-9%
Total	<b>822</b>	824	0%	<b>3,283</b>	3,557	-8%

### Sales

Fourth-quarter sales decreased by four percent from the comparison period to EUR 933 (977) million. Compared to the comparison period, currency rate changes had a no impact on sales. Sales grew from the comparison period in Hiab and Kalmar but declined in MacGregor due to the challenging market situation. Sales of services remained at the comparison period's level and totalled EUR 231 (230) million, representing 25 (24) percent of consolidated sales.

Sales in 2016 decreased by six percent from the comparison period and totalled EUR 3,514 (3,729) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on sales. In geographic terms, sales declined in Asia-Pacific and remained at the comparison period level in Americas and EMEA. Asia-Pacific's share of consolidated sales decreased to 27 (32) percent, whereas EMEA's share increased to 42 (40) percent and the Americas' to 31 (28) percent. Sales of services remained at the comparison period level in all market areas. Sales of services amounted to EUR 872 (883) million, representing 25 (24) percent of sales.

**Sales by reporting segment**

MEUR	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
Kalmar	<b>477</b>	468	2%	<b>1,700</b>	1,663	2%
Hiab	<b>257</b>	249	3%	<b>1,036</b>	928	12%
MacGregor	<b>199</b>	259	-23%	<b>778</b>	1,139	-32%
Internal sales	<b>0</b>	0		<b>-1</b>	-1	
Total	<b>933</b>	977	-4%	<b>3,514</b>	3,729	-6%

**Sales by geographic area**

MEUR	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
EMEA	<b>414</b>	402	3%	<b>1,482</b>	1,472	1%
Asia-Pacific	<b>263</b>	298	-12%	<b>952</b>	1,199	-21%
Americas	<b>256</b>	277	-8%	<b>1,079</b>	1,058	2%
Total	<b>933</b>	977	-4%	<b>3,514</b>	3,729	-6%

**Financial result**

Operating profit for the fourth quarter decreased from the comparison period, totalling EUR 21.3 (45.0) million. Operating profit includes EUR 39.7 (7.2) million in restructuring costs. EUR 9.7 (1.1) million of the restructuring costs were related to Kalmar, EUR 0.5 (-0.3) million to Hiab, and EUR 29.4 (6.4) million to MacGregor.

Operating profit for the fourth quarter, excluding restructuring costs, was EUR 61.0 (52.1) million, representing 6.5 (5.3) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 41.5 (35.9) million, Hiab EUR 32.9 (30.7) million, and MacGregor EUR 0.5 (-7.2) million. The costs of corporate administration and support functions increased to EUR 14.0 (7.2) million, which was, among others, due to digitalisation costs and costs related to leadership development.

Operating profit for 2016 decreased from the comparison period, totalling EUR 197.7 (213.1) million. Operating profit includes EUR 52.5 (17.7) million in restructuring costs. EUR 19.7 (2.5) million of the restructuring costs were related to Kalmar, EUR 1.2 (0.9) million to Hiab, and EUR 31.6 (14.3) million to MacGregor.

Operating profit for 2016, excluding restructuring costs, was EUR 250.2 (230.7) million, representing 7.1 (6.2) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 135.3 (129.9) million, Hiab EUR 140.0 (100.5) million, and MacGregor EUR 17.9 (30.1) million. The costs of corporate administration and support functions increased to EUR 42.9 (29.7) million, primarily due to weaker results of associated companies compared to the comparison period as well as digitalisation costs and costs related to leadership development.

Net interest expenses for interest-bearing debt and assets for the fourth quarter totalled EUR 4.3 (4.8) million. Net financing expenses totalled EUR 7.1 (8.0) million. Net interest expenses for

interest-bearing debt and assets in 2016 totalled EUR 20.4 (20.6) million and net financing expenses totalled EUR 28.6 (26.9) million.

Net income for the fourth quarter totalled EUR 12.2 (35.4) million, and earnings per share EUR 0.20 (0.55). Net income in 2016 totalled EUR 125.3 (142.9) million, and earnings per share EUR 1.95 (2.21).

### **Balance sheet, cash flow and financing**

The consolidated balance sheet total was EUR 3,736 (31 Dec 2015: 3,571) million at the end of 2016. Equity attributable to equity holders was EUR 1,395 (1,339) million, representing EUR 21.65 (20.73) per share. Property, plant and equipment on the balance sheet was EUR 309 (306) million and intangible assets were EUR 1,315 (1,249) million.

Return on equity (ROE, annualised) in 2016 was 9.1 (11.2) percent, and return on capital employed (ROCE, annualised) was 8.8 (9.8) percent. Cargotec's financial target is to reach 15 percent return on capital employed.

Cash flow from operating activities in 2016, before financial items and taxes, totalled EUR 373 (315) million. At the end of 2016, net working capital decreased to EUR 57 million from the 2015 year-end level EUR 151 million.

Cargotec's liquidity position is healthy. At the end of 2016, interest-bearing net debt totalled EUR 503 (31 Dec 2015: 622) million. Interest-bearing debt amounted to EUR 782 (803) million, of which EUR 142 (69) million was current and EUR 640 (734) million non-current debt. On 31 December 2016, the average interest rate on the loan portfolio was 2.3 (2.2) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 278 (31 Dec 2015: 180) million.

At the end of 2016, Cargotec's total equity/total assets ratio was 39.1 (31 Dec 2015: 39.8) percent. Gearing was 36.0 (46.4) percent. Dividend payment in 2016 totalled EUR 52.2 (36.1) million. Cargotec also donated EUR 0.6 million to Tampere University of Technology in 2016.

## **Corporate topics**

### **Research and development**

Research and product development expenditure in 2016 totalled EUR 90.8 (82.8) million, representing 2.6 (2.2) percent of sales. EUR 2.3 (4.3) million was capitalised. Research and product development investments were focused on digitalisation, competitiveness and the cost efficiency of products.

### **Kalmar**

In the fourth quarter, Kalmar launched a new range of empty container handlers. The new equipment promises the best life cycle value in the market with better performance, less down time and lower running costs for customers. In addition, Kalmar announced that it will partner with SSAB in Sweden to develop a hydrogen-powered medium-range forklift truck.

In the third quarter, Cargotec announced its participation in an initiative aimed at creating an ecosystem of autonomous ships for the Baltic Sea by 2025. Kalmar's automation solutions are expected to benefit from this initiative through increased automation in the maritime logistics chain.

Earlier in the year, Kalmar introduced the Kalmar Insight solution, which enables real-time monitoring of terminal productivity and performance. In addition, Kalmar expanded its fast-charging solution to its hybrid straddle and shuttle carrier portfolio and introduced a new lithium-ion battery technology for its 5–9-ton electric forklift truck range.

This year, Kalmar also launched a digital business development programme together with the Swedish Linné University to create new smart services for industrial products and introduced its new drive train system for reachstackers in the Asia–Pacific region.

### **Hiab**

In the fourth quarter, Hiab opened the order books for the camera technology-based HiVision™ control system. The first deliveries to customers were made in January 2017. During the quarter, Hiab introduced a new recycling crane model with a lifting capacity of 13.8 ton metres and an outreach of over nine metres. In addition, Hiab extended the warranty on its hooklifts and skiploaders.

In the third quarter, Hiab launched a new online shop for spare parts and extended the warranty on loader cranes. Hiab added to its heavy crane range a new loader crane that is mounted on three-axle trucks. Mid-range loader cranes were renewed with 24 new or updated models. A modular system was launched for loader cranes, providing a ready-to-install subframe that matches the truck chosen by the customer. This reduces the installation time by up to 75 percent. In addition, a crane tip control system was introduced to facilitate the operating of loader cranes.

In the third quarter, Hiab also launched new tail lifts, a new-generation truck-mounted forklift with improved safety and better serviceability and a new skiploader that is particularly suitable for smaller trucks used in urban environments.

Earlier in the year, Hiab introduced two new forestry cranes, completed the product development centre in Hudiksvall, Sweden and launched the HiVision™ 3D control system that enables operating a crane from the truck cabin. In addition, Hiab launched a hooklift designed for repetitive loads, added two classes to its loader crane family and launched a mobile application with which customers can easily locate their closest authorised service point.

### **MacGregor**

In the fourth quarter, MacGregor organised the “Hack the Sea” hackathon, in which ten teams developed safety, efficiency and environmental concepts to reduce waste in the maritime industry. In addition, MacGregor introduced the 3D Motion Compensator (3DMC), a retrofit device that enhances the precision of offshore cranes in challenging offshore conditions.

In 2016, Cargotec announced its participation in an initiative aimed at creating an ecosystem of autonomous ships for the Baltic Sea by 2025. MacGregor is strongly involved in the initiative.

In 2016, MacGregor has introduced a fibre rope retrofit option for its offshore cranes: the crane's original steel wire rope is replaced with synthetic fibre rope. In the first quarter, MacGregor introduced an offshore fibre rope crane that features, among other things, an easy-to-operate fibre rope lifting system. It enables the handling of loads at greater depth below sea level. During the year, MacGregor has also launched a new Pusnes windlass with efficient space utilisation. In addition, MacGregor opened a discussion on a new co-operative drive to renew and transform the maritime industry under the theme "So much potential – let's not waste it."

### **Capital expenditure**

Capital expenditure in 2016, excluding acquisitions and customer financing, totalled EUR 40.1 (38.2) million. Investments in customer financing were EUR 40.4 (40.6) million. Of the capital expenditure, EUR 10.5 (12.1) 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 84.8 (76.5) million.

In March, 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 expansion project started during the third quarter.

In May, Kalmar started an expansion project at a manufacturing plant in Kansas, USA. The total cost of the expansion is EUR 5 million.

### **Acquisitions**

In September, MacGregor acquired the share majority of Flintstone Technology Ltd, UK. The company specialises in advanced technology and products for mooring and fluid handling. The results of Flintstone Technology Ltd has been consolidated into MacGregor business area results as of 1 October 2016.

In September, MacGregor signed a joint venture contract with China State Shipbuilding Corporation's (CSSC) Nanjing Luzhou Machine Co Ltd (LMC) to form CSSC Luzhou MacGregor Machine Co Ltd. Subject to all relevant authority approvals, expected within 2017, LMC will own 51 percent and MacGregor 49 percent of the new joint venture company. The joint venture is expected to strengthen MacGregor's market position and local connections in China.

In March, Cargotec completed the acquisition of INTERSCHALT maritime systems AG. The results of INTERSCHALT's software business have been consolidated into Kalmar business area results and services business into MacGregor business area results as of 1 March 2016.

### **Operational restructurings**

In October, 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 will particularly affect operations in China, Finland, Norway, Singapore and Sweden.

In addition, MacGregor has made an agreement to sell its production facility in Uetersen, Germany to a newly founded company Uetersener Maschinenfabrik GmbH. The deal was closed on 30 December 2016, and 79 employees working in production transferred to the new company on the same date.

In September, Cargotec announced plans to re-organise the maritime software company INTERSCHALT operations in Germany, USA and China. Re-organisations would affect tens of employees. The savings resulting from these activities are expected to amount to approximately EUR 2 million annually from 2017 onwards.

During the third quarter, MacGregor completed a workforce reduction process in Norway that was started in April. The process led to a reduction of 85 employees by the end of the third quarter. The cost benefits of the reduction are estimated to amount to approximately EUR 2 million in the last quarter of 2016 and EUR 7 million annually from 2017 onwards.

In July, Kalmar completed the employee cooperation negotiations announced in March, in Lidhult, Sweden. As a result, Kalmar will transfer the production of forklift trucks from Sweden to Poland, 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 restructuring costs associated with the transfer are estimated to amount to approximately EUR 18 million, out of which EUR 16 million were booked in Cargotec's results in 2016 and EUR 2 million will be booked in 2017. Approximately EUR 13 million of the restructuring costs are cash effective. The total benefits of the activities are expected to amount to approximately EUR 13 million annually from 2018 onwards.

The above measures will result in cost savings of approximately EUR 27 million in 2017 and further EUR 13 million in 2018 for Cargotec, compared to the cost level of 2016.

## **Personnel**

Cargotec employed 11,184 (31 Dec 2015: 10,837) people at the end of 2016. Kalmar employed 5,702 (5,328) people, Hiab 2,997 (2,757), MacGregor 2,256 (2,543) and corporate administration and support functions 230 (209). The average number of employees in 2016 was 11,193 (10,772).

At the end of the year 2016, 11 (31 Dec 2015: 12) percent of employees were located in Sweden, 9 (8) percent in Finland and 40 (38) percent in the rest of Europe. Personnel in Asia-Pacific represented 24 (25) percent, North and South America 14 (14) percent, and the rest of the world 2 (2) percent of total employees.

Salaries and remunerations to employees totalled EUR 572 (538) million in 2016.

The annual Compass employee survey had an 88 percent participation rate (2015: 86%). According to the results, we have progressed in the areas of leadership, performance and development of our people. Overall satisfaction and commitment to the company remained our core strengths. Additionally, goals and expectations were now perceived as clearer than before, and cross-boundary flexible teamwork was at a high level. On the other hand, the results showed that we need to put more effort into creating understanding of individual actions and targets and the company strategy, and that uncertainties in the market environment are causing concerns about the future outlook for our businesses.

### **Corporate responsibility**

In 2016, our sustainability work concentrated on achieving further compliance with general sustainability norms by ensuring that we have the necessary basics in place. We wanted to ensure permanent sustainability reviews on several management levels, achieve an industrial injury frequency rate (IIFR) level 5, develop an environment, health and safety (EHS) concept for service, and conduct sustainability risk analyses for our supply chain.

All in all, we progressed well with most of the targets. We now have regular sustainability reviews held by our Board of Directors, Executive Board and all of our business areas' management teams. We succeeded in bringing our IIFR rate down in most of the production sites, and approximately 40 percent of them even achieved IIFR 0 levels. Concerning the IIFR targets, we have set them for all service sites and have also advanced as planned in our targets for developing supplier evaluations.

Regarding the service EHS concept setup, we made considerable progress with service safety at MacGregor. At Kalmar and Hiab the set targets were not met and the work continues in 2017.

Safety continues to be our key focus area in 2017, along with increased communication, sustainability training and supply chain sustainability management development.

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

Cargotec's Corporate Audit is an independent and objective assurance and consulting 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.

Market development, corporate restructuring, and supply chain interruption were the main market-related areas where risks were identified for Cargotec in 2016. Operational risks were related to legal, ethical code of conduct and 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**

Mikko Puolakka started as Cargotec's CFO on 1 May 2016. In this position he follows Eeva Sipilä, who worked at Cargotec until 31 July 2016. Puolakka is a member of the Executive Board and reports to CEO Mika Vehviläinen. In May, Cargotec announced that Antti Kaunonen has been appointed President of Kalmar as of 1 July 2016. In this position he follows Olli Isotalo, who worked at Kalmar until 30 June 2016. Kaunonen is a member of the Executive Board and reports to CEO Mika Vehviläinen.

On 31 December 2016, 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	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
Orders received	<b>440</b>	395	11%	<b>1,721</b>	1,764	-2%
Order book, end of period	<b>900</b>	877	3%	<b>900</b>	877	3%
Sales	<b>477</b>	468	2%	<b>1,700</b>	1,663	2%
Sales of services	<b>123</b>	116	6%	<b>436</b>	433	1%
% sales	<b>26</b>	25		<b>26</b>	26	
Operating profit	<b>31.8</b>	34.8		<b>115.6</b>	127.3	
% sales	<b>6.7</b>	7.4		<b>6.8</b>	7.7	
Operating profit*	<b>41.5</b>	35.9		<b>135.3</b>	129.9	
% sales*	<b>8.7</b>	7.7		<b>8.0</b>	7.8	
Personnel, end of period	<b>5,702</b>	5,328		<b>5,702</b>	5,328	

\*excluding restructuring costs

In the fourth quarter, orders received by Kalmar increased and totalled EUR 440 (395) million. The orders received grew in the EMEA region. The orders received grew in automation and projects business, software and services. Kalmar's orders received in 2016 declined by two percent and totalled EUR 1,721 (1,764) million. The order book grew by three percent from the 2015 year-end, and at the end of 2016 it totalled EUR 900 (31 Dec 2015: 877) million.

Major orders received by Kalmar in 2016 included:

- 19 hybrid shuttle carriers for a container terminal in Italy,
- 18 all-electric automated guided vehicles (AGVs) to Singapore,
- upgrading of seven ship-to-shore cranes in Malaysia,
- seven RTG cranes with SmartPort automation to Algeria,
- 23 straddle carriers to South Africa,
- 34 reachstackers to a European ro-ro terminal operator, and
- 93 terminal tractors to Malaysia.

Kalmar's fourth-quarter sales increased by two percent from the comparison period and totalled EUR 477 (468) million. Sales of services totalled EUR 123 (116) million, representing 26 (25) percent of sales. Kalmar's 2016 sales increased by two percent from the comparison period's level and totalled EUR 1,700 (1,663) million. Sales of services amounted to EUR 436 (433) million, or 26 (26) percent of sales. Kalmar has initiated new measures to speed up the growth in services.

Kalmar's fourth-quarter operating profit totalled EUR 31.8 (34.8) million. Operating profit includes EUR 9.7 (1.1) million in restructuring costs, which primarily concerned Lidhult reorganisations. Operating profit, excluding restructuring costs, amounted to EUR 41.5 (35.9) million, representing 8.7 (7.7) percent of sales.

Operating profit for 2016 totalled EUR 115.6 (127.3) million. Operating profit includes EUR 19.7 (2.5) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 135.3 (129.9) million, representing 8.0 (7.8) percent of sales. More efficient project management supported the profitability development, while increased investments in automation and software development decreased profitability.

**Hiab**

MEUR	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
Orders received	<b>282</b>	250	13%	<b>1,016</b>	967	5%
Order book, end of period	<b>286</b>	305	-6%	<b>286</b>	305	-6%
Sales	<b>257</b>	249	3%	<b>1,036</b>	928	12%
Sales of services	<b>57</b>	56	2%	<b>233</b>	218	7%
% sales	<b>22</b>	22		<b>22</b>	23	
Operating profit	<b>32.4</b>	31.0		<b>138.8</b>	99.6	
% sales	<b>12.6</b>	12.4		<b>13.4</b>	10.7	
Operating profit*	<b>32.9</b>	30.7		<b>140.0</b>	100.5	
% sales*	<b>12.8</b>	12.3		<b>13.5</b>	10.8	
Personnel, end of period	<b>2,997</b>	2,757		<b>2,997</b>	2,757	

\*excluding restructuring costs

Hiab's orders received for the fourth quarter increased by 13 percent from the comparison period and totalled EUR 282 (250) million. Orders received increased in the EMEA and APAC regions, and new product launches supported the orders. During 2016, we launched 54 new products. In 2016, orders received grew by five percent from the comparison period and totalled EUR 1,016 (967) million. The order book decreased by six percent from 2015 year-end, totalling EUR 286 (31 Dec 2015: 305) million at the end of 2016.

Hiab's fourth-quarter sales grew by three percent from the comparison period and totalled EUR 257 (249) million. Sales of services amounted to EUR 57 (56) million, representing 22 (22) percent of sales. Hiab's 2016 sales grew by 12 percent from the comparison period and amounted to EUR 1,036 (928) million. Sales of services totalled EUR 233 (218) million, or 22 (23) percent of sales.

Operating profit for Hiab in the fourth quarter totalled EUR 32.4 (31.0) million. Operating profit includes EUR 0.5 (-0.3) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 32.9 (30.7) million, representing 12.8 (12.3) percent of sales.

Operating profit for 2016 improved from the comparison period and totalled EUR 138.8 (99.6) million. Operating profit includes EUR 1.2 (0.9) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 140.0 (100.5) million, representing 13.5 (10.8) percent of sales. Volume growth had a positive impact on profit. Additionally, profitability improvement measures and investments in more competitive products contributed to the increased profitability.

**MacGregor**

MEUR	Q4/16	Q4/15	Change	Q1-Q4/16	Q1-Q4/15	Change
Orders received	<b>100</b>	180	-44%	<b>546</b>	828	-34%
Order book, end of period	<b>598</b>	883	-32%	<b>598</b>	883	-32%
Sales	<b>199</b>	259	-23%	<b>778</b>	1,139	-32%
Sales of services	<b>51</b>	58	-13%	<b>204</b>	232	-12%
% sales	<b>26</b>	22		<b>26</b>	20	
Operating profit	<b>-28.9</b>	-13.6		<b>-13.7</b>	15.8	
% sales	<b>-14.6</b>	-5.2		<b>-1.8</b>	1.4	
Operating profit*	<b>0.5</b>	-7.2		<b>17.9</b>	30.1	
% sales*	<b>0.3</b>	-2.8		<b>2.3</b>	2.6	
Personnel, end of period	<b>2,256</b>	2,543		<b>2,256</b>	2,543	

\*excluding restructuring costs

MacGregor's orders for the fourth quarter declined by 44 percent from the comparison period to EUR 100 (180) million due to the challenging market situation. Orders received declined in all geographical segments and in all divisions. The majority of the orders received were related to merchant ships. MacGregor's orders for 2016 declined by 34 percent due to the challenging market situation and totalled EUR 546 (828) million. The order book decreased by 32 percent from the 2015 year-end, totalling EUR 598 (31 Dec 2015: 883) million at the end of 2016. Around two thirds of the order book is merchant ship related and one third is offshore vessel related.

Major orders received by MacGregor in 2016 included:

- renewed planned maintenance agreements with Stena Line,
- three offshore cranes and Triplex handling system to China,
- electrically operated shell doors and electric frequency-controlled Hatlapa winches for four cruise vessels to Germany and Finland as well as
- loose lashings for 17 container ships to South Korea.

MacGregor's fourth-quarter sales declined by 23 percent from the comparison period to EUR 199 (259) million. Sales were still burdened by the continuing challenging market situation. Sales increased in cargo handling equipment for RoRo vessels. The share of services sales was 26 (22) percent, or EUR 51 (58) million. MacGregor's 2016 sales decreased by 32 percent compared to comparison level to EUR 778 (1,139) million. Around three quarters of the sales was merchant ship-related and one quarter offshore vessel-related. Sales of services totalled EUR 204 (232) million, representing 26 (20) percent of sales.

MacGregor's operating profit for the fourth quarter totalled EUR -28.9 (-13.6) million. Operating profit includes EUR 29.4 (6.4) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 0.5 (-7.2) million, representing 0.3 (-2.8) percent of sales. Gross margin improved compared to the fourth quarter of 2015. Additionally, the operating profit in the comparable period was negatively impacted by a EUR 11 million cost related to a commercial settlement with a customer.

MacGregor's operating profit for 2016 amounted to EUR -13.7 (15.8) million. Operating profit includes EUR 31.6 (14.3) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 17.9 (30.1) million, representing 2.3 (2.6) percent of sales. Resourcing adjustments in terms of the rapidly decreased sales take effect only after a delay, which had a negative impact on operating profit.

## Annual General Meeting and shares

### Decisions taken at Cargotec Corporation's Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM), held on 22 March 2016, adopted the 2015 financial statements and consolidated financial statements. 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 2015. The AGM approved a dividend of EUR 0.79 to be paid for each class A share and a dividend of EUR 0.80 be paid for each class B share outstanding. The dividend payment date was 4 April 2016.

The Board was authorised to decide on the repurchase of no more than 6,400,000 Cargotec's shares, of which no more than 952,000 are class A shares and 5,448,000 are class B shares.

Kimmo Alkio, Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were elected to the Board of Directors. The yearly remuneration of the Board of Directors is as follows: EUR 80,000 to the Chairman of the Board, EUR 55,000 to the Vice Chairman, EUR 55,000 to the Chairman of the Audit and Risk Management Committee, and EUR 40,000 to the other Board members. In addition, members are paid EUR 1,000 for attendance at board and committee meetings. Thirty percent of the yearly remuneration will be paid in Cargotec's class B shares and the rest in cash.

The accounting firm PricewaterhouseCoopers Oy and authorised public accountant Tomi Hyryläinen were elected as auditors. EUR 600,000 was approved to be donated to Tampere University of Technology.

### Organisation of the Board of Directors

On 22 March 2016, Cargotec Corporation's Board of Directors elected at its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. Outi Aaltonen, Senior Vice President, General Counsel, will continue as Secretary to the Board.

Ilkka Herlin, Kaisa Olkkonen and Teuvo Salminen (Chairman) were elected as members of the Audit and Risk Management Committee. Jorma Eloranta, Tapio Hakakari, Ilkka Herlin (Chairman) and Peter Immonen were elected to the Nomination and Compensation Committee.

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

### Shares and trading

#### Share capital, own shares and share issue

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of 2016. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089. During the

year, the number of Cargotec class B shares increased by 17,096 as new shares were subscribed with 2010B stock options.

On 31 December 2016, class B shares accounted for 85.3 (85.3) percent of the total number of shares and 36.7 (36.7) percent of votes. Class A shares accounted for 14.7 (14.7) percent of the total number of shares and 63.3 (63.3) percent of votes. The total number of votes attached to all shares was 15,041,877 (15,039,972). At the end of 2016, Cargotec Corporation had 22,068 (24,705) registered shareholders. There were 16,622,504 (13,127,208) nominee-registered shares, representing 25.7 (20.3) percent of the total number of shares, which corresponds to 11.1 (8.7) percent of all votes.

On 22 March 2016, the Board of Directors of Cargotec Corporation decided on a directed share issue related to the reward payment for the restricted shares programme 2015 under Cargotec's share-based incentive programme 2014. In the share issue, 27,601 own class B shares held by the company were transferred without consideration in accordance with the terms and conditions of the share-based incentive programme to the key employees who fulfilled the earnings criteria.

In November, Cargotec repurchased a total of 200,000 of its own class B shares based on the authorisation of the AGM on 22 March 2016 for a total cost of EUR 7,590,656.76. The shares were repurchased for use as reward payments for the share-based incentive programmes. Payments and grants will be realised as per their respective terms and conditions, starting on March 2017 at the earliest.

At the end of 2016, Cargotec holds a total of 265,099 own class B shares, accounting for 0.41 percent of the total number of shares and 0.18 percent of the total number of votes. At the end of 2016, the number of outstanding class B shares totalled 54,916,980.

### **Share-based incentive programmes**

In February 2016, Cargotec's Board of Directors approved a new long-term share-based incentive programme for Cargotec's key personnel for 2016–2019. Altogether 84 persons are in the programme, including Cargotec's CEO and the members of the Executive Board. The first phase of the programme includes specified financial performance targets for 2016 (business area or corporate return on capital employed, ROCE). The second phase consists of an additional earnings multiplier, which is based on Cargotec's total shareholder return (TSR) at the end of the three-year performance period in March 2019. Eligible participants must be employed by Cargotec at the end of the second phase of the programme in spring 2019.

The potential reward will be delivered in Cargotec class B shares in 2019. Gross reward, before deducting the applicable taxes and employment-related expenses, is in the range of 25–120 per cent of annual basic salary for on-target performance (approximately 75–360 per cent for maximum performance). If the performance of all participants is on target, the estimated cost of the programme for the three-year period is EUR 7.3 million (approximately EUR 21.8 million for maximum performance). If the financial performance threshold levels are not met, no incentive payments will be made under the programme. On the basis of the first phase, 64 participants will be rewarded.

As part of total compensation, additional restricted share grants can be granted to some key persons in 2016–2018. Gross reward, before deducting the applicable taxes and employment-related expenses, is in the range of 25–100 per cent of the annual basic salary. If the financial performance threshold levels are met, the estimated cost of the programme is EUR 1.75 million per year. If the financial performance threshold levels are not met, no incentive payments will be made under the programme.

No new shares will be issued in connection with the programme. Therefore, the programme will not have a diluting effect.

### **Option programme**

The Annual General Meeting of 2010 decided on the issue of stock options to key personnel of Cargotec and its subsidiaries. The programme included 2010A, 2010B and 2010C stock options with 400,000 stock options in each series, each stock option entitling its holder to subscribe one (1) new class B share in Cargotec. Meeting the targets specified by the Board of Directors was the precondition for the commencement of the share subscription. A total of 378,864 2010B stock options and 400,000 2010C stock options held by the company were cancelled, as the earnings criteria for the stock options were not met.

The 2010B stock options were listed on the main list of Nasdaq Helsinki Ltd. The share subscription period for 2010B stock options was from 1 April 2014 to 30 April 2016. In the second quarter of 2016, altogether 17,096 new class B shares were subscribed with 2010B stock options. During the entire subscription period, a total of 18,376 class B shares were subscribed. Since the end of the share subscription period on 2 May 2016, the unused 2010B stock options have been null and void, and they have been removed from the holders' book-entry accounts. After the expiration of the share subscription period with 2010B stock options, the company has no ongoing option programmes.

### **Market capitalisation and trading**

At the end of 2016, the total market value of class B shares was EUR 2,355 (1,900) million, excluding own shares held by the company. The year-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 2,762 (2,228) million, excluding own shares held by the company.

The class B share closed at EUR 42.89 (34.50) on the last trading day of December on Nasdaq Helsinki Ltd. The volume-weighted average share price for the financial period was EUR 34.31 (31.58), the highest quotation being EUR 43.35 (37.37) and the lowest EUR 24.30 (23.70). In 2016, a total of 43 (58) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,456 (1,837) million. In addition, according to Fidessa, a total of 68 (62) million class B shares were traded in several alternative marketplaces, such as BATS BXE and BATS OTC, corresponding to a turnover of EUR 2,334 (1,966) 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. The general uncertainty related to economic development is still expected to continue, and changes in the political leadership of economically significant countries may delay customers' investment decisions.

The slowdown in global economic growth has reduced growth in container traffic, and the consolidation of ship companies may change port volumes in the future. These factors may affect customer decision making. Project executions may face risks related to schedule, cost and delivery guarantees. Uncertainty may be increased by risks stemming from political instability, volatility on the currency and raw material markets, or from the financing sector. 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.

More information on risks is available at [www.cargotec.com](http://www.cargotec.com), under Investors > Governance > Internal control and risk management.

## Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2016 was EUR 1,246,390,066.86 of which net income for the period was EUR 116,865,006.68. The Board of Directors proposes to the AGM convening on 21 March 2017 that of the distributable profit, a dividend of EUR 0.94 for each of the 9,526,089 class A shares and EUR 0.95 for each of the 54,916,980 outstanding class B shares be paid, totalling EUR 61,125,654.66. The remaining distributable equity, EUR 1,185,264,412.20, will be retained and carried forward.

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

## **Outlook for 2017**

Cargotec's operating profit excluding restructuring costs for 2017 is expected to improve from 2016 (EUR 250.2 million).

## **Annual General Meeting 2017**

The Annual General Meeting of Cargotec Corporation will be held at the Marina Congress Center in Helsinki on Tuesday, 21 March 2017 at 1.00 p.m. EET.

## **Financial calendar 2017**

Financial statements and annual report 2016 on week 7 at [www.cargotec.com](http://www.cargotec.com)

Annual General Meeting, Tuesday, 21 March 2017

January–March 2017 interim report, Wednesday, 26 April 2017

January–June 2017 half year financial report, Thursday, 20 July 2017

January–September 2017 interim report, Friday, 27 October 2017

Helsinki, 7 February 2017  
Cargotec Corporation  
Board of Directors

## Consolidated statement of income

MEUR	10-12/2016	10-12/2015	1-12/2016	1-12/2015
<b>Sales</b>	<b>932.9</b>	<b>976.5</b>	<b>3,513.7</b>	<b>3,729.3</b>
Cost of goods sold	-710.9	-768.9	-2,674.0	-2,942.0
<b>Gross profit</b>	<b>222.0</b>	<b>207.6</b>	<b>839.7</b>	<b>787.3</b>
<i>Gross profit, %</i>	23.8	21.3	23.9	21.1
Other operating income	9.3	11.4	38.1	40.4
Selling and marketing expenses	-57.7	-56.7	-221.1	-210.4
Research and development expenses	-26.6	-24.8	-94.1	-85.2
Administration expenses	-74.8	-75.1	-277.0	-264.3
Restructuring costs	-39.7	-7.2	-52.5	-17.7
Other operating expenses	-10.9	-10.5	-37.8	-39.8
Costs and expenses	-200.4	-162.8	-644.4	-577.1
Share of associated companies' and joint ventures' net income	-0.3	0.1	2.5	2.8
<b>Operating profit</b>	<b>21.3</b>	<b>45.0</b>	<b>197.7</b>	<b>213.1</b>
<i>Operating profit, %</i>	2.3	4.6	5.6	5.7
Financing income and expenses	-7.1	-8.0	-28.6	-26.9
<b>Income before taxes</b>	<b>14.2</b>	<b>36.9</b>	<b>169.1</b>	<b>186.2</b>
<i>Income before taxes, %</i>	1.5	3.8	4.8	5.0
Income taxes	-2.0	-1.5	-43.8	-43.3
<b>Net income for the period</b>	<b>12.2</b>	<b>35.4</b>	<b>125.3</b>	<b>142.9</b>
<i>Net income for the period, %</i>	1.3	3.6	3.6	3.8
<b>Net income for the period attributable to:</b>				
Equity holders of the parent	12.7	35.4	126.0	143.0
Non-controlling interest	-0.5	0.0	-0.7	-0.1
<b>Total</b>	<b>12.2</b>	<b>35.4</b>	<b>125.3</b>	<b>142.9</b>
<b>Earnings per share for profit attributable to the equity holders of the parent:</b>				
Basic earnings per share, EUR	0.20	0.55	1.95	2.21
Diluted earnings per share, EUR	0.19	0.55	1.94	2.21

## Consolidated statement of comprehensive income

MEUR	10–12/2016	10–12/2015	1–12/2016	1–12/2015
<b>Net income for the period</b>	12.2	35.4	125.3	142.9
<b>Items that will not be reclassified to statement of income:</b>				
Defined benefit plan actuarial gains (+) / losses (-)	-4.6	4.5	-6.9	3.0
Taxes relating to items that will not be reclassified to statement of income	1.0	-0.9	1.5	-0.4
<b>Total</b>	<b>-3.6</b>	<b>3.6</b>	<b>-5.4</b>	<b>2.6</b>
<b>Items that may be reclassified subsequently to statement of income:</b>				
Gains (+) / losses (-) on cash flow hedges	-19.0	-7.7	1.7	-11.1
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	2.8	-2.5	1.4	3.6
Gains (+) / losses (-) on net investment hedges	-4.0	-4.0	22.4	-4.0
Translation differences	15.4	26.5	-34.8	36.0
Taxes relating to items that may be reclassified subsequently to statement of income	3.5	-2.0	1.0	-10.1
<b>Total</b>	<b>-1.3</b>	<b>10.3</b>	<b>-8.3</b>	<b>14.4</b>
<b>Comprehensive income for the period</b>	<b>7.3</b>	<b>49.3</b>	<b>111.6</b>	<b>159.9</b>
<b>Comprehensive income for the period attributable to:</b>				
Equity holders of the parent	7.8	49.3	112.2	160.0
Non-controlling interest	-0.4	0.0	-0.7	0.0
<b>Total</b>	<b>7.3</b>	<b>49.3</b>	<b>111.6</b>	<b>159.9</b>

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

## Consolidated balance sheet

<b>ASSETS, MEUR</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
<b>Non-current assets</b>		
Goodwill	1,024.5	976.4
Other intangible assets	290.2	272.4
Property, plant and equipment	308.6	306.0
Investments in associated companies and joint ventures	123.4	116.7
Available-for-sale investments	3.8	3.8
Loans receivable and other interest-bearing assets*	3.0	2.0
Deferred tax assets	185.0	183.5
Derivative assets	16.9	35.3
Other non-interest-bearing assets	7.9	5.7
<b>Total non-current assets</b>	<b>1,963.4</b>	<b>1,901.8</b>
<b>Current assets</b>		
Inventories	647.0	655.4
Loans receivable and other interest-bearing assets*	1.9	2.6
Income tax receivables	26.1	20.0
Derivative assets	45.8	36.7
Accounts receivable and other non-interest-bearing assets	778.9	778.4
Cash and cash equivalents*	273.2	175.8
<b>Total current assets</b>	<b>1,773.0</b>	<b>1,668.9</b>
<b>Total assets</b>	<b>3,736.3</b>	<b>3,570.7</b>

<b>EQUITY AND LIABILITIES, MEUR</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
<b>Equity attributable to the equity holders of the parent</b>		
Share capital	64.3	64.3
Share premium account	98.0	98.0
Translation differences	37.3	47.7
Fair value reserves	-24.7	-26.7
Reserve for invested non-restricted equity	69.0	76.1
Retained earnings	1,151.1	1,079.9
<b>Total equity attributable to the equity holders of the parent</b>	<b>1,395.0</b>	<b>1,339.3</b>
Non-controlling interest	2.2	2.4
<b>Total equity</b>	<b>1,397.2</b>	<b>1,341.8</b>
<b>Non-current liabilities</b>		
Interest-bearing liabilities*	656.8	768.1
Deferred tax liabilities	73.1	72.1
Pension obligations	81.4	71.3
Provisions	37.6	22.9
Other non-interest-bearing liabilities	49.4	42.3
<b>Total non-current liabilities</b>	<b>898.2</b>	<b>976.7</b>
<b>Current liabilities</b>		
Current portion of interest-bearing liabilities*	119.4	5.9
Other interest-bearing liabilities*	45.8	62.8
Provisions	112.8	75.9
Advances received	160.6	197.2
Income tax payables	32.0	24.3
Derivative liabilities	34.1	14.2
Accounts payable and other non-interest-bearing liabilities	936.2	872.1
<b>Total current liabilities</b>	<b>1,440.8</b>	<b>1,252.3</b>
<b>Total equity and liabilities</b>	<b>3,736.3</b>	<b>3,570.7</b>

\*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 company

	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
<b>MEUR</b>									
<b>Equity on 1 Jan 2015</b>	<b>64.3</b>	<b>98.0</b>	<b>26.7</b>	<b>-20.1</b>	<b>74.9</b>	<b>965.0</b>	<b>1,208.8</b>	<b>5.0</b>	<b>1,213.8</b>
Net income for the period						143.0	143.0	-0.1	142.9
Cash flow hedges				-6.6			-6.6		-6.6
Net investment hedges			-4.0				-4.0		-4.0
Translation differences			25.0				25.0	0.1	25.1
Actuarial gains (+) / losses (-) from defined benefit plans						2.6	2.6		2.6
<b>Comprehensive income for the period*</b>			<b>21.0</b>	<b>-6.6</b>	<b>-</b>	<b>145.6</b>	<b>160.0</b>	<b>0.0</b>	<b>159.9</b>
Profit distribution						-35.3	-35.3	-0.8	-36.1
Treasury shares acquired					-3.4		-3.4		-3.4
Proceeds from share subscriptions					4.6		4.6		4.6
Share-based payments*						2.8	2.8		2.8
<b>Transactions with owners of the company</b>					<b>1.2</b>	<b>-32.5</b>	<b>-31.3</b>	<b>-0.8</b>	<b>-32.0</b>
Transactions with non-controlling interests						1.8	1.8	-1.8	0.0
<b>Equity on 31 Dec 2015</b>	<b>64.3</b>	<b>98.0</b>	<b>47.7</b>	<b>-26.7</b>	<b>76.1</b>	<b>1,079.9</b>	<b>1,339.3</b>	<b>2.4</b>	<b>1,341.8</b>
*Net of tax									
<b>Equity on 1 Jan 2016</b>	<b>64.3</b>	<b>98.0</b>	<b>47.7</b>	<b>-26.7</b>	<b>76.1</b>	<b>1,079.9</b>	<b>1,339.3</b>	<b>2.4</b>	<b>1,341.8</b>
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
<b>Comprehensive income for the period*</b>			<b>-10.3</b>	<b>2.0</b>	<b>-</b>	<b>120.6</b>	<b>112.2</b>	<b>-0.7</b>	<b>111.6</b>
Profit distribution						-52.2	-52.2	-0.6	-52.8
Treasury shares acquired					-7.6		-7.6		-7.6
Proceeds from share subscriptions					0.5		0.5		0.5
Share-based payments*						2.8	2.8		2.8
<b>Transactions with owners of the company</b>					<b>-7.1</b>	<b>-49.4</b>	<b>-56.5</b>	<b>-0.6</b>	<b>-57.2</b>
Transactions with non-controlling interests							-	1.1	1.1
<b>Equity on 31 Dec 2016</b>	<b>64.3</b>	<b>98.0</b>	<b>37.3</b>	<b>-24.7</b>	<b>69.0</b>	<b>1,151.1</b>	<b>1,395.0</b>	<b>2.2</b>	<b>1,397.2</b>
*Net of tax									

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

## Consolidated statement of cash flows

MEUR	1-12/2016	1-12/2015
Net income for the period	125.3	142.9
Depreciation, amortisation and impairment	84.8	76.5
Financing items	28.6	26.9
Taxes	43.8	43.3
Change in receivables	10.3	74.6
Change in payables	66.9	-108.4
Change in inventories	13.3	63.2
Change in net working capital	90.5	29.4
Other adjustments	0.0	-4.4
<b>Cash flow from operations before financing items and taxes</b>	<b>373.0</b>	<b>314.6</b>
Interest received	1.1	1.3
Interest paid	-21.9	-22.0
Other financing items	10.7	-50.9
Income taxes paid	-49.4	-47.4
<b>Cash flow from operating activities</b>	<b>313.5</b>	<b>195.6</b>
Acquisitions, net of cash acquired	-66.8	-0.6
Investments to associated companies and joint ventures	-2.7	-2.9
Investments in fixed assets	-80.5	-78.8
Disposals of fixed assets	17.6	21.3
Cash flow from investing activities, other items	0.9	3.2
<b>Net cash flow from investing activities</b>	<b>-131.5</b>	<b>-57.8</b>
Proceeds from share subscriptions	0.5	4.6
Treasury shares acquired	-7.6	-3.4
Acquisition of non-controlling interests	-	-3.5
Proceeds from long-term borrowings	-	120.0
Repayments of long-term borrowings	-3.2	-125.0
Proceeds from short-term borrowings	38.2	177.0
Repayments of short-term borrowings	-58.9	-311.5
Profit distribution	-52.8	-36.1
<b>Net cash flow from financing activities</b>	<b>-83.9</b>	<b>-177.9</b>
<b>Change in cash and cash equivalents</b>	<b>98.1</b>	<b>-40.2</b>
Cash, cash equivalents and bank overdrafts at the beginning of period	164.9	203.4
Effect of exchange rate changes	-2.0	1.7
<b>Cash, cash equivalents and bank overdrafts at the end of period</b>	<b>260.8</b>	<b>164.9</b>
Bank overdrafts at the end of period	12.4	10.9
<b>Cash and cash equivalents at the end of period</b>	<b>273.2</b>	<b>175.8</b>

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

## Key figures

		<b>1-12/2016</b>	<b>1-12/2015</b>
Equity / share	EUR	21.65	20.73
Interest-bearing net debt	MEUR	503.5	622.4
Total equity / total assets	%	39.1	39.8
Gearing	%	36.0	46.4
Return on equity, annualised	%	9.1	11.2
Return on capital employed, annualised	%	8.8	9.8

## Notes to the financial statements review

### 1. General information

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

### 2. Accounting principles and new accounting standards

The financial statements review has been prepared according to IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2015 and comply with changes in IAS/IFRS standards effective from 1 January 2016. 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

<b>Sales, MEUR</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	477	468	1,700	1,663
Hiab	257	249	1,036	928
MacGregor	199	259	778	1,139
Internal sales	0	0	-1	-1
<b>Total</b>	<b>933</b>	<b>977</b>	<b>3,514</b>	<b>3,729</b>
<b>Sales by geographical area, MEUR</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
EMEA	414	402	1,482	1,472
Asia-Pacific	263	298	952	1,199
Americas	256	277	1,079	1,058
<b>Total</b>	<b>933</b>	<b>977</b>	<b>3,514</b>	<b>3,729</b>
<b>Sales by geographical area, %</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
EMEA	44.4	41.2	42.2	39.5
Asia-Pacific	28.2	30.5	27.1	32.2
Americas	27.4	28.3	30.7	28.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Operating profit, MEUR</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	31.8	34.8	115.6	127.3
Hiab	32.4	31.0	138.8	99.6
MacGregor	-28.9	-13.6	-13.7	15.8
Corporate administration and support functions	-14.0	-7.2	-42.9	-29.7
<b>Total</b>	<b>21.3</b>	<b>45.0</b>	<b>197.7</b>	<b>213.1</b>
<b>Operating profit, %</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	6.7	7.4	6.8	7.7
Hiab	12.6	12.4	13.4	10.7
MacGregor	-14.6	-5.2	-1.8	1.4
Cargotec	2.3	4.6	5.6	5.7
<b>Restructuring costs, MEUR</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	-9.7	-1.1	-19.7	-2.5
Hiab	-0.5	0.3	-1.2	-0.9
MacGregor	-29.4	-6.4	-31.6	-14.3
Corporate administration and support functions	0.0	0.0	0.0	0.0
<b>Total</b>	<b>-39.7</b>	<b>-7.2</b>	<b>-52.5</b>	<b>-17.7</b>
<b>Operating profit excl. restructuring costs, MEUR</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	41.5	35.9	135.3	129.9
Hiab	32.9	30.7	140.0	100.5
MacGregor	0.5	-7.2	17.9	30.1
Corporate administration and support functions	-14.0	-7.2	-42.9	-29.7
<b>Total</b>	<b>61.0</b>	<b>52.1</b>	<b>250.2</b>	<b>230.7</b>

<b>Operating profit excl. restructuring costs, %</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	8.7	7.7	8.0	7.8
Hiab	12.8	12.3	13.5	10.8
MacGregor	0.3	-2.8	2.3	2.6
Cargotec	6.5	5.3	7.1	6.2

<b>Orders received, MEUR</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	440	395	1,721	1,764
Hiab	282	250	1,016	967
MacGregor	100	180	546	828
Internal orders received	0	0	-1	-1
<b>Total</b>	<b>822</b>	<b>824</b>	<b>3,283</b>	<b>3,557</b>

<b>Orders received by geographical area, MEUR</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
EMEA	427	373	1,537	1,471
Asia-Pacific	163	205	761	1,002
Americas	232	246	985	1,085
<b>Total</b>	<b>822</b>	<b>824</b>	<b>3,283</b>	<b>3,557</b>

<b>Orders received by geographical area, %</b>	<b>Q4/2016</b>	<b>Q4/2015</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
EMEA	51.9	45.3	46.8	41.3
Asia-Pacific	19.9	24.9	23.2	28.2
Americas	28.2	29.8	30.0	30.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<b>Order book, MEUR</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Kalmar	900	877
Hiab	286	305
MacGregor	598	883
Internal order book	-1	-1
<b>Total</b>	<b>1,783</b>	<b>2,064</b>

<b>Number of employees at the end of period</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
Kalmar	5,702	5,328
Hiab	2,997	2,757
MacGregor	2,256	2,543
Corporate administration and support functions	230	209
<b>Total</b>	<b>11,184</b>	<b>10,837</b>

<b>Average number of employees</b>	<b>1–12/2016</b>	<b>1–12/2015</b>
Kalmar	5,588	5,286
Hiab	2,995	2,638
MacGregor	2,390	2,652
Corporate administration and support functions	221	195
<b>Total</b>	<b>11,193</b>	<b>10,772</b>

#### 4. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	1-12/2016	1-12/2015
Intangible assets	10.5	12.1
Property, plant and equipment	70.0	66.7
<b>Total</b>	<b>80.5</b>	<b>78.8</b>

Depreciation, amortisation and impairment, MEUR	1-12/2016	1-12/2015
Intangible assets	29.3	28.7
Buildings and land	15.1	8.2
Machinery & equipment	40.4	39.5
<b>Total</b>	<b>84.8</b>	<b>76.5</b>

#### 5. Taxes in statement of income

MEUR	1-12/2016	1-12/2015
Current year tax expense	53.0	65.6
Deferred tax expense	-8.0	-19.8
Tax expense for previous years	-1.1	-2.5
<b>Total</b>	<b>43.8</b>	<b>43.3</b>

#### 6. Interest-bearing net debt and liquidity

MEUR	31 Dec 2016	31 Dec 2015
Interest-bearing liabilities*	821.9	836.8
Loans receivable and other interest-bearing assets	-5.0	-4.6
Cash and cash equivalents	-273.2	-175.8
<b>Interest-bearing net debt in balance sheet</b>	<b>543.7</b>	<b>656.4</b>
Foreign currency hedge of corporate bonds*	-40.2	-34.0
<b>Interest-bearing net debt</b>	<b>503.5</b>	<b>622.4</b>
Equity	1,397.2	1,341.8
<b>Gearing</b>	<b>36.0%</b>	<b>46.4%</b>

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

\*Cash flow hedge accounting is applied to cash flows of the USD 205.0 million Private Placement corporate bonds. The cash flows of the bonds are converted into euro flows through long-term cross-currency swaps. As a result of the hedging, Cargotec effectively holds long-term euro-denominated fixed rate debt.

MEUR	31 Dec 2016	31 Dec 2015
Cash and cash equivalents	273.2	175.8
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities in following 12 months	-165.1	-68.7
<b>Total liquidity</b>	<b>408.1</b>	<b>407.1</b>

## 7. Derivatives

### Fair values of derivative financial instruments

MEUR	Positive fair value 31 Dec 2016	Negative fair value 31 Dec 2016	Net fair value 31 Dec 2016	Net fair value 31 Dec 2015
Currency forward contracts	22.3	34.1	-11.8	22.5
Hedge accounting	1.6	9.9	-8.4	7.1
Net investment hedge accounting	-	12.2	-12.2	-4.7
Cross-currency and interest rate swaps	40.5	-	40.5	35.3
<b>Total</b>	<b>62.7</b>	<b>34.1</b>	<b>28.7</b>	<b>57.8</b>
Non-current portion:				
Currency forward contracts	-	-	-	-
Cross-currency and interest rate swaps	16.9	-	16.9	35.3
<b>Non-current portion</b>	<b>16.9</b>	<b>-</b>	<b>16.9</b>	<b>35.3</b>
<b>Current portion</b>	<b>45.8</b>	<b>34.1</b>	<b>11.8</b>	<b>22.5</b>

Cross-currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007. Cash flow hedge accounting is applied for these instruments.

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

### Nominal values of derivative financial instruments

MEUR	31 Dec 2016	31 Dec 2015
Currency forward contracts	3,578.6	3,874.5
Hedge accounting	1,311.4	1,161.0
Net investment hedge accounting	566.4	588.8
Cross-currency and interest rate swaps	194.5	188.3
<b>Total</b>	<b>3,773.1</b>	<b>4,062.8</b>

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 2016	31 Dec 2015
Guarantees	0.2	-
Customer financing	20.6	13.1
Operating leases	194.9	165.9
Other contingent liabilities	2.4	5.2
<b>Total</b>	<b>218.1</b>	<b>184.2</b>

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business, up to a maximum of EUR 424.3 (31 Dec 2015: 494.1) million.

Cargotec leases globally a large part of the properties needed in the operations under non-cancellable operating leases with varying terms and conditions. It is not anticipated that any material liabilities will arise from the customer finance commitments.

### The future minimum lease payments under non-cancellable operating leases

MEUR	31 Dec 2016	31 Dec 2015
Less than 1 year	34.9	31.8
1-5 years	85.1	69.9
Over 5 years	74.9	64.2
<b>Total</b>	<b>194.9</b>	<b>165.9</b>

The aggregate operating lease expenses totalled EUR 39.5 (1–12/2015: 36.6) 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 will appeal 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 and disposals in 2016

#### INTERSCHALT maritime systems AG

Kalmar and MacGregor acquired on 2 March 2016 privately owned INTERSCHALT maritime systems AG ("INTERSCHALT") by purchasing the full share capital of the entity for EUR 62.1 million. Acquisition includes a German parent company and subsidiaries in China, Germany, Singapore, and the United States. 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 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.

Consolidation of the acquired business is provisional as of 31 December 2016. 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, technology and order book have been identified as 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, MEUR

Intangible assets	28.7
Property, plant and equipment	6.2
Inventories	2.6
Accounts receivable and other non-interest-bearing assets	4.1
Interest-bearing receivables	1.2
Cash and cash equivalents	3.7
Deferred tax assets	3.3
Accounts payable and other non-interest-bearing liabilities	-11.2
Interest-bearing liabilities	-5.9
Deferred tax liabilities	-10.8
<b>Net assets</b>	<b>21.8</b>
Purchase price, payable in cash	62.1
<b>Total consideration</b>	<b>62.1</b>
<b>Goodwill</b>	<b>40.2</b>
Purchase price, paid in cash	62.1
Cash and cash equivalents acquired	2.2
<b>Cash flow impact</b>	<b>64.3</b>

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 the 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 measurements 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% of its share capital. Flintstone Technology Ltd is a UK-based technology company of ten employees that develops mooring and fluid handling equipment for the offshore industry. In addition to the GBP 2.0 million paid at the acquisition, MacGregor is committed to paying contingent consideration up to GBP 1.6 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.

In September, MacGregor signed a joint venture contract with China State Shipbuilding Corporation's (CSSC) Nanjing Luzhou Machine Co Ltd (LMC) to form CSSC Luzhou MacGregor Machine Co Ltd. Subject to all relevant authority approvals, expected within this year, LMC will own 51% and MacGregor 49% of the new joint venture company. The joint venture is expected to strengthen MacGregor's market position in China.

#### **Acquisitions and disposals in 2015**

Cargotec had no acquisitions or disposals during 2015.

## Key exchange rates for the Euro

<b>Closing rate</b>	<b>31 Dec 2016</b>	<b>31 Dec 2015</b>
SEK	9.553	9.190
USD	1.054	1.089
<b>Average rate</b>	<b>1-12/2016</b>	<b>1-12/2015</b>
SEK	9.450	9.341
USD	1.102	1.113

## Calculation of key figures

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

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

## Quarterly figures

<b>Cargotec</b>		<b>Q4/2016</b>	<b>Q3/2016</b>	<b>Q2/2016</b>	<b>Q1/2016</b>	<b>Q4/2015</b>
Orders received	MEUR	822	733	825	903	824
Order book	MEUR	1,783	1,874	2,033	2,095	2,064
Sales	MEUR	933	854	898	828	977
Operating profit	MEUR	21.3	56.2	62.6	57.7	45.0
Operating profit	%	2.3	6.6	7.0	7.0	4.6
Operating profit*	MEUR	61.0	65.9	64.8	58.5	52.1
Operating profit*	%	6.5	7.7	7.2	7.1	5.3
Basic earnings/share	EUR	0.20	0.52	0.63	0.61	0.55
<b>Kalmar</b>		<b>Q4/2016</b>	<b>Q3/2016</b>	<b>Q2/2016</b>	<b>Q1/2016</b>	<b>Q4/2015</b>
Orders received	MEUR	440	389	438	454	395
Order book	MEUR	900	922	1,005	973	877
Sales	MEUR	477	436	420	367	468
Operating profit*	MEUR	41.5	36.3	31.9	25.6	35.9
Operating profit*	%	8.7	8.3	7.6	7.0	7.7
<b>Hiab</b>		<b>Q4/2016</b>	<b>Q3/2016</b>	<b>Q2/2016</b>	<b>Q1/2016</b>	<b>Q4/2015</b>
Orders received	MEUR	282	220	239	275	250
Order book	MEUR	286	258	283	328	305
Sales	MEUR	257	250	283	246	249
Operating profit*	MEUR	32.9	33.0	41.7	32.4	30.7
Operating profit*	%	12.8	13.2	14.7	13.2	12.3
<b>MacGregor</b>		<b>Q4/2016</b>	<b>Q3/2016</b>	<b>Q2/2016</b>	<b>Q1/2016</b>	<b>Q4/2015</b>
Orders received	MEUR	100	124	149	173	180
Order book	MEUR	598	696	745	795	883
Sales	MEUR	199	169	196	216	259
Operating profit*	MEUR	0.5	2.8	5.3	9.2	-7.2
Operating profit*	%	0.3	1.7	2.7	4.2	-2.8

\*Operating profit excluding restructuring costs