

Cargotec's January–September 2016 interim report: operating profit margin improved

- **Profitability continued to improve in Hiab**
- **No big project orders in Kalmar, long term market potential still strong**
- **Challenging market situation continued in MacGregor**

July–September 2016 in brief

- Orders received decreased 19 percent and totalled EUR 733 (907) million.
- Order book amounted to EUR 1,874 (31 Dec 2015: 2,064) million at the end of the period.
- Sales declined 8 percent and totalled EUR 854 (928) million.
- Sales in services totalled 210 (216) million, representing 25 (23) percent of consolidated sales.
- Operating profit excluding restructuring costs decreased 3 percent and was EUR 65.9 (68.3) million, representing 7.7 (7.4) percent of sales.
- Operating profit was EUR 56.2 (61.9) million, representing 6.6 (6.7) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 74.4 (74.5) million.
- Net income for the period amounted to EUR 33.5 (43.6) million.
- Earnings per share was EUR 0.52 (0.67).

January–September 2016 in brief

- Orders received decreased 10 percent and totalled EUR 2,461 (2,733) million.
- Sales declined 6 percent and totalled EUR 2,581 (2,753) million.
- Sales in services totalled 641 (653) million, representing 25 (24) percent of consolidated sales.
- Operating profit excluding restructuring costs increased 6 percent and was EUR 189.3 (178.6) million, representing 7.3 (6.5) percent of sales.
- Operating profit was EUR 176.4 (168.1) million, representing 6.8 (6.1) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 221.0 (227.3) million.
- Net income for the period amounted to EUR 113.0 (107.4) million.
- Earnings per share was EUR 1.75 (1.67).

Outlook for 2016 unchanged

Cargotec's 2016 sales are expected to be at the 2015 level (EUR 3,729 million) or slightly below. Operating profit excluding restructuring costs for 2016 is expected to improve from 2015 (EUR 230.7 million).

Cargotec's key figures

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Orders received	733	907	-19%	2,461	2,733	-10%	3,557
Service orders received	205	226	-9%	667	665	0%	880
Order book, end of period	1,874	2,233	-16%	1,874	2,233	-16%	2,064
Sales	854	928	-8%	2,581	2,753	-6%	3,729
Sales of services	210	216	-3%	641	653	-2%	883
Sales of services, % of Cargotec's sales	25	23		25	24		24
Operating profit*	65.9	68.3	-3%	189.3	178.6	6%	230.7
Operating profit, %*	7.7	7.4		7.3	6.5		6.2
Operating profit	56.2	61.9	-9%	176.4	168.1	5%	213.1
Operating profit, %	6.6	6.7		6.8	6.1		5.7
Income before taxes	46.6	55.4		154.9	149.2		186.2
Cash flow from operations	74.4	74.5		221.0	227.3		314.6
Net income for the period	33.5	43.6		113.0	107.4		142.9
Earnings per share, EUR	0.52	0.67		1.75	1.67		2.21
Net debt, end of period	581	678		581	678		622
Gearing, %	41.6	52.5		41.6	52.5		46.4
Personnel, end of period	11,226	10,876		11,226	10,876		10,837

*excluding restructuring costs

Cargotec's CEO Mika Vehviläinen:

Hiab's strong development continued during the third quarter and profitability improved compared to the previous year. Hiab's core business orders were at a good level, but we did not receive any big defence industry orders as we did during the comparison period.

Kalmar's result was also satisfactory; however, the pace of customer decision making has slowed down, which could be seen in declining order numbers. Kalmar's long-term market potential is still strong: bigger ship sizes and the need to develop ports and make operations more effective require investments in port technology and automation. The number of potential projects is still large, but customers are delaying their investment decisions.

The challenging market situation continued in MacGregor. The global merchant ship market is facing overcapacity and new ship orders are at an exceptionally low level. Industry consolidation, alliances and possible new ship routes create uncertainty in the industry. We are continuing with our measures to lower the MacGregor cost level.

Our strategic focus areas are services, digitalisation and leadership development. In services we see tremendous business potential that we need to grasp with increased determination. We have increased our efforts in this area; for example, Hiab opened a spare parts web shop in September, MacGregor strengthened its spare parts delivery cooperation relationships in Asia, and Kalmar has

initiated new measures to speed up the growth in services. In terms of digitalisation, we are developing Cargotec IoT¹ Cloud-based solutions with our customers regarding, for example, automation effectiveness and proactive maintenance. Our internal leadership development programme is expanding to the next phase now that the first 200 leaders have completed the intensive training programme.

We are focusing our efforts on projects that improve competitiveness, the cost efficiency of products and digitalisation. Additionally, we are investing in global systems and procedures that in future enable higher efficiency in operational activities as well as in support functions.

¹ IoT = Internet of Things

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 interim report, 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 2:00 p.m. EEST 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 2:00 p.m. EEST.

The telephone conference, during which questions may be presented, can be accessed using the following numbers with access code Cargotec/3575778:

FI: +358 9 7479 0361
SE: +46 8 5033 6574
UK: +44 203 043 2003
US: +1 719 457 1036

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) 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 2015 totalled approximately EUR 3.7 billion and it employs over 11,000 people. www.cargotec.com

Cargotec's January–September 2016 interim report

Market environment

The number of containers handled at ports globally is estimated to continue growing, but at a slower pace than earlier. During the current year, the anticipated growth is expected to be less than two percent. Customers are considering their project and port automation solution investment decisions carefully due to bigger vessel sizes, market consolidation and the forming of shipping alliances. The demand for mobile equipment was satisfactory while the demand for services was flat.

The market for on-road load handling equipment in the US was supported by good construction activity that continued from the first half-year. The truck market in the US was still at a high level, although truck registrations have declined slightly. In Europe the market was flattish, although levels continued to vary by country. Demand for services was satisfactory.

The market for marine cargo handling equipment remained weak during the third quarter. The challenging market situation may lead to a further increase in industry consolidation, restructuring and bankruptcies. Securing financing is more challenging outside the strongest players. The risk of order postponements and cancellations has increased. In the offshore industry, the low price of oil is keeping investment levels at an exceptionally low level. Industry consolidation is likely in the offshore sector as well. The demand for services has declined, as spare parts are increasingly being taken from decommissioned ships.

Financial performance

Orders received and order book

Orders received during the third quarter decreased 19 percent from the comparison period and totalled EUR 733 (907) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on orders received. Orders received decreased about 16 percent at Kalmar compared to the comparison period, as customers delayed their bigger investment decisions. Orders received decreased about eight percent at Hiab. Hiab's core business orders were at a good level; however, the comparison period included a significant order from the defence industry. Orders received decreased at MacGregor about 38 percent due to a challenging market situation. Service orders decreased and totalled EUR 205 (226) million.

Orders received for January–September declined 10 percent from the comparison period and totalled EUR 2,461 (2,733) 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, 30 percent by Hiab and 18 percent by MacGregor. In geographic terms, the Americas' share of all orders remained at the comparison period level and was 31 (31) percent. Asia-Pacific's share of orders decreased to 24 (29) percent. EMEA's share of orders received was 45 (40) percent. The share of service orders was 27 (24) percent of all orders received.

The order book decreased from the 2015 year-end level, and at the end of the third quarter it totalled EUR 1,874 (31 Dec 2015: 2,064) million. Kalmar's order book totalled EUR 922 (877) million, representing 49 (42) percent, Hiab's EUR 258 (305) million or 14 (15) percent and that of MacGregor EUR 696 (883) million or 37 (43) percent of the consolidated order book.

Orders received by reporting segment

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Kalmar	389	463	-16%	1,281	1,369	-6%	1,764
Hiab	220	239	-8%	734	717	2%	967
MacGregor	124	200	-38%	446	648	-31%	828
Internal orders	0	4		-1	-1		-1
Total	733	907	-19%	2,461	2,733	-10%	3,557

Orders received by geographic area

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
EMEA	335	336	0%	1,111	1,098	1%	1,471
Asia-Pacific	188	273	-31%	598	796	-25%	1,002
Americas	211	298	-29%	753	839	-10%	1,085
Total	733	907	-19%	2,461	2,733	-10%	3,557

Sales

Third-quarter sales declined eight percent from the comparison period, to EUR 854 (928) 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 Kalmar but declined in MacGregor due to the challenging market situation. Sales in services remained at the comparison period's level and totalled EUR 210 (216) million, representing 25 (23) percent of consolidated sales.

January–September sales declined six percent from the comparison period and totalled EUR 2,581 (2,753) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on sales. Sales in services amounted to EUR 641 (653) million, representing 25 (24) percent of sales. In geographic terms, sales declined in Asia-Pacific, grew slightly in the Americas, and remained at the comparison period level in EMEA. Asia-Pacific's share of consolidated sales decreased to 27 (33) percent, whereas EMEA's share increased to 41 (39) percent and the Americas' to 32 (28) percent. Services sales declined in EMEA and Asia-Pacific and remained at the comparison period level in the Americas.

Sales by reporting segment

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Kalmar	436	409	6%	1,223	1,195	2%	1,663
Hiab	250	229	9%	779	679	15%	928
MacGregor	169	289	-42%	580	879	-34%	1,139
Internal sales	0	0		0	-1		-1
Total	854	928	-8%	2,581	2,753	-6%	3,729

Sales by geographic area

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
EMEA	369	351	5%	1,068	1,069	0%	1,472
Asia-Pacific	223	315	-29%	690	902	-24%	1,199
Americas	263	262	0%	823	781	5%	1,058
Total	854	928	-8%	2,581	2,753	-6%	3,729

Financial result

Operating profit for the third quarter decreased from the comparison period, totalling EUR 56.2 (61.9) million. Operating profit includes EUR 9.7 (6.4) million in restructuring costs. EUR 8.8 (0.6) million of the restructuring costs were related to Kalmar, EUR 0.0 (0.5) million to Hiab, and EUR 0.9 (5.2) million to MacGregor.

Operating profit for the third quarter, excluding restructuring costs, was EUR 65.9 (68.3) million, representing 7.7 (7.4) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 36.3 (36.1) million, Hiab EUR 33.0 (25.3) million, and MacGregor EUR 2.8 (12.5) million. The costs of corporate administration and support functions increased to EUR 6.1 (5.6) million, which was primarily due to digitalisation costs and costs related to leadership development.

Operating profit for January-September improved from the comparison period, totalling EUR 176.4 (168.1) million. Operating profit includes EUR 12.8 (10.5) million in restructuring costs. EUR 10.0 (1.4) million of the restructuring costs were related to Kalmar, EUR 0.7 (1.2) million to Hiab, and EUR 2.1 (7.9) million to MacGregor.

Operating profit for January-September, excluding restructuring costs, was EUR 189.3 (178.6) million, representing 7.3 (6.5) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 93.8 (94.0) million, Hiab EUR 107.1 (69.8) million, and MacGregor EUR 17.4 (37.3) million.

Net interest expenses for interest-bearing debt and assets for the third quarter totalled EUR 7.5 (5.4) million. Net financing expenses totalled EUR 9.6 (6.5) million. Net interest expenses for interest-bearing debt and assets for January-September totalled EUR 16.1 (15.8) million and net financing expenses totalled EUR 21.5 (18.9) million.

Net income for the third quarter totalled EUR 33.5 (43.6) million, and earnings per share EUR 0.52 (0.67). Net income for January–September totalled EUR 113.0 (107.4) million, and earnings per share EUR 1.75 (1.67).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,668 (31 Dec 2015: 3,571) million at the end of the third quarter. Equity attributable to equity holders was EUR 1,395 (1,339) million, representing EUR 21.57 (20.73) per share. Property, plant and equipment on the balance sheet was EUR 307 (306) million and intangible assets were EUR 1,307 (1,249) million.

Return on equity (ROE, annualised) in January–September was 11.0 (11.4) percent, and return on capital employed (ROCE, annualised) stayed at the previous year's level at 10.6 (10.3) percent. Cargotec's financial target is to reach 15 percent return on capital employed.

The third quarter cash flow from operating activities, before financial items and taxes, totalled EUR 74.4 (74.5) million. Cash flow from operating activities in January–September, before financial items and taxes, totalled EUR 221.0 (227.3) million. At the end of the third quarter, net working capital increased to EUR 175 million from the 2015 year-end level EUR 151 million.

Cargotec's liquidity position is healthy. At the end of the third quarter, interest-bearing net debt totalled EUR 581 (31 Dec 2015: 622) million. Interest-bearing debt amounted to EUR 784 (803) million, of which EUR 140 (69) million was current and EUR 645 (734) million non-current debt. On 30 September 2016, the average interest rate on the loan portfolio was 2.4 (2.2) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 204 (31 Dec 2015: 180) million.

At the end of the second quarter, Cargotec's total equity/total assets ratio was 40.0 (31 Dec 2015: 39.8) percent. Gearing was 41.6 (46.4) percent.

Corporate topics

Research and development

The third quarter research and product development expenditure totalled EUR 20.5 (18.7) million, representing 2.4 (2.0) percent of sales. Research and product development expenditure in January–September totalled EUR 65.5 (57.1) million, representing 2.5 (2.1) percent of sales. EUR 1.9 (2.1) million was capitalised. Research and product development investments were focused on digitalisation, competitiveness and the cost efficiency of products.

Kalmar

During the third quarter, Cargotec announced that it will participate in an initiative to create an autonomous marine transport system for the Baltic Sea by 2025. Kalmar's automation solutions

are estimated to benefit from this effort when automation expands further in the maritime logistics chain.

Earlier in the year, Kalmar introduced the Kalmar Insight solution for a real-time view of terminal productivity and performance, expanded its fast charge technology into the hybrid straddle and shuttle carrier product portfolio and introduced new lithium-ion battery technology for its 5-9 ton electric forklift trucks.

In 2016, Kalmar has started in cooperation with Linnaeus University, Sweden, a digital business development programme that focuses on developing new, intelligent services for industrial products, and also launched its new drive train system for reachstackers to the Asia-Pacific region.

Hiab

During the third quarter, Hiab launched a new spare parts web shop and extended the general warranties of loader cranes. Hiab's heavy cranes series was complemented with a crane designed to fit three axle-trucks, and the mid-range loader cranes range was renewed with 24 new or updated models. A modular system feature was launched for loader cranes, providing customers with a pre-manufactured, ready-to-install sub-frame that matches the chosen truck and reduces crane installation time up to 75 percent. Additionally, the crane tip control - a feature that makes operating the crane easier - was launched for loader cranes.

Other Hiab launches during the quarter include new tail lifts, a next-generation truck-mounted forklift with added safety and easier servicing, as well as a new skiploader model that is particularly suitable for smaller-sized trucks used in urban environments.

Earlier in the year, Hiab presented two new forestry cranes, completed its R&D investment in Hudiksvall, Sweden, and launched the HiVision™ 3D control system, with which crane operations can be controlled from the truck cabin. Hiab also launched a hooklift designed for repetitive loads, two new classes to its loader crane family and a mobile application for customers to easily locate their closest authorised service point.

MacGregor

During the third quarter, Cargotec announced that it will participate in an initiative to create an autonomous marine transport system for the Baltic Sea by 2025. MacGregor is strongly involved in the initiative.

During the third quarter, MacGregor opened a discussion about a new cooperative drive to renew and transform the maritime industry under the theme "So much potential – let's not waste it".

During the year, MacGregor introduced a fibre rope retrofit option, with which a crane's original steel wire rope can be replaced with a synthetic fibre rope. During the first quarter, MacGregor introduced an offshore fibre-rope crane that features a simple-to-operate fibre rope lifting system, enabling load handling at even greater depths than previously possible. During the year, MacGregor also launched a compact new Pusnes RamWindlass.

Capital expenditure

Capital expenditure in January-September, excluding acquisitions and customer financing, totalled EUR 24.8 (26.1) million. Investments in customer financing were EUR 27.9 (34.8) million. Of the capital expenditure, EUR 7.5 (8.4) 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 58.0 (61.9) 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 expansion is expected to be finished by the end of the year with a total cost of EUR five 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 will be 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 this year, 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 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. Cost benefits of the reduction are estimated to amount to approximately EUR 2 million in the last quarter of 2016 and EUR seven million annually from 2017 onwards.

In July, Kalmar completed the employee cooperation negotiations announced in March, in Lidhult, Sweden. As a result, Kalmar transfers 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 will be booked in Cargotec's results in 2016 and EUR 2 million 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 and onwards.

Personnel

Cargotec employed 11,226 (31 Dec 2015: 10,837) people at the end of the third quarter. Kalmar employed 5,625 (5,328) people, Hiab 3,021 (2,757), MacGregor 2,355 (2,543) and corporate administration and support functions 226 (209). The average number of employees in January-September was 11,195 (10,734).

At the end of the third quarter, 11 (31 Dec 2015: 12) percent of the employees were located in Sweden, 8 (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.

Executive Board

Mikko Puolakka started as Cargotec's CFO in 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.

As of 1 August 2016, Cargotec's Executive Board consists 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	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Orders received	389	463	-16%	1,281	1,369	-6%	1,764
Order book, end of period	922	949	-3%	922	949	-3%	877
Sales	436	409	6%	1,223	1,195	2%	1,663
Sales of services	102	106	-3%	312	317	-2%	433
% sales	23	26		26	27		26
Operating profit (EBIT)	27.5	35.5		83.7	92.6		127.3
% sales	6.3	8.7		6.9	7.7		7.7
Operating profit (EBIT)*	36.3	36.1		93.8	94.0		129.9
% sales*	8.3	8.8		7.7	7.9		7.8
Personnel, end of period	5,625	5,304		5,625	5,304		5,328

*excluding restructuring costs

In the third quarter, orders received by Kalmar decreased and totalled EUR 389 (463) million as customers postponed their bigger investment decisions. Additionally, several individual large orders were received during the comparison period.

Major orders received by Kalmar during the third quarter included

- 34 reachstackers to a European ro-ro terminal operator,
- six terminal tractors and one empty container handler to Lebanon,
- five forklift trucks and two terminal tractors to Spain,
- 12 empty container handlers including five used machines to the US, and
- four diesel-electric straddle carriers, ten heavy-duty terminal tractors for RoRo handling, four light and two heavy forklift trucks to Finland.

Kalmar's orders for January–September declined six percent and totalled EUR 1,281 (1,369) million. The order book grew five percent from the 2015 year-end, and at the end of the third quarter it totalled EUR 922 (31 Dec 2015: 877) million.

Kalmar's third-quarter sales increased six percent from the comparison period and totalled EUR 436 (409) million. Sales for services were at the comparison period's level, EUR 102 (106) million, representing 23 (26) percent of sales. January–September sales increased from the comparison period's level and totalled EUR 1,223 (1,195) million. Sales for services amounted to EUR 312 (317) million, or 26 (27) percent of sales. Kalmar has initiated new measures to speed up the growth in services.

Kalmar's third-quarter operating profit totalled EUR 27.5 (35.5) million. Operating profit includes EUR 8.8 (0.6) million in restructuring costs, which primarily concerned Lidhult reorganisations.

Operating profit, excluding restructuring costs, amounted to EUR 36.3 (36.1) million, representing 8.3 (8.8) percent of sales.

Operating profit for January–September totalled EUR 83.7 (92.6) million. Operating profit includes EUR 10.0 (1.4) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 93.8 (94.0) million, representing 7.7 (7.9) percent of sales. Increased investments in automation and software development decreased profitability. Additionally, sales mix had a negative impact on profitability.

Hiab

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Orders received	220	239	-8%	734	717	2%	967
Order book, end of period	258	300	-14%	258	300	-14%	305
Sales	250	229	9%	779	679	15%	928
Sales of services	58	55	6%	176	162	8%	218
% sales	23	24		23	24		23
Operating profit (EBIT)	32.9	24.8		106.4	68.6		99.6
% sales	13.2	10.8		13.7	10.1		10.7
Operating profit (EBIT)*	33.0	25.3		107.1	69.8		100.5
% sales*	13.2	11.0		13.8	10.3		10.8
Personnel, end of period	3,021	2,727		3,021	2,727		2,757

*excluding restructuring costs

Hiab's orders received for the third quarter decreased eight percent from the comparison period and totalled EUR 220 (239) million. Hiab's core business orders were at a good level; however, the comparison period included a significant order from the defence industry. In January–September, orders received grew two percent from the comparison period and totalled EUR 734 (717) million. The order book decreased 15 percent from 2015 year-end, totalling EUR 258 (31 Dec 2015: 305) million at the end of the third quarter.

Hiab's third-quarter sales grew nine percent from the comparison period and totalled EUR 250 (229) million. Sales for services amounted to EUR 58 (55) million, representing 23 (24) percent of sales. January–September sales grew 15 percent from the comparison period and amounted to EUR 779 (679) million. Sales for services totalled EUR 176 (162) million, or 23 (24) percent of sales.

Operating profit for Hiab in the third quarter totalled EUR 32.9 (24.8) million. Operating profit includes EUR 0.0 (0.5) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 33.0 (25.3) million, representing 13.2 (11.0) percent of sales.

Operating profit for January-September improved from the comparison period and totalled EUR 106.4 (68.6) million. Operating profit includes EUR 0.7 (1.2) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 107.1 (69.8) million, representing 13.8 (10.3) percent of sales. The volume growth and improvements in delivery capability had a positive impact on the result. Additionally, profitability improvement measures and investments in more competitive products contributed to the increased profitability.

MacGregor

MEUR	7-9/2016	7-9/2015	Change	1-9/2016	1-9/2015	Change	2015
Orders received	124	200	-38%	446	648	-31%	828
Order book, end of period	696	984	-29%	696	984	-29%	883
Sales	169	289	-42%	580	879	-34%	1,139
Sales of services	49	56	-11%	153	174	-12%	232
% sales	29	19		26	20		20
Operating profit (EBIT)	1.9	7.3		15.2	29.4		15.8
% sales	1.2	2.5		2.6	3.3		1.4
Operating profit (EBIT)*	2.8	12.5		17.4	37.3		30.1
% sales*	1.7	4.3		3.0	4.2		2.6
Personnel, end of period	2,355	2,643		2,355	2,643		2,543

*excluding restructuring costs

MacGregor's orders for the third quarter declined 38 percent from the comparison period to EUR 124 (200) million due to the challenging market situation. About two thirds of the orders received were related to merchant ships and one third were offshore vessel-related. Of the ship types, demand for marine cargo handling equipment for RoRo vessels was active.

Major orders received by MacGregor during the third quarter included

- Pusnes deck machinery for very large ore carriers (VLOCs) to China,
- deck machinery for six anchor handling tug supply vessels to China, and
- deck cranes and a range of deck machinery to seven specialist support vessels to Middle East region.

MacGregor's orders for January–September declined 31 percent due to the challenging market situation and totalled EUR 446 (648) million. The order book decreased 21 percent from the 2015 year-end, totalling EUR 696 (31 Dec 2015: 883) million at the end of the third quarter. Two thirds of the order book is merchant ship-related and one third is offshore vessel-related.

MacGregor's third-quarter sales declined 42 percent from the comparison period to EUR 169 (289) million. Sales were still burdened by the continuing challenging market situation. The share of services sales was 29 (19) percent, or EUR 49 (56) million. January–September sales decreased 34 percent compared to comparison level to EUR 580 (879) million. Sales for services totalled EUR 153 (174) million, representing 26 (20) percent of sales.

MacGregor's operating profit for the third quarter totalled EUR 1.9 (7.3) million. Operating profit includes EUR 0.9 (5.2) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 2.8 (12.5) million, representing 1.7 (4.3) percent of sales. Gross margin continued to improve, but the resourcing adjustments in terms of the rapidly decreasing sales take effect only after a delay, which had a negative impact on operating profit.



CARGOTEC CORPORATION INTERIM REPORT

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January–September operating profit amounted to EUR 15.2 (29.4) million. Operating profit includes EUR 2.1 (7.9) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 17.4 (37.3) million, representing 3.0 (4.2) percent of sales.

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 to 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 September. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089.

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

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.

After the transfer of shares, Cargotec holds a total of 65,099 own class B shares, accounting for 0.10 percent of the total number of shares and 0.04 percent of the total number of votes. At the end of September, the number of outstanding class B shares totalled 55,116,980.

Share-based incentive programmes

In February 2016, The Board of Directors approved a new long-term share-based incentive programme for key personnel of Cargotec for 2016–2019. The number of participants will be approximately 90 persons, including Cargotec's CEO and members of the Executive Board. The first phase of the programme includes specific financial performance targets for the year 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 a three-year performance period in March 2019. Eligible participants need to be employed by Cargotec by the end of the second phase of the programme in the spring 2019.

The potential reward will be delivered in Cargotec class B shares in 2019. Gross reward, before deduction for the applicable taxes and employment-related expenses, is in the range of 25–120 percent of annual base salary for on-target performance (for maximum performance the range is 75–360 percent of the annual base salary). If the performance is on target for the maximum number of participants, the cost of the programme for the three-year period would be approximately EUR 7.3 million (for maximum performance approximately EUR 21.8 million). If the financial performance threshold levels are not met, there will not be any incentive payment.

As a part of total compensation, additional restricted share grants can be allocated for a selected few key employees during 2016–2018. Gross reward, before deduction for the applicable taxes and employment related expenses, is in range of 25–100 percent of the annual base salary. If the financial performance threshold levels are met, the maximum cost of the programme is EUR 1.75 million annually. If the financial performance threshold levels are not met, there will not be any incentive payment.

No new shares will be issued in connection with the above programme and therefore the programme will have no diluting effect.

Option programme

The 2010 AGM confirmed the issue of stock options for key personnel at Cargotec and its subsidiaries. The programme includes 2010A, 2010B and 2010C stock options, with 400,000 stock options in each series and each stock option entitling its holder to subscribe for one (1) new class

B share in Cargotec. For share subscription to commence, the required attainment of targets is determined by the Board of Directors. 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 fulfilled.

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. During the second quarter, 17,096 new class B shares were subscribed with 2010B stock options. During the whole subscription period, a total of 18,376 class B shares were subscribed. After the end of the share subscription period, on 2 May 2016, the unused 2010B stock options have been null and void and were automatically removed from the book-entry accounts of option holders. Following the expiration of the share subscription period with 2010B stock options, the company has no valid option programmes.

Market capitalisation and trading

At the end of September, the total market value of class B shares was EUR 2,252 (1,348) 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 2,638 (1,581) million, excluding own shares held by the company.

The class B share closed at EUR 40.85 (24.44) on the last trading day of September on Nasdaq Helsinki Ltd. The volume-weighted average share price for January–September was EUR 32.84 (31.58), the highest quotation being EUR 42.31 (37.37) and the lowest EUR 24.30 (23.70). During the January–September period, a total of 33 (45) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,087 (1,415) million. In addition, according to Fidessa, a total of 56 (42) million class B shares were traded in several alternative marketplaces, such as BATS OTC and Turquoise, corresponding to a turnover of EUR 1,853 (1,349) 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 estimated to continue, and doubts about the economic consequences of the UK Brexit decision may lead to investment postponements among customers.

The slowdown in global economic growth has reduced growth in container traffic, and the consolidation of ship companies may change the port volumes in the future. These factors may affect the customer decision making. Project executions may face risks related to schedule, cost and delivery guarantees. Uncertainty may be increased by risks stemming from political uncertainty, 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 lead even 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, under Investors > Governance > Internal control and risk management.

Events after the reporting period

Cargotec received in October a USD 13 million verdict in a local jury trial in Hempstead, USA. The verdict is subject to the local judge's confirmation. 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.

Outlook for 2016 unchanged

Cargotec's 2016 sales are expected to be at the 2015 level (EUR 3,729 million) or slightly below. Operating profit excluding restructuring costs for 2016 is expected to improve from 2015 (EUR 230.7 million).

Helsinki, 25 October 2016
Cargotec Corporation
Board of Directors

This interim report is unaudited.

Consolidated statement of income

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Sales	854.2	927.8	2,580.8	2,752.7	3,729.3
Cost of goods sold	-656.7	-730.9	-1,963.1	-2,173.1	-2,942.0
Gross profit	197.5	196.9	617.7	579.7	787.3
<i>Gross profit, %</i>	23.1	21.2	23.9	21.1	21.1
Other operating income	10.3	9.8	28.8	29.0	40.4
Selling and marketing expenses	-52.5	-48.0	-163.5	-153.7	-210.4
Research and development expenses	-21.5	-20.4	-67.5	-60.5	-85.2
Administration expenses	-66.1	-59.9	-202.2	-189.2	-264.3
Restructuring costs	-9.7	-6.4	-12.8	-10.5	-17.7
Other operating expenses	-6.4	-11.1	-26.9	-29.3	-39.8
Costs and expenses	-145.9	-136.0	-444.0	-414.3	-577.1
Share of associated companies' and joint ventures' net income	4.6	1.0	2.8	2.7	2.8
Operating profit	56.2	61.9	176.4	168.1	213.1
<i>Operating profit, %</i>	6.6	6.7	6.8	6.1	5.7
Financing income and expenses	-9.6	-6.5	-21.5	-18.9	-26.9
Income before taxes	46.6	55.4	154.9	149.2	186.2
<i>Income before taxes, %</i>	5.5	6.0	6.0	5.4	5.0
Income taxes	-13.1	-11.9	-41.9	-41.8	-43.3
Net income for the period	33.5	43.6	113.0	107.4	142.9
<i>Net income for the period, %</i>	3.9	4.7	4.4	3.9	3.8
Net income for the period attributable to:					
Equity holders of the parent	33.6	43.6	113.3	107.5	143.0
Non-controlling interest	-0.1	-0.1	-0.2	-0.1	-0.1
Total	33.5	43.6	113.0	107.4	142.9
Earnings per share for profit attributable to the equity holders of the parent:					
Basic earnings per share, EUR	0.52	0.67	1.75	1.67	2.21
Diluted earnings per share, EUR	0.52	0.67	1.75	1.67	2.21

Consolidated statement of comprehensive income

MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Net income for the period	33.5	43.6	113.0	107.4	142.9
Items that will not be reclassified to statement of income:					
Defined benefit plan actuarial gains (+) / losses (-)	0.3	0.3	-2.3	-1.5	3.0
Taxes relating to items that will not be reclassified to statement of income	0.0	0.2	0.5	0.6	-0.4
Total	0.3	0.5	-1.8	-0.9	2.6
Items that may be reclassified subsequently to statement of income:					
Gains (+) / losses (-) on cash flow hedges	9.5	2.4	20.6	-3.4	-11.1
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	-3.1	-9.2	-1.4	6.1	3.6
Gains (+) / losses (-) on net investment hedges	14.7	-	26.4	-	-4.0
Translation differences	-19.5	-42.8	-50.2	9.6	36.0
Taxes relating to items that may be reclassified subsequently to statement of income	-0.6	7.7	-2.5	-8.1	-10.1
Total	1.0	-41.8	-7.1	4.2	14.4
Comprehensive income for the period	34.7	2.2	104.2	110.6	159.9
Comprehensive income for the period attributable to:					
Equity holders of the parent	34.8	2.3	104.4	110.7	160.0
Non-controlling interest	-0.1	-0.1	-0.2	0.0	0.0
Total	34.7	2.2	104.2	110.6	159.9

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

Consolidated balance sheet

ASSETS, MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Non-current assets			
Goodwill	1,016.1	963.9	976.4
Other intangible assets	291.2	274.0	272.4
Property, plant and equipment	307.1	303.9	306.0
Investments in associated companies and joint ventures	118.0	113.5	116.7
Available-for-sale investments	3.8	3.8	3.8
Loans receivable and other interest-bearing assets*	2.2	2.2	2.0
Deferred tax assets	169.1	186.2	183.5
Derivative assets	12.9	31.8	35.3
Other non-interest-bearing assets	8.9	6.0	5.7
Total non-current assets	1,929.5	1,885.3	1,901.8
Current assets			
Inventories	698.6	720.4	655.4
Loans receivable and other interest-bearing assets*	1.7	4.1	2.6
Income tax receivables	19.4	21.9	20.0
Derivative assets	33.8	18.8	36.7
Accounts receivable and other non-interest-bearing assets	785.6	792.5	778.4
Cash and cash equivalents*	199.6	181.1	175.8
Total current assets	1,738.8	1,738.8	1,668.9
Total assets	3,668.3	3,624.1	3,570.7

EQUITY AND LIABILITIES, MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Equity attributable to the equity holders of the parent			
Share capital	64.3	64.3	64.3
Share premium account	98.0	98.0	98.0
Translation differences	26.3	28.8	47.7
Fair value reserves	-12.4	-18.1	-26.7
Reserve for invested non-restricted equity	76.6	76.1	76.1
Retained earnings	1,141.7	1,040.1	1,079.9
Total equity attributable to the equity holders of the parent	1,394.5	1,289.3	1,339.3
Non-controlling interest	1.6	2.5	2.4
Total equity	1,396.1	1,291.7	1,341.8
Non-current liabilities			
Interest-bearing liabilities*	656.7	764.2	768.1
Deferred tax liabilities	71.9	82.5	72.1
Pension obligations	74.1	73.9	71.3
Provisions	33.7	23.0	22.9
Derivative liabilities	-	-	-
Other non-interest-bearing liabilities	53.3	42.2	42.3
Total non-current liabilities	889.8	985.7	976.7
Current liabilities			
Current portion of interest-bearing liabilities*	117.2	6.7	5.9
Other interest-bearing liabilities*	39.8	123.6	62.8
Provisions	80.9	71.5	75.9
Advances received	175.1	241.4	197.2
Income tax payables	31.2	23.8	24.3
Derivative liabilities	20.4	8.1	14.2
Accounts payable and other non-interest-bearing liabilities	917.7	871.5	872.1
Total current liabilities	1,382.4	1,346.7	1,252.3
Total equity and liabilities	3,668.3	3,624.1	3,570.7

*Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

	Attributable to the equity holders of the company							Non-controlling interest	Total equity
	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total		
MEUR									
Equity on 1 Jan 2015	64.3	98.0	26.7	-20.1	74.9	965.0	1,208.8	5.0	1,213.8
Net income for the period						107.5	107.5	-0.1	107.4
Cash flow hedges				2.0			2.0		2.0
Translation differences			2.1				2.1	0.1	2.2
Defined benefit plan actuarial gains (+) / losses (-)						-0.9	-0.9		-0.9
Comprehensive income for the period*			2.1	2.0	0.0	106.6	110.7	0.0	110.7
Dividends paid						-35.3	-35.3	-0.7	-36.1
Acquisition of treasury shares					-3.4		-3.4		-3.4
Stock options exercised					4.6		4.6		4.6
Share-based incentives*						2.2	2.2		2.2
Transactions with owners of the company					1.2	-33.2	-32.0	-0.7	-32.7
Transactions with non-controlling interests						1.7	1.7	-1.8	-0.1
Equity on 30 Sep 2015	64.3	98.0	28.8	-18.1	76.1	1,040.1	1,289.2	2.5	1,291.7
*Net of tax									
Equity on 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						113.3	113.3	-0.2	113.0
Cash flow hedges				14.3			14.3		14.3
Net investment hedges			21.1				21.1		21.1
Translation differences			-42.5				-42.5	0.0	-42.5
Defined benefit plan actuarial gains (+) / losses (-)						-1.8	-1.8		-1.8
Comprehensive income for the period*			-21.4	14.3	-	111.5	104.4	-0.2	104.2
Dividends paid						-51.6	-51.6	-0.6	-52.2
Acquisition of treasury shares							-		-
Stock options exercised					0.5		0.5		0.5
Share-based incentives*						1.9	1.9		1.9
Transactions with owners of the company					0.5	-49.7	-49.2	-0.6	-49.9
Transactions with non-controlling interests							-	0.0	0.0
Equity on 30 Sep 2016	64.3	98.0	26.3	-12.4	76.6	1,141.7	1,394.5	1.6	1,396.1
*Net of tax									

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

Consolidated condensed statement of cash flows

MEUR	1-9/2016	1-9/2015	1-12/2015
Net income for the period	113.0	107.4	142.9
Depreciation, amortisation and impairment	58.0	61.9	76.5
Other adjustments	58.5	58.0	65.8
Change in net working capital	-8.5	-0.1	29.4
Cash flow from operations	221.0	227.3	314.6
Cash flow from financial items and taxes	-22.5	-99.1	-119.0
Cash flow from operating activities	198.5	128.2	195.6
Acquisitions, net of cash acquired	-67.1	-0.6*	-0.6*
Investments to associated companies and joint ventures	-2.7	-2.9	-2.9
Cash flow from investing activities, other items	-34.9	-46.8	-54.3
Cash flow from investing activities	-104.7	-50.4	-57.8
Stock options exercised	0.5	4.6	4.6
Acquisition of treasury shares	-	-3.4	-3.4
Acquisition of non-controlling interests	-	-3.5*	-3.5*
Proceeds from long-term borrowings	-	120.0**	120.0
Repayments of long-term borrowings	-3.0	-123.7**	-125.0
Proceeds from short-term borrowings	30.0	169.2**	177.0
Repayments of short-term borrowings	-61.6	-232.6**	-311.5
Dividends paid	-52.2	-36.1	-36.1
Cash flow from financing activities	-86.4	-105.6	-177.9
Change in cash	7.4	-27.8	-40.2
Cash, cash equivalents and bank overdrafts at the beginning of period	164.9	203.4	203.4
Effect of exchange rate changes	0.6	4.5	1.7
Cash, cash equivalents and bank overdrafts at the end of period	172.9	180.1	164.9
Bank overdrafts at the end of period	26.7	1.0	10.9
Cash and cash equivalents at the end of period	199.6	181.1	175.8

*EUR 3.5 million has been reclassified from Acquisitions, net of cash acquired to Acquisition of non-controlling interests.

** EUR 60.9 million has been reclassified from Proceeds from long-term borrowings to Repayments of long-term borrowings. EUR 41.1 million has been reclassified from Proceeds from short-term borrowings to Repayments of short-term borrowings.

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

Key figures

		1–9/2016	1–9/2015	1–12/2015
Equity / share	EUR	21.57	19.96	20.73
Interest-bearing net debt	MEUR	580.8	678.4	622.4
Total equity / total assets	%	40.0	38.2	39.8
Gearing	%	41.6	52.5	46.4
Return on equity, annualised	%	11.0	11.4	11.2
Return on capital employed, annualised	%	10.6	10.3	9.8

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

Notes to the interim 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 interim 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 have no material impact on the interim 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	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Kalmar	436	409	1,223	1,195	1,663
Hiab	250	229	779	679	928
MacGregor	169	289	580	879	1,139
Internal sales	0	0	0	-1	-1
Total	854	928	2,581	2,753	3,729

Sales by geographical area, MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
EMEA	369	351	1,068	1,069	1,472
Asia-Pacific	223	315	690	902	1,199
Americas	263	262	823	781	1,058
Total	854	928	2,581	2,753	3,729

Sales by geographical area, %	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
EMEA	43.2	37.8	41.4	38.9	39.5
Asia-Pacific	26.1	33.9	26.7	32.8	32.2
Americas	30.8	28.3	31.9	28.4	28.4
Total	100.0	100.0	100.0	100.0	100.0

Operating profit, MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Kalmar	27.5	35.5	83.7	92.6	127.3
Hiab	32.9	24.8	106.4	68.6	99.6
MacGregor	1.9	7.3	15.2	29.4	15.8
Corporate administration and support functions	-6.1	-5.6	-29.0	-22.5	-29.7
Total	56.2	61.9	176.4	168.1	213.1

Restructuring costs, MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Kalmar	-8.8	-0.6	-10.0	-1.4	-2.5
Hiab	0.0	-0.5	-0.7	-1.2	-0.9
MacGregor	-0.9	-5.2	-2.1	-7.9	-14.3
Corporate administration and support functions	-	0.0	-	0.0	0.0
Total	-9.7	-6.4	-12.8	-10.5	-17.7

Operating profit excl. restructuring costs, MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Kalmar	36.3	36.1	93.8	94.0	129.9
Hiab	33.0	25.3	107.1	69.8	100.5
MacGregor	2.8	12.5	17.4	37.3	30.1
Corporate administration and support functions	-6.1	-5.6	-29.0	-22.5	-29.7
Total	65.9	68.3	189.3	178.6	230.7

Operating profit, %	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Kalmar	6.3	8.7	6.9	7.7	7.7
Hiab	13.2	10.8	13.7	10.1	10.7
MacGregor	1.2	2.5	2.6	3.3	1.4
Cargotec	6.6	6.7	6.8	6.1	5.7

Operating profit excl. restructuring costs, %	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Kalmar	8.3	8.8	7.7	7.9	7.8
Hiab	13.2	11.0	13.8	10.3	10.8
MacGregor	1.7	4.3	3.0	4.2	2.6
Cargotec	7.7	7.4	7.3	6.5	6.2

Orders received, MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Kalmar	389	463	1,281	1,369	1,764
Hiab	220	239	734	717	967
MacGregor	124	200	446	648	828
Internal orders received	0	4	-1	-1	-1
Total	733	907	2,461	2,733	3,557

Orders received by geographical area, MEUR	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
EMEA	335	336	1,111	1,098	1,471
Asia-Pacific	188	273	598	796	1,002
Americas	211	298	753	839	1,085
Total	733	907	2,461	2,733	3,557

Orders received by geographical area, %	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
EMEA	45.7	37.1	45.1	40.2	41.3
Asia-Pacific	25.6	30.1	24.3	29.1	28.2
Americas	28.7	32.8	30.6	30.7	30.5
Total	100.0	100.0	100.0	100.0	100.0

Order book, MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Kalmar	922	949	877
Hiab	258	300	305
MacGregor	696	984	883
Internal order book	-1	-1	-1
Total	1,874	2,233	2,064

Number of employees at the end of period	30 Sep 2016	30 Sep 2015	31 Dec 2015
Kalmar	5,625	5,304	5,328
Hiab	3,021	2,727	2,757
MacGregor	2,355	2,643	2,543
Corporate administration and support functions	226	202	209
Total	11,226	10,876	10,837

Average number of employees	1-9/2016	1-9/2015	1-12/2015
Kalmar	5,563	5,271	5,286
Hiab	2,989	2,593	2,638
MacGregor	2,425	2,678	2,652
Corporate administration and support functions	218	192	195
Total	11,195	10,734	10,772

4. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	1–9/2016	1–9/2015	1–12/2015
Intangible assets	7.5	8.4	12.1
Property, plant and equipment	45.2	52.5	66.7
Total	52.7	60.9	78.8

Depreciation, amortisation and impairment, MEUR	1–9/2016	1–9/2015	1–12/2015
Intangible assets	21.6	21.7	28.7
Buildings	7.3	6.2	8.2
Machinery & equipment	29.1	34.1	39.5
Total	58.0	61.9	76.5

5. Taxes in statement of income

MEUR	1–9/2016	1–9/2015	1–12/2015
Current year tax expense	41.6	51.7	65.6
Deferred tax expense	1.8	-9.1	-19.8
Tax expense for previous years	-1.5	-0.8	-2.5
Total	41.9	41.8	43.3

6. Interest-bearing net debt and liquidity

MEUR	30.9.2016	30.9.2015	31.12.2015
Interest-bearing liabilities*	813.8	894.6	836.8
Loans receivable and other interest-bearing assets	-3.9	-6.3	-4.6
Cash and cash equivalents	-199.6	-181.1	-175.8
Interest-bearing net debt in balance sheet	610.2	707.1	656.4
Foreign currency hedge of corporate bonds*	-29.4	-28.7	-34.0
Interest-bearing net debt	580.8	678.4	622.4
Equity	1,396.1	1,291.7	1,341.8
Gearing	41,6%	52,5%	46,4%

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	30.9.2016	30.9.2015	31.12.2015
Cash and cash equivalents	199.6	181.1	175.8
Committed long-term undrawn revolving credit facilities	300.0	300.0	300.0
Repayments of interest-bearing liabilities in following 12 months	-157.0	-130.4	-68.7
Total liquidity	342.6	350.8	407.1

7. Derivatives

Fair values of derivative financial instruments

	Positive fair value	Negative fair value	Net fair value	Net fair value	Net fair value
MEUR	30 Sep 2016	30 Sep 2016	30 Sep 2016	30 Sep 2015	31 Dec 2015
Currency forward contracts	16.5	20.4	-4.0	10.7	22.5
Cash flow hedge accounting	1.1	2.9	-1.8	3.7	7.1
Net investment hedge accounting	8.3	-	8.3	-	-4.7
Cross-currency and interest rate swaps	30.3	-	30.3	31.8	35.3
Total	46.7	20.4	26.3	42.5	57.8
Non-current portion:					
Currency forward contracts	-	-	-	-	-
Cross-currency and interest rate swaps	12.9	-	12.9	31.8	35.3
Non-current portion	12.9	-	12.9	31.8	35.3
Current portion	33.8	20.4	13.4	10.7	22.5

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	30 Sep 2016	30 Sep 2015	31 Dec 2015
Currency forward contracts	3,364.2	3,422.4	3,874.5
Cash flow hedge accounting	1,101.3	1,347.2	1,161.0
Net investment hedge accounting	562.4	-	588.8
Cross-currency and interest rate swaps	183.7	183.0	188.3
Total	3,547.9	3,605.4	4,062.8

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	30 Sep 2016	30 Sep 2015	31 Dec 2015
Guarantees	0.4	-	-
End customer financing	20.6	15.8	13.1
Operating leases	173.6	152.1	165.9
Other contingent liabilities	2.5	5.2	5.2
Total	197.1	173.0	184.2

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business, up to a maximum of EUR 423.5 (30 Sep 2015: 503.0 and 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 customer finance commitments.

The future minimum lease payments under non-cancellable operating leases

MEUR	30 Sep 2016	30 Sep 2015	31 Dec 2015
Less than 1 year	32.8	28.7	31.8
1-5 years	73.6	64.4	69.9
Over 5 years	67.3	61.0	64.2
Total	173.6	154.1	165.9

The aggregate operating lease expenses totalled EUR 30.4 (1–9/2015: 25.5 and 1–12/2015: 36.6) million.

Some lawsuits, claims and disputes based on various grounds are pending against Cargotec around the world. Management believes that the outcome of these disputes will not have a material effect on Cargotec's financial position.

9. Acquisitions

INTERSCHALT maritime systems AG

Kalmar ja 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 optimise 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 - so called 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 30 September 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	0.5
Accounts payable and other non-interest-bearing liabilities	-11.2
Interest-bearing liabilities	-5.9
Deferred tax liabilities	-10.1
Net assets	19.6
Purchase price, paid in cash	62.1
Total consideration	62.1
Non-controlling interests	-
Goodwill	42.4
Purchase price, paid in cash	62.1
Cash and cash equivalents, and withdrawn bank overdrafts	2.2
Cash flow impact	64.3

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 18.0 million to Cargotec's sales and EUR -2.3 million to net income since the acquisition date. Transaction costs of EUR 0.3 million in 2015 and EUR 1.1 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 1.3 million in amortisation and depreciation of fixed assets.

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 23.1 million and EUR -3.0 million respectively. The pro forma loss for the year includes depreciation and amortisation related to measurements recognised at acquisition amounting to approximately EUR 1.7 million.

Other acquisitions

MacGregor obtained control of privately owned Flintstone Technology Ltd on 22 September 2016 by acquiring 51% of the share capital. In addition to the amount paid MacGregor is committed to pay contingent consideration 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. Flintstone Technology Ltd is a UK based technology company specialised in advanced technology and products for mooring and fluid handling. As a result of the acquisition, approximately 10 persons were transferred to Cargotec.

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 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.

10. Events after the reporting period

Cargotec received in October a USD 13 million verdict in a local jury trial in Hempstead, USA. The verdict is subject to the local judge's confirmation. 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.

Key exchange rates for the Euro

Closing rate	30 Sep 2016	30 Sep 2015	31 Dec 2015
SEK	9.621	9.408	9.190
USD	1.116	1.120	1.089
Average rate	1-9/2016	1-9/2015	1-12/2015
SEK	9.367	9.366	9.341
USD	1.111	1.122	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

Cargotec		Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015
Orders received	MEUR	733	825	903	824	907
Order book	MEUR	1,874	2,033	2,095	2,064	2,233
Sales	MEUR	854	898	828	977	928
Operating profit	MEUR	56.2	62.6	57.7	45.0	61.9
Operating profit	%	6.6	7.0	7.0	4.6	6.7
Operating profit*	MEUR	65.9	64.8	58.5	52.1	68.3
Operating profit*	%	7.7	7.2	7.1	5.3	7.4
Basic earnings/share	EUR	0.52	0.63	0.61	0.55	0.67
Kalmar		Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015
Orders received	MEUR	389	438	454	395	463
Order book	MEUR	922	1,005	973	877	949
Sales	MEUR	436	420	367	468	409
Operating profit*	MEUR	36.3	31.9	25.6	35.9	36.1
Operating profit*	%	8.3	7.6	7.0	7.7	8.8
Hiab		Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015
Orders received	MEUR	220	239	275	250	239
Order book	MEUR	258	283	328	305	300
Sales	MEUR	250	283	246	249	229
Operating profit*	MEUR	33.0	41.7	32.4	30.7	25.3
Operating profit*	%	13.2	14.7	13.2	12.3	11.0
MacGregor		Q3/2016	Q2/2016	Q1/2016	Q4/2015	Q3/2015
Orders received	MEUR	124	149	173	180	200
Order book	MEUR	696	745	795	883	984
Sales	MEUR	169	196	216	259	289
Operating profit*	MEUR	2.8	5.3	9.2	-7.2	12.5
Operating profit*	%	1.7	2.7	4.2	-2.8	4.3

*Operating profit excluding restructuring costs