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FINANCIAL REVIEW 2016

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Board of Directors' report

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.

Orders received and order book

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.

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.

Financial result

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 in 2016 totalled EUR 20.4 (20.6) million and net financing expenses totalled EUR 28.6 (26.9) million. 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.

More information on loans is available in Note 26 to the consolidated financial statements, Interest-bearing liabilities.

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

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.

More information on acquisitions is available in Note 5, Acquisitions and disposals.

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

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.

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.

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

In 2016, Hiab's 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 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 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

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.

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 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.

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 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.

For more detailed description on amount of shares, shareholders, market capitalization and trading, see the Shares and shareholders section in the consolidated financial statements.

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.

For more detailed description on the share-based incentive programmes, see Note 25 Share-based payments, in the consolidated financial statements

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.

For more detailed description on the option programme, see Note 25 Share-based payments, in the consolidated financial statements

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.

Loans, liabilities and commitments to related parties

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's related party on 31 December 2016.

Board of Directors and CEO

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

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, 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.

Helsinki, 7 February 2017

Cargotec Corporation
Board of Directors

Consolidated financial statements (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2016	%	1 Jan–31 Dec 2015	%
Sales	4, 6	3,513.7		3,729.3	
Cost of goods sold		-2,674.0		-2,942.0	
Gross profit		839.7	23.9	787.3	21.1
Other operating income	7	38.1		40.4	
Selling and marketing expenses		-221.1		-210.4	
Research and development expenses		-94.1		-85.2	
Administration expenses		-277.0		-264.3	
Restructuring costs	8	-52.5		-17.7	
Other operating expenses	7	-37.8		-39.8	
Share of associated companies' and joint ventures' net income	17	2.5		2.8	
Operating profit	4, 7, 8, 9, 10	197.7	5.6	213.1	5.7
Financing income	11	1.8		2.2	
Financing expenses	11	-30.5		-29.1	
Income before taxes		169.1	4.8	186.2	5.0
Income taxes	12	-43.8		-43.3	
Net income for the period		125.3	3.6	142.9	3.8
Net income for the period attributable to:					
Equity holders of the parent		126.0		143.0	
Non-controlling interest		-0.7		-0.1	
Total		125.3		142.9	
Earnings per share for profit attributable to the equity holders of the parent:					
Basic earnings per share, EUR	13	1.95		2.21	
Diluted earnings per share, EUR		1.94		2.21	

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

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Net income for the period		125.3	142.9
Items that will not be reclassified to statement of income:			
Actuarial gains (+)/losses (-) from defined benefit plans	27	-6.9	3.0
Taxes relating to items that will not be reclassified to statement of income	12	1.5	-0.4
Total		-5.4	2.6
Items that may be reclassified subsequently to statement of income:			
Gains (+) / losses (-) on cash flow hedges		1.7	-11.1
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		1.4	3.6
Gains (+) / losses (-) on net investment hedges		22.4	-4.0
Translation differences		-34.8	36.0
Taxes relating to items that may be reclassified subsequently to statement of income	12	1.0	-10.1
Total		-8.3	14.4
Comprehensive income for the period		111.6	159.9
Comprehensive income for the period attributable to:			
Equity holders of the parent		112.2	160.0
Non-controlling interest		-0.7	0.0
Total		111.6	159.9

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

Consolidated balance sheet

MEUR	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Goodwill	14	1,024.5	976.4
Other intangible assets	15	290.2	272.4
Property, plant and equipment	16	308.6	306.0
Investments in associated companies and joint ventures	17	123.4	116.7
Available-for-sale investments	18, 21	3.8	3.8
Loans receivable and other interest-bearing assets *	21	3.0	2.0
Deferred tax assets	19	185.0	183.5
Derivative assets	21, 30	16.9	35.3
Other non-interest-bearing assets	21, 22	7.9	5.7
Total non-current assets		1,963.4	1,901.8
Current assets			
Inventories	20	647.0	655.4
Loans receivable and other interest-bearing assets *	21	1.9	2.6
Income tax receivables		26.1	20.0
Derivative assets	21, 30	45.8	36.7
Accounts receivable and other non-interest-bearing assets	21, 22	778.9	778.4
Cash and cash equivalents *	21, 23	273.2	175.8
Total current assets		1,773.0	1,668.9
Total assets		3,736.3	3,570.7

* Included in interest-bearing net debt.

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

MEUR	Note	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Translation differences		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
Total equity attributable to the equity holders of the parent	24, 25	1,395.0	1,339.3
Non-controlling interest		2.2	2.4
Total equity		1,397.2	1,341.8
Non-current liabilities			
Interest-bearing liabilities *	21, 26, 32	656.8	768.1
Deferred tax liabilities	19	73.1	72.1
Pension obligations	27	81.4	71.3
Provisions	28	37.6	22.9
Other non-interest-bearing liabilities	21, 29	49.4	42.3
Total non-current liabilities		898.2	976.7
Current liabilities			
Current portion of interest-bearing liabilities *	21, 26, 32	119.4	5.9
Other interest-bearing liabilities *	21, 26	45.8	62.8
Provisions	28	112.8	75.9
Advances received		160.6	197.2
Income tax payables		32.0	24.3
Derivative liabilities	21, 30	34.1	14.2
Accounts payable and other non-interest-bearing liabilities	21, 29	936.2	872.1
Total current liabilities		1,440.8	1,252.3
Total equity and liabilities		3,736.3	3,570.7

* Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

MEUR	Note	Attributable to the equity holders of the parent							Non-controlling interest	Total equity
		Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total		
Equity 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							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	12 27						2.6	2.6		2.6
Comprehensive income for the period *				21.0	-6.6	-	145.6	160.0	0.0	159.9
Profit distribution	24						-35.3	-35.3	-0.8	-36.1
Treasury shares acquired						-3.4		-3.4		-3.4
Proceeds from share subscriptions	25					4.6		4.6		4.6
Share-based payments*	25						2.8	2.8		2.8
Transactions with owners of the company						1.2	-32.5	-31.3	-0.8	-32.0
Transactions with non-controlling interests							1.8	1.8	-1.8	0.0
Equity 31 Dec 2015		64.3	98.0	47.7	-26.7	76.1	1,079.9	1,339.3	2.4	1,341.8
Equity 1 Jan 2016		64.3	98.0	47.7	-26.7	76.1	1,079.9	1,339.3	2.4	1,341.8
Net income for the period							126.0	126.0	-0.7	125.3
Cash flow hedges					2.0			2.0		2.0
Net investment hedges				17.9				17.9		17.9
Translation differences				-28.2				-28.2	0.1	-28.2
Actuarial gains (+)/losses (-) from defined benefit plans	12 27						-5.4	-5.4		-5.4
Comprehensive income for the period *				-10.3	2.0	-	120.6	112.2	-0.7	111.6
Profit distribution	24						-52.2	-52.2	-0.6	-52.8
Treasury shares acquired						-7.6		-7.6		-7.6
Proceeds from share subscriptions	25					0.5		0.5		0.5
Share-based payments*	25						2.8	2.8		2.8
Transactions with owners of the company						-7.1	-49.4	-56.5	-0.6	-57.2
Transactions with non-controlling interests							-	-	1.1	1.1
Equity 31 Dec 2016		64.3	98.0	37.3	-24.7	69.0	1,151.1	1,395.0	2.2	1,397.2

* Net of tax.

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

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Net income for the period		125.3	142.9
Depreciation, amortisation and impairment	10	84.8	76.5
Financing items	11	28.6	26.9
Taxes	12	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
Other adjustments		0.0	-4.4
Cash flow from operations before financing items and taxes		373.0	314.6
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
Net cash flow from operating activities		313.5	195.6
Acquisitions of businesses, net of cash acquired	5	-66.8	-0.6
Investments in associated companies and joint ventures	17	-2.7	-2.9
Investments in fixed assets	15,16	-80.5	-78.8
Disposals of fixed assets	7,15,16	17.6	21.3
Cash flow from investing activities, other items		0.9	3.2
Net cash flow from investing activities		-131.5	-57.8
Proceeds from share subscriptions	25	0.5	4.6
Treasury shares acquired		-7.6	-3.4
Acquisition of non-controlling interest		-	-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	24	-52.8	-36.1
Net cash flow from financing activities		-83.9	-177.9
Change in cash and cash equivalents		98.1	-40.2
Cash and cash equivalents, and bank overdrafts 1 Jan	23	164.9	203.4
Effect of exchange rate changes		-2.2	1.7
Cash and cash equivalents, and bank overdrafts 31 Dec	23	260.8	164.9
Bank overdrafts 31 Dec	23	12.4	10.9
Cash and cash equivalents 31 Dec		273.2	175.8

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

Notes to the consolidated financial statements (IFRS)

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1. Accounting principles for the consolidated financial statements

General information

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

Cargotec is a leading provider of cargo handling solutions, whose business areas Kalmar, Hiab and MacGregor are recognised leaders in cargo and load handling solutions around the world. Their global network is positioned close to customers, offering extensive services to ensure a continuous, reliable and sustainable performance according to customer needs.

Kalmar's offering – cargo handling equipment, automation, software and services – is used in ports, terminals, distribution centres and industries. Hiab offers equipment, service and spare parts that are used in on-road transport and delivery. MacGregor provides value-creating services and solutions for handling marine cargoes, vessel operations, offshore loads, crude/LNG transfer and offshore mooring.

These consolidated financial statements were approved for publishing by the Board of Directors on 7.2.2017. Pursuant to the Finnish Limited-Liability Companies Act the shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after their publication. The Annual General Meeting also has the right to amend the financial statements. A copy of the financial statements is available at www.cargotec.com or from Cargotec Corporation, Investor relations, P.O.Box 61, 00501 Helsinki, Finland.

Accounting principles and new accounting standards

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2016 have been used in preparation of the financial statements.

The consolidated financial statements are prepared under the historical cost convention except for certain classes of financial instruments, cash-settled components of share-based payments, and funds invested in post-employment defined benefit plans that are measured at fair value.

The consolidated financial statements are presented in euros, which is the functional and reporting currency of the parent company. Financial information is presented in millions of euros and business transactions are based on historical cost convention unless otherwise stated. All figures presented have been rounded and the sum of individual figures may therefore deviate from the presented sum total.

Starting from 1 January 2016, Cargotec has adopted the following new standards and amendments:

Amendment to IFRS 11 Joint arrangements. The amendment provides new guidance on how to account for the acquisition of an interest in a joint venture that constitutes a business. The amended guidance requires that in such a situation an investor should apply the principles of business combination in accounting for the acquired interest.

Amendment to IAS 1 Presentation of Financial Statements. This amendment adds a number of generic principles to be applied in preparation of financial statements.

Amendment to IAS 16 Property, plant and equipment and IAS 38 Intangible assets. This amendment clarifies that the use of revenue-based methods to calculate depreciation or amortisation of an asset is generally not appropriate.

Amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. These amendments provide guidance to situations where assets are sold or contributed between an investor and its associate or joint venture.

The annual improvements cycle 2012–2014 included various amendments and clarifications to IFRSs.

These amendments and clarifications had no material impact on Cargotec's consolidated financial statements.

Consolidation principles

The consolidated financial statements include the parent company Cargotec Corporation and those subsidiaries in which the parent exercises control, as well as joint ventures and associated companies. Control is achieved when Cargotec is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries have been listed in note 34, Subsidiaries.

Subsidiaries are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. If contingent consideration is

classified as a financial liability, it is measured at fair value on each reporting date, and the changes in the fair value are recognised in the statement of income. Contingent consideration classified as equity is not revalued.

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

If a business combination is achieved in stages, the previously held equity interest is revalued at fair value at the acquisition date. Any gains or losses arising from remeasurement are recognised in profit and loss. Acquisition-related costs are expensed as incurred. Transactions with non-controlling interests that do not result in a change of control are treated as equity transactions. In acquiring non-controlling interests' shares in subsidiaries, the difference between any consideration paid and the share of net assets acquired in the subsidiary is recorded in equity. Gains and losses realised on disposals to non-controlling interests are also recorded in equity. Distribution of net income for the period to the equity holders of the parent company and to non-controlling interests is presented in the statement of income. Equity attributable to non-controlling interest is disclosed as a separate item in the balance sheet.

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

Investments in associated companies over which Cargotec exercises significant influence, but not control or joint control, and joint ventures in which Cargotec exercises joint control and has a right to joint venture's net assets with the other owners, are accounted for in the consolidated financial statements under the equity method. Investments in associated companies and joint ventures are initially recognised on the balance sheet at the acquisition cost that includes the goodwill identified on acquisition as well as the costs for acquiring or establishing the associated company or joint venture.

Cargotec's share of the associated company's or joint venture's profit for the financial period is presented as a separate item before the operating result in the consolidated statement of income. The results of associated companies and joint ventures are equity accounted for based on their most recent financial statements. The carrying amount of investments in associated companies and joint ventures is reviewed on a regular basis and if

any impairment in value has occurred, it is written down in the period in which these circumstances are identified. If Cargotec's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are only reported if Cargotec is committed to fulfilling the obligations of the associated company or joint venture.

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

Foreign currency transactions

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

Foreign subsidiaries

Items of each subsidiary included in the consolidated financial statements are reported using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). The statements of income and cash flow of subsidiaries whose functional currency is other than the euro are translated into euros using the average exchange rate of the financial period. Assets and liabilities on balance sheets are translated into euros at the balance sheet date exchange rate. Translation differences caused by different exchange rates are recognised through the statement of comprehensive income in the cumulative translation differences in equity. Some intercompany loan agreements form a part of net investment as their settlement is neither planned nor probable in the foreseeable future, and thus the exchange rate gains and losses of these contracts are also recognised as translation differences in equity. When applying hedge accounting for a hedge of a net investment in a foreign operation, exchange rate differences on the

hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, and any ineffective portion is recognised immediately in the statement of income.

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

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

Segment reporting

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

Cargotec has three reporting segments, Kalmar, Hiab and MacGregor.

Revenue recognition

Sales include revenues from goods and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. The revenue recognition criteria are usually applied separately to each transaction. Although included within a single agreement, an entity may contract to deliver multiple elements, for example equipment, software, and services. If the agreement contains separately identifiable components, the fair value of the consideration from the agreement is allocated to each component and the revenue recognition criteria is then separately determined for each component of the agreement.

Revenues from sold machines and spares are recorded after the significant risks and rewards have been transferred to the buyer and the company no longer has authority or control over the goods. Usually this means the moment when the goods sold or leased under a finance lease have been handed over to the customer in accordance with the agreed contractual terms, or when the customer has accepted the product. Sales against which trade-ins are accepted are recorded at contract price. Any difference between the agreed trade-in price and its recorded value in inventory is recognised in cost of goods sold to adjust the sales margin.

Revenue from separately identified construction contracts is recorded as sales under the percentage of completion method when the outcome of the project can be estimated reliably. The percentage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by completion of a certain physical milestone (milestone method). However, if it is not possible to reliably estimate the outcome of a project, costs are recognised as incurred and revenues only to an extent the corresponding costs are expected to be recovered. Expected contract losses are recognised as an expense immediately.

Revenue from service contracts is recognised as sales under the percentage of completion method when the outcome of the project can be estimated reliably. The stage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by reference to the amount of service work performed from the expected total amount of service work to be performed. With small service contracts, the percentage of completion is not assessed on a contract level based on the costs incurred, or based on amount of work performed but based on an estimate on how costs are incurred and services performed over the contract period. When the services are delivered constantly over time such as software maintenance and support services and operating leases, or require an undefined number of acts, the revenue is recognised on a straight-line basis over the contract period. When the conditions for percentage of completion method are not met, costs are recognised as incurred and revenues to the extent that corresponding costs are expected to be recovered. Possible contract losses are recognised as an expense immediately.

Revenue from service contracts is recognised as sales under the percentage of completion method when the outcome of the project can be estimated reliably. The stage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by reference to the amount of service work performed from the expected total amount of service work to be performed (milestone method). With small service contracts, the percentage of completion is not assessed on a contract level based on the costs incurred, or based on amount of work performed but based on an estimate on how costs are incurred and services performed over the contract period. When the services are delivered constantly over time such as software maintenance and support services and operating leases, or require an undefined number of acts, the revenue is recognised on a straight-line basis over the contract period. When the conditions for the percentage of completion method are not met, costs are recognised as incurred and revenues only to the extent that the corresponding costs are expected to be recovered. Possible

contract losses are recognised as an expense immediately. Revenue from short-term repair orders is recognised when the work has been carried out and revenues from short-term services when the service has been rendered.

Revenue from software licence fees is recognised upon delivery when no significant customisation is needed. When the sold software requires significant customisation, revenue is recognised by reference to the stage of completion provided that the outcome can be measured reliably.

Cargotec offers customer finance services in certain customer segments, distribution channels and geographical markets. In these arrangements, Cargotec is involved in arranging financing for the customer and/or the dealer with a financing partner. Customer finance arrangements are accounted for as normal sales, operating or finance lease contracts, hire purchase contracts, or loans depending on the true nature of the transaction i.e. how the risks and rewards related to ownership are divided among Cargotec, its customers, and its financing partners.

Government grants

An unconditional government grant is recognised in the statement of income when the grant becomes receivable. Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and Cargotec will comply with the conditions associated with the grant, and are then recognised in the statement of income on a systematic basis over the period during which the costs related to grant are incurred.

Financing costs

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

Income taxes

Tax expenses in the statement of income include taxes of the group companies based on the taxable income of the period, tax adjustments for previous financial periods and the changes in deferred taxes. The statement of comprehensive income includes taxes on items presented in the statement of comprehensive income. Income tax receivables and payables are recognised at the amounts expected to be paid or recovered. Deferred tax assets or liabilities are calculated based on temporary differences between financial reporting and the taxation calculated with enacted or substantively enacted tax rates. Temporary differences arise, for example, from defined benefit plans, provisions, elimination of intercompany inventory profits, depreciation differences on fixed assets, tax losses carried forward and fair value adjustments of assets and liabilities of acquired companies. Deferred tax liabilities are recognised in full and deferred tax assets are

recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Goodwill

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

Other intangible assets

Other intangible assets include patents, trademarks, licences, software, capitalised development costs, technologies, acquired order book, and customer relationships. These assets are recognised on the balance sheet at their original cost less cumulative amortisations and impairment losses, if any, except for intangible assets acquired in a business combination which are measured at fair value at acquisition date.

Intangible assets with definite useful lives are amortised on a straight-line basis over their useful lives as follows:

• Capitalised development costs	3–10 years
• Trademarks	3–15 years
• Customer relationships	5–15 years
• Patents and licences	5–10 years

The assets' useful lives are reviewed, and adjusted if necessary, on each balance sheet date. Trademarks with indefinite useful lives or intangible assets under development are not amortised, but tested for impairment at least annually. The impairment testing is described in detail in the section Impairments.

Research and development costs

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

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at cost less accumulated depreciations and

impairment losses, if any. Depreciation is recognised on a straight-line basis to write off the cost less the estimated residual value over the estimated economic useful life of assets as follows:

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

The assets' residual values and useful lives are reviewed, and adjusted if necessary, on each balance sheet date. The cost of major renovations is included either in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be distinguished from ordinary maintenance and repair costs. Gains and losses on sales of property, plant and equipment are included in the operating profit.

Impairments

The book values of property, plant and equipment, intangible assets and other assets are reviewed for potential impairment on each balance sheet date. Should any indication arise, the asset is tested for impairment. Impairment testing determines the recoverable amount of an asset. The recoverable amount is the fair value less costs to sell, or the higher cash flow-based value in use. If the recoverable amount of a single asset cannot be reliably determined, the need for impairment is assessed on the lowest level of the cash generating unit (CGU) that is mainly independent of the other units, and whose cash flows are separately identifiable from the cash flows of the other units.

An impairment loss is recognised in the statement of income when the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however, impairment loss can be reversed only to an extent that the carrying value of an asset is returned to a level where it would have been without the recognised impairment loss.

Goodwill and intangible assets with indefinite useful lives are not amortised, but are tested for impairment when any indication of impairment exists, but at least annually. Impairment testing is performed on the level of the CGU. Goodwill is allocated to those units or groups of units, identified in accordance with the operating segments that are expected to benefit from the business combination. The testing of other intangible assets with indefinite useful life is either performed as part of a CGU, or on an individual asset level if it is possible to determine independent cash flows for it. The determined recoverable amount of a CGU is based on value-in-use calculations. Value-in-use is determined by calculating the present value of the estimated future net cash flows. The discount rate applied is the weighted average pre-tax cost of

capital that reflects the current market view of the time value of money and risks related to the tested unit.

An impairment loss is recognised in the statement of income when the carrying amount of the CGU exceeds its recoverable amount. Impairment loss is first allocated to goodwill and then to other assets on a pro rata basis. Impairment losses recognised for goodwill cannot be subsequently reversed.

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction instead of normal use and a sale is considered highly probable. Non-current assets held for sale are measured immediately before reclassification in accordance with the normal measurement principles after which they are measured at the lower of carrying amount and fair value less cost to sell. Impairment losses or gains are recognised in the statement of income. Non-current assets held for sale are not depreciated or amortised.

Leases, Cargotec as lessee

Cargotec has rented property, plant and equipment. Lease agreements in which substantially all of the risks and rewards incidental to ownership are not transferred to Cargotec, are classified as operating leases. The lease obligations related to operating leases are not recognised on the balance sheet and the related lease expenses are recognised in the statement of income on a straight-line basis over the lease period.

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

Leases, Cargotec as lessor

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

In a finance lease the risks and rewards of ownership are transferred to the lessee. The sales profit is recognised

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

Inventories

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

Construction contracts

Construction contracts in progress represent the gross amount expected to be collected from customers for contract work performed to date. It is measured at costs incurred plus profits recognised to date less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads that are attributable to contract activity in general.

Construction contracts in progress are presented as part of accounts receivable and other non-interest bearing assets in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as a liability in the balance sheet as part of accounts payable and other non-interest-bearing liabilities. Customer advances are presented as liabilities in the balance sheet.

Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables at amortised cost, and available-for-sale financial assets. Financial assets are classified at the initial recognition in accordance with the features and planned use of the asset. Financial assets are presented as non-current when their maturity exceeds one year.

Financial assets recognised at fair value through profit or loss includes derivative instruments unless hedge accounting is applied. The transaction costs and subsequent fair value changes of financial assets recognised at fair value through profit or loss are recognised directly in the statement of income. Fair value changes related to derivatives under hedge accounting are recognised in the statement of comprehensive income and subsequently, recycled to the income statement when hedge accounting is ceased.

Loans and receivables at amortised cost mainly include accounts receivable, and cash and cash equivalents that are not quoted in an active market and that are not kept for trading purposes. Loans receivable are measured initially at fair value plus transaction costs and subsequently, at amortised cost using the effective interest method. An impairment loss is recognised in the statement of income if the book value of the loan receivable is higher than the estimated recoverable amount.

Accounts receivable are initially recognised at fair value and, subsequently, at amortised cost less impairment. Impairments recognised to individual receivables are based on a regular review of accounts receivable, and Cargotec's best knowledge of customer's ability to pay. Additionally, an allowance is recognised for overdue receivables based on an estimate of incurred credit losses for which Cargotec has no knowledge yet. Impairments and allowances are recognised in the statement of income under selling, general and administrative expenses. Bad debts are written off when official announcement of liquidation or bankruptcy is received confirming that the receivable will not be collected.

Financial assets available-for-sale mainly consist of shares not quoted in an active market and which are carried at cost, as the fair value of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition cost. Available-for-sale assets also include other investments that are initially recognised at fair value plus transaction costs and subsequently at fair value through the statement of comprehensive income. If there is objective evidence that the fair value has decreased, an impairment loss is recognised in the statement of income. Impairment on investments in shares cannot be subsequently reversed.

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

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

Cash and cash equivalents

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

Financial liabilities

Financial liabilities are classified as financial liabilities recognised at amortised cost and as financial liabilities recognised at fair value through profit or loss. Financial liabilities are presented as non-current when their maturity exceeds one year.

Financial liabilities recognised at fair value through profit or loss include derivative instruments unless hedge accounting is applied. The transaction costs and subsequent fair value changes of financial liabilities recognised at fair value through profit or loss are recognised directly in the statement of income. Fair value changes related to derivatives under hedge accounting are recognised in the statement of comprehensive income and, subsequently, recycled to the income statement when hedge accounting is ceased.

Financial liabilities recognised at amortised cost include mainly interest-bearing liabilities and trade payables. Financial liabilities recognised at amortised cost are initially recognised at fair value less transaction costs, and subsequently, at amortised cost using the effective interest method.

Bought and sold derivative instruments are recognised on the trade date while transactions with the other financial liabilities are recognised on the settlement date.

A financial liability is derecognised when the related obligation is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of income.

Derivative financial instruments and hedge accounting

Cargotec uses mainly currency forwards, and cross-currency and interest rate swaps to hedge from the identified significant market risks. Derivative instruments are initially recognised on the balance sheet at cost, which equals the fair value, and are subsequently measured at fair value on each balance sheet date. Derivatives are classified at the inception either as hedges of binding agreements and future cash flows, in which case cash flow hedge accounting is applied to them, or as derivatives at fair value through profit or loss, when the preconditions for hedge accounting are not fully met.

Fair values of foreign currency forward contracts are based on quoted market rates on the balance sheet date. The fair values of cross-currency and interest rate swaps are calculated as the present value of the estimated future cash flows. Derivative instruments are presented as non-current when their maturity exceeds one year.

Cash flow hedge accounting is mainly applied to hedges of operative cash flows. In addition, hedge accounting is applied to hedges of certain foreign currency denominated borrowings, and certain hedges of net investment in a foreign operation. To qualify for hedge accounting, the company documents the hedge relationship of the derivative instruments and the underlying items, group's risk management targets and the strategy of applying

hedge accounting. When starting hedge accounting and at least in every interim and annual closing, the company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying cash flow.

Fair value changes of hedging instruments under effective cash flow hedge relationship are recognised via statement of comprehensive income in the fair value reserve of equity, and under effective net investment hedges via statement of comprehensive income in the translation differences of equity. However, only the exchange rate difference of foreign currency forward agreements is recognised in other comprehensive income whereas the changes in forward points are recognised as financial income or expense in the statement of income. Cumulative gain or loss on the hedge recognized via statement of comprehensive income in fair value reserve or translation differences is recognised in the statement of income as adjustment to the underlying cash flow when the underlying cash flow is recognised. The effective portion of foreign currency forwards hedging sales and purchases is recognised in sales and cost of goods sold, respectively. If the hedged cash flow is no longer expected to materialise, the deferred gain or loss is immediately recognised in the statement of income. If the hedging instrument is sold, expires, is revoked or exercised, or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument remains to be recognised in the fair value reserve and is recycled to the statement of income when the underlying operative item materialises. If effectiveness testing results in ineffectiveness, the ineffective portion of the hedges is recognised immediately in the statement of income.

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

Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Pension obligations

Cargotec operates various pension plans in accordance with local conditions and practices. The plans are classified either as defined contribution plans or defined benefit plans.

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity with no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee

service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate.

A defined benefit plan is a pension plan under which the group itself has the obligation to pay retirement benefits and bears the risk of change in the value of plan liability and assets. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of reporting period less fair value of plan assets. The defined benefit obligation regarding each significant plan is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate or government bonds with approximating terms to maturity and that are denominated in the currency in which the benefits are expected to be paid. The applied discount rates are determined in each country by an external actuary. If an asset is recognised in the balance sheet based on the calculation, the recognition is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Actuarial gains and losses related to remeasurements of a defined benefit plan and the effect of the asset ceiling, if any, are recognised directly in the statement of comprehensive income. Interest and all other expenses related to defined benefit plans are recognised directly in the statement of income.

If a plan is changed or curtailed, the portion of the changed benefit related to past service by the employees, or the gain or loss on curtailment, is recognised directly in the statement of income when the plan amendment or curtailment occurs.

Provisions

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

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

Provisions for product claims consist of expected costs arising from settling customer claims for which the value, probability and realisation can be estimated.

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

A restructuring provision is recorded when Cargotec has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. A restructuring plan shall include the following information: business which is affected, the main units and personnel affected by the restructuring, as well as the costs to be incurred and the timetable of the plan. A restructuring provision and other restructuring related expenses are booked to the function costs to which they by nature belong. However, in case of a significant restructuring programme of Cargotec or its business area, restructuring costs are presented separately in the statement of income.

Profit distribution

Profit distribution includes dividends and donations decided by the Shareholders' Meeting. The distribution of profits proposed by the Board of Directors is not recognised in the financial statements until approved by Cargotec Corporation's shareholders at the Annual General Meeting.

Treasury shares

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

Share-based payments

Cargotec Corporation has share-based incentive plans which include incentives paid as shares, options or in cash. The benefits granted in accordance with the incentive plan are valued at fair value at the grant date and are expensed on a straight-line basis over the vesting period. The fair value of the equity-settled incentives is the market value at the grant date. The fair value of the options is determined using the Black-Scholes option pricing model. The share-based payments settled with equity instruments are not revalued subsequently, and cost from these arrangements is recognised as an increase in equity. The cash-settled share-based incentives are valued at fair value at each closing until the settlement date and recognised as a liability.

The expensed amount of the benefits is based on the group's estimate of the amount of benefits to be paid in shares or options at the end of the vesting period. Market conditions and non-vesting conditions are considered in determining the fair value of the benefit. Instead, the non-market criteria, like profitability or increase in sales, are not considered in measuring the fair value of the benefit but taken into account when estimating the final amount of benefits. The estimate is updated at every

closing and changes in estimates are recorded through the statement of income.

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

Adoption of new or amended IFRS standards and interpretations

In 2017, Cargotec will adopt the following new and amended standards and interpretations by the IASB:

Amendments to IAS 7 Disclosure Initiative* (effective from 1 January 2017). As a result of this amendment, Cargotec will be required to explain changes in its liabilities arising from financing activities including changes arising from cash flows and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows of financing activities.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses* (effective from 1 January 2017). Amendments clarify accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. In particular, the amendment clarifies deferred tax treatment in situations where carrying amount of an asset is less than its tax base, it is expected to recover the asset for more than its carrying amount, the recoverability of the deferred tax asset can only be assessed in combination of the other deferred tax assets of the same type, and where tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

These amendments are not expected to have significant impact on consolidated financial statements.

The following standards, interpretations and amendments will be applied in 2018 or later:

IFRS 15 Revenue from contracts with customers* with additional clarifications, and associated amendments to various other standards (effective from 1 January 2018). IFRS 15 replaces the existing revenue recognition guidance in IAS 18 Revenue, IAS 11 Construction contracts, and the related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue can be recognised. The impact of IFRS 15 has been assessed separately for each main product. During this assessment, business practices, contracts, and underlying performance obligations have been analysed under the IFRS 15 framework in order to identify areas of change.

Based on the impact assessment, the new standard will mainly change revenue recognition because of the more detailed guidance on allocation and recognition of revenue separately for each distinct performance obligation. This requirement is especially relevant in a sales transaction where a combination of deliverables sold together does not form a single distinct performance obligation. This is typical in a situation where the components sold together do not form a complete functioning product. Additionally, revenue recognition on an overtime basis is increasing with some of the products resulting from the alternative use assessment. The impact of requirements related to other steps in the new revenue recognition model regarding identification of a contract, identification of a transaction price, and allocation of a transaction price to distinct performance obligations is assessed as small because the current accounting principles and practices are mostly in accordance with the principles of IFRS 15. In addition to impacts described above, the standard's more detailed guidance regarding rights and obligations related to sales contracts, and based on which sold products may subsequently return to Cargotec, does have an impact on accounting of certain customer finance arrangements. The identified changes mainly affect the revenue recognition of the MacGregor business area's mid-sized customised products, whereas the impacts to the Kalmar and Hiab business areas are assessed as minor. The overall impact of IFRS 15 is not quantified yet, but on the consolidated level it is not expected to be significant.

Cargotec strives to adopt the standard retrospectively by using the allowed reliefs in the transition.

IFRS 9 Financial Instruments* and subsequent amendments (effective from 1 January 2018). IFRS 9 will replace the existing guidance in IAS 39 Financial instruments: Recognition and measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. Based on the initial assessment, it is expected that the impact of the new classification and measurement rules will not have significant impact on Cargotec's financial reporting. The new rules for measuring impairment on financial assets will change Cargotec's credit loss measurement but this impact has not been quantified yet. The changes in the hedge accounting rules are not resulting significant changes in Cargotec's hedge accounting model.

Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions* (effective from 1 January 2018). Amendments provide clarification on situations where a share-based payment scheme changes its classification from cash-settled to equity-settled. Additionally, amendments provide new guidance for plans with net settlement features for withholding tax obligations. The impact of these amendments depends

on the conditions of share-based payment schemes granted in future by Cargotec.

IFRIC 22 Foreign Currency Transactions and Advance Consideration* (effective from 1 January 2018). The interpretation provides guidance on accounting of advance payments received in foreign currency by clarifying which transaction date's spot rate should be used when converting foreign currency item into functional currency when there is a timing difference between the advance payment received in foreign currency that is accounted for as a non-monetary item, and the actual transaction it relates to.

IFRS 16 Leases* (effective from 1 January 2019). IFRS 16 replaces the existing lease standard IAS 17 and the related interpretations. IFRS 16 will mainly affect the accounting by lessees by removing the current distinction between the operating and finance leases and requiring recognition of a right-of-use asset and a financial liability to pay rentals for all lease contracts except for low value and short-term leases. In addition to the effect on balance sheet, the change will result in more interest expenses paid for the leases, more depreciations related to lease assets, and more financing cash flows in the statement of cash flows as a result of cash payments relating to principal portion of the lease liability. For lessors, the standard will cause no changes as both the current operating lease and finance lease models remain unchanged.

The impact of IFRS 16 has not been quantified yet but it is expected to be significant. As disclosed in note 32, the amount of non-cancellable operating lease payables at the year-end amounted to EUR 194,9 million. The present value of the non-cancellable operating lease payables is less than this but considering the IFRS 16 requirements regarding options to buy leased assets and options to extend the lease term, the amount of non-cancellable operating lease payables can serve as a good estimate of the increase of lease liabilities in the adoption of IFRS 16. Assuming that the change in Cargotec's interest-bearing liabilities would correspond to the existing non-cancellable operating lease payments on the reporting date, Cargotec's gearing would increase from the reporting date's 36 percent to 50 percent. Notwithstanding the change, Cargotec would continue to meet all the covenant terms related to its loans.

*The standards, interpretations or amendments in question have not yet been endorsed in the EU.

2. Estimates and assumptions requiring management judgement

When preparing the consolidated financial statements, the management makes estimates and assumptions which have an impact on reported assets and liabilities, presentation of the contingent assets and liabilities in notes and reported income and expenses of the financial year. In addition, management judgement may be required in applying the accounting principles.

Estimates and assumptions requiring management judgement are based on the management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which can be considered feasible. The actual amounts may differ significantly from the estimates used in the financial statements. Cargotec follows the changes in estimates, assumptions and the factors affecting them by using multiple internal and external sources of information. Possible changes in estimates and assumptions are recognised in the financial period the estimate or assumption is changed. The most important items in the consolidated statements, which require the management's estimates and which may include uncertainty, comprise the following:

Impairment testing

Intangible assets and property, plant and equipment are tested for impairment always, when there is any indication of impairment. In assessing impairment both external and internal sources of information are considered. External sources include a significant decline in market value that is not the result of the passage of time, normal use of the assets or increase in interest rate. Internal sources of information include evidence of obsolescence of, or physical damage to, an asset. When the recoverable amount of an asset is less than the carrying amount, an impairment loss is recognised as an expense immediately, and the carrying amount is reduced to the asset's recoverable amount.

Goodwill and other intangible assets with indefinite life are tested for impairment at least annually. For impairment testing, goodwill and other intangible assets with indefinite life are allocated to cash generating units (CGU). The recoverable amounts of cash generating units are based on value-in-use calculations. These calculations require the use of estimates. On 31 December 2016, Cargotec had goodwill amounting to EUR 1,024.5 (31 Dec 2015: 976.4) million and other intangible assets with indefinite life totalling EUR 40.9 (31 Dec 2015: 41.1) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in note 14, Goodwill.

Taxes

Determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax asset to be recognised requires management judgement. On 31 December 2016, Cargotec's balance sheet includes EUR 58.2 (31 Dec 2015: 64.5) million deferred tax assets resulting from tax losses carried forward.

Cargotec is subject to income tax in numerous jurisdictions. There are many transactions and calculations for which the ultimate tax determination is uncertain. Cargotec recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. More information regarding taxes is presented in note 12, Income taxes, and in note 19 Deferred tax assets and liabilities.

Business combinations

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognised as goodwill according to the accounting principles. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values. More information on the measurement of fair value of the assets acquired through business combinations is presented in note 5, Acquisitions and disposals.

Defined benefit plans

The present value of pension obligations depends on a number of factors determined on an actuarial basis by using a number of financial and demographic assumptions, and changes in these assumptions impact the carrying amount of pension obligations. The key financial assumption used in determining the net cost (income) for pensions is the discount rate. The appropriate discount rate is determined at the end of each year and is used in calculating the present value of estimated cash outflows to settle the pension obligation. In determining the appropriate discount rate, Cargotec considers the yields of high-quality corporate or government bonds, depending on the country, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions related to pension obligations include financial assumptions such as estimated increases in salaries and pensions, and demographic assumptions such as mortality rates. Additional information on these assumptions and uncertainties related to them is disclosed in note 27, Post-employment benefits.

Revenue recognition

The percentage of completion method is applied to separately identified construction contracts and service contracts. Application of the percentage of completion method requires either an estimate of the actual costs incurred in proportion of the estimated total costs or an estimate of the construction contract's physical stage of completion. Additionally, if the estimate of the final outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change has come to attention and can be estimated. The expected loss from the construction contract is expensed immediately. In 2016, approximately 8.6 (2015: 8.7) percent of sales were recognised in accordance with the percentage of completion methods. Additional information is disclosed in note 6, Long-term construction contracts.

Provisions

A provision is recognised when Cargotec has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. A provision may be recognised only when the amount can be reliably estimated. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The actual costs may differ from the estimated costs. The most significant provisions are warranty provisions, which include the cost of repairing or replacing products during the warranty period. Restructuring provision is recognised when Cargotec has prepared a detailed restructuring plan and started the implementation of the plan or communicated the plan. Restructuring costs are the expected costs directly related to restructuring provisions, and other incurred costs that the management considers as related to restructuring programmes, although not provided for. On 31 December 2016, provisions totalled EUR 150.4 (31 Dec 2015: 98.8) million, of which EUR 38.1 (31 Dec 2015: 8.9) million were restructuring provisions. Additional information about provisions is disclosed in note 28, Provisions.

Inventories

Cargotec recognises an allowance for obsolete inventory items at the end of the reporting period based on the best knowledge. The estimate is based on a systematic and continuous monitoring of the inventory. The nature, state, age structure and volumes based on estimated need are taken into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet on 31 December 2016 totalled EUR 96.0 (31 Dec 2015: 95.8) million. Additional information about inventories is disclosed in note 20, Inventories.

Fair value of financial assets and liabilities

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The fair value of the over-the-counter derivatives used for hedging is determined by using commonly applied valuation techniques, and by maximising the use of available market prices. In applying these techniques, judgement is used to select the applied method, and where appropriate, to make assumptions that are mainly based on existing market conditions at the reporting date.

Cargotec recognises impairments on accounts receivable at the end of the reporting period based on the best knowledge when there is objective evidence that Cargotec will not be able to collect all amounts due. Estimates are based on systematic and continuous follow-up as part of the credit risk control. The amount of impairment in the balance sheet on 31 December 2016 totalled EUR 20.0 (31 Dec 2015: 20.6) million. Additional information regarding the impairment of accounts receivable is disclosed in note 22, Accounts receivable and other non-interest-bearing receivables.

Assessment of control, joint control and significant influence

Cargotec applies judgement in determining an appropriate method to account for its ownership in the investees. The investees consolidated as subsidiaries with less than 50 percent of the voting rights are listed in note 34. In these investments, it has been assessed that Cargotec has de facto control based on shareholder agreements. Note 17 presents Cargotec's investments that are accounted for as joint ventures and as associated companies. Cargotec's investments in joint arrangements are classified as joint ventures based on shared control, rights to net assets of the arrangement, and other relevant circumstances related to the arrangements. Cargotec's investments in associated companies include an investment in which Cargotec's voting rights are less than 20 percent. Accounting for the investment as an associated company is based on the wide ownership structure of the investee, Cargotec's representation in the board of directors, and Cargotec's significance as a customer to the entity.

3. Financial risk management

Organisation of finance function and financial risk management

Cargotec's finance function and financial risk management are conducted according to the Treasury Policy, approved by the Board of Directors. Organization, responsibilities and principles of financial risk management, monitoring and reporting are defined in the Treasury Policy. Treasury Committee, appointed by the Board, is responsible for Treasury Policy compliance and for organising and monitoring the treasury functions. Detailed guidelines for financing functions in accordance with Treasury Policy are defined in Treasury Instructions, approved by the Treasury Committee.

The objectives of treasury management are to secure sufficient funding for business operations, avoiding financial constraint at all times, to provide business units with financial services, to minimise the costs of financing, to manage financial risks (currency, interest rate, liquidity and funding, credit and operational risks) and to provide management with information on the financial position and risk exposures of Cargotec and its business units.

Cargotec Treasury is responsible for funding at corporate level, for managing liquidity and financial risks, for providing efficient set up of financing operations and for monitoring business unit financial positions. Cargotec Treasury reports on these issues monthly. The business units are responsible for hedging their financial risks according to the Treasury Policy and instructions from Cargotec Treasury.

Currency risk

Cargotec operates in more than 100 countries and is, due to its global operations, exposed to risks arising from foreign exchange rate fluctuations. A significant proportion of Cargotec sales and costs are generated in foreign currencies, mostly in US dollars and Swedish krona.

The objective of currency risk management is to hedge operations against exchange rate fluctuations, thus allowing time for the business units to react and adapt to changes in exchange rates. Foreign currency positions, which include contractual cash flows, related to sales, purchases and financing, are fully hedged. Other highly probable cash flows may be hedged, if deemed necessary by Cargotec Treasury and the business unit. The business units report their risk exposures to Cargotec Treasury and hedge the positions via intercompany forward contracts. In countries where hedging is restricted, foreign currency denominated loans and deposits may be used as hedging instruments.

Cash flow hedge accounting is generally applied to qualifying foreign currency hedges. Under the Cargotec hedge accounting model, the portion of fair value change

related to change in spot rate is recognised in the fair value reserve within equity until the cumulative profit or loss is recycled to the statement of income simultaneously with the hedged item. The portion of fair value change related to interest rate is excluded from hedge accounting and recognised directly in profit or loss. Hedge accounting is started when a qualifying risk exposure is identified and Cargotec enters into a hedge, and terminated when the hedged item impacts profit or loss. Hedge accounting is not applied in cases where its impact on the consolidated statement of income is deemed insignificant by Cargotec Treasury.

Cash flow hedge accounting is applied to cash flows of the USD 205.0 (2015: 205.0) million Private Placement

corporate bonds, funded in February 2007 and maturing in years 2017 to 2019. 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 EUR 154.2 (2015: 154.2) million long-term fixed rate debt.

Cargotec is exposed to foreign currency risk arising from both on- and off-balance sheet items. The net balance sheet exposure in the table below represents the foreign currency risk arising from the on-balance sheet financial instruments, and the net exposure illustrates the outstanding effective foreign currency risk as defined and monitored by Cargotec Treasury.

31 Dec 2016 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-5.9	86.0	-39.5	12.1	-16.6	-0.3	-35.7
Hedges	97.3	-339.1	83.9	14.0	94.6	61.3	-12.1
Balance sheet exposure	91.4	-253.1	44.4	26.1	78.0	61.0	-47.8
Order book and purchases	-88.3	264.6	-48.1	-33.2	-76.8	-54.7	36.6
Net exposure	3.1	11.5	-3.7	-7.1	1.2	6.3	-11.2

31 Dec 2015 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	5.6	44.0	-22.2	7.8	-23.5	1.7	-13.4
Hedges	111.7	-454.1	95.6	14.0	135.8	111.2	-14.1
Balance sheet exposure	117.3	-410.2	73.4	21.8	112.4	112.9	-27.5
Order book and purchases	-105.3	417.7	-73.7	-33.9	-110.3	-111.5	17.0
Net exposure	12.0	7.6	-0.3	-12.1	2.0	1.4	-10.4

The foreign currency exposures in the table above include the most important operational currencies of Cargotec's business units. In this presentation, amounts are presented on a gross basis including foreign currency amounts and counter values in local currencies.

Cargotec's business units constantly monitor their foreign currency exposures and report them on a monthly basis to Cargotec Treasury who is responsible for monitoring the overall exposure, and arranging hedges for identified exposures. Cargotec Treasury also monitors the translation risk arising from different currencies and, where deemed significant, translation risk positions are hedged and net investment hedge accounting is applied.

Cargotec has operations in Russia. Most of the business of the local company is conducted so that both sales and purchases are made in euros. Some spare parts are sold in rubles from Finland and Sweden, but the amounts are immaterial for the group. Cargotec had no loans or derivatives in rubles during the reporting or comparative periods.

Foreign exchange rate fluctuations have an effect on the consolidated income and equity. The effect in the statement of income arises from foreign currency denominated financial assets and liabilities in the balance sheet, including derivatives for which hedge accounting is not applied. The effect in equity arises from derivatives under hedge accounting from which the fair value fluctuations related to changes in exchange rates are recognized in the fair value reserve of the other comprehensive income. Foreign exchange rate impact in the fair value reserve is expected to be offset by the corresponding opposite impact in the value of the hedged item when recognised in the statement of income. Majority of the hedges mature and hedged cash flows realise within the next two years.

If the US dollar had strengthened/weakened 10 percent against the euro, the effect on income before taxes would have been EUR 0.2 million negative/positive (31 Dec 2015: 2.1 million negative/positive), and on other comprehensive income EUR 8.4 million negative/positive (31 Dec 2015: 10.5 million negative/positive).

If the Swedish krona had strengthened/weakened 10 percent against the euro, the effect on income before taxes would have been EUR 0.7 million positive/negative (31 Dec 2015: 0.4 million negative/positive), and on other comprehensive income EUR 2.5 million positive/negative (31 Dec 2015: 1.9 million positive/negative).

If the Swedish krona had strengthened/weakened 10 percent against the US dollar, the effect on income before taxes would have been EUR 0.3 million positive/negative (31 Dec 2015: 1.0 million negative/positive), and on other comprehensive income EUR 1.8 million positive/negative (31 Dec 2015: 3.1 million positive/negative).

Investments in non-euro area subsidiaries cause translation differences, recognised in the consolidated equity (translation risk). In addition to subsidiary shares, Cargotec holds intercompany loans accounted for as net investments. Exchange rate gains and losses arising from these loans are recorded as translation differences. The objective of translation position management is to hedge the capital structure so as to balance the effect of foreign exchange rate fluctuations on debt and equity. Cargotec has in December 2015 started to hedge a part of the Swedish krona related translation risk with derivatives, and to apply hedge accounting for these hedges with the aim to reduce the impact of Swedish krona related translation risk to Cargotec's gearing. At the reporting date the translation risk from Swedish krona amounted to EUR 1,351.7 (31 Dec 2015: 1,442.0) million before the hedges and EUR 786.3 (31 Dec 2015: 853.2) million after the hedges. The impact of translation risk from other currencies to Cargotec's gearing is not significant and it has not been considered necessary to hedge the translation risk arising from these currencies.

Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair values of interest-bearing receivables, loans payable and derivative instruments. The objective of interest rate risk management is to mitigate the impact of interest rate changes on the statement of income, balance sheet and cash flow. To manage interest rate risk, the duration of the financial portfolio is maintained within the limits set by the Treasury Committee, by balancing between fixed and floating rate debt and by using derivative instruments.

On 31 December 2016, Cargotec's consolidated interest-bearing debt totalled EUR 821.9 (31 Dec 2015: 836.8) million, of which EUR 343.9 (31 Dec 2015: 337.5) million were fixed rate corporate bonds, EUR 0.0 (31 Dec 2015: 4.9) million were other long-term fixed rate loans, EUR 3.2 (31 Dec 2015: 4.4) million were finance lease liabilities and the rest, EUR 474.8 (31 Dec 2015: 490.0) million consisted of floating rate loans, short term loans, bank overdrafts and other interest-bearing liabilities. On 31 December 2016, the average duration of interest-bearing debt, including hedges of loans, was 12 (31 Dec 2015: 16) months.

The EUR 278.2 (31 Dec 2015: 180.4) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 3.9 (31 Dec 2015: 3.4) million and customer finance related finance lease receivables EUR 1.1 (31 Dec 2015: 1.2) million. The average duration of the interest bearing assets was less than one month (31 Dec 2015: less than one month).

Based on the sensitivity analysis, one percentage point increase/decrease in the interest rates would have increased/decreased net interest cost by EUR 1.9 (31 Dec 2015: 1.9) million. The statement of income sensitivity is due to variable rate loans, short term loans, deposits and bank accounts and bank overdrafts. The sensitivity is calculated as annual effect assuming the balance sheet remains unchanged.

With respect to all currency forward contracts, the fair value changes related to fluctuations in interest rates are recognised directly in financial income and expenses and hence changes in market rates may affect financial result also via currency hedging. In sensitivity analysis, these effects are not accounted for, since the effect of one percent change in interest levels is not significant, assuming similar change in all currency pairs and that the current currency position remains.

In addition, Cargotec held cross-currency and interest rate swaps with a nominal value of EUR 194.5 (31 Dec 2015: 188.3) million under which fixed interest is paid for both currencies and thus a similar change in interest rate level of EUR and USD has no impact on income before taxes or on other comprehensive income.

Interest fixing periods

31 Dec 2016 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	276.5	1.7	-	-	-	278.2
Non-current loans from financial institutions	-424.7	-	-	-	-	-424.7
Corporate bonds	-113.8	-	-	-80.6	-149.5	-343.9
Finance lease liabilities	-0.6	-0.6	-1.1	-0.5	-0.5	-3.2
Current interest-bearing liabilities **	-34.3	-15.8	-	-	-	-50.1
Net	-296.9	-14.7	-1.1	-81.1	-149.9	-543.7

31 Dec 2015 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	180.4	-	-	-	-	180.4
Non-current loans from financial institutions	-423.8	-	-4.9	-	-	-428.8
Corporate bonds	-	-	-110.2	-	-227.3	-337.5
Finance lease liabilities	-1.2	-1.3	-0.4	-0.7	-0.8	-4.4
Commercial papers	-30.9	-	-	-	-	-30.9
Current interest-bearing liabilities **	-34.0	-1.2	-	-	-	-35.3
Net	-309.6	-2.5	-115.5	-0.7	-228.1	-656.4

* Including cash and cash equivalents

** Including bank overdrafts

On 31 December 2016, the interest fixing period for corporate bonds ranged between 0 and 4 years.

Other market risks

In addition to the risks related to the treasury function, Cargotec is exposed to price and supply risks mainly relating to raw material and component purchases. The business units are responsible for identifying these risks and determining the required hedging measures. These risks are managed by thorough supplier selection process and long-term relationship with strategic suppliers.

Liquidity and funding risks

The objective of liquidity management is to maintain an optimal amount of liquidity to fund the business operations of Cargotec at all times while minimising interest and bank costs and avoiding financial distress (liquidity risk).

Liquidity risk is managed by retaining long-term liquidity reserves, exceeding the level of short-term liquidity requirement. On 31 December 2016, the liquidity reserves, including cash and cash equivalents and long-term undrawn credit facilities, totalled EUR 573.2 (31 Dec 2015: 475.8) million. Short-term liquidity requirement covers the repayments of short- and long-term debt within the next 12 months, as well as the strategic liquidity requirement, as determined by the Treasury Committee, which covers the operative funding demand within the following 12 months. On 31 December 2016, repayments of short- and long-term interest-bearing liabilities due within the following 12 months totalled EUR 165.1 (31 Dec 2015: 68.7) million.

On 31 December 2016, Cargotec held undrawn EUR 300.0 (31 Dec 2015: 300.0) million long-term Revolving

Credit Facility maturing in 2019. According to the facility agreement, Cargotec has a right to withdraw funds on three days' notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short-term bank overdraft facilities of EUR 129.4 (31 Dec 2015: 136.8) million and a EUR 150.0 (31 Dec 2015: 150.0) million domestic Commercial Paper facility of which EUR 0.0 (31 Dec 2015: 30.9) million was in use.

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 during next 12 months	-165.1	-68.7
Total liquidity	408.1	407.1

The objective of funding risk management is to avoid an untenably large proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities, as well as retaining flexible credit facility agreements. Cargotec loan agreements include a covenant restricting the corporate capital structure. According to the covenant, Cargotec's gearing must be retained below 125 percent. On 31 December 2016, gearing was 36.0 (31 Dec 2015: 46.4) percent. According to management assessment, Cargotec is in good position regarding liquidity and

Maturities of financial liabilities

31 Dec 2016 MEUR	2017	2018	2019	2020	2021	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,568.5	-	-	-	-	-	-3,568.5
Currency forward contracts, inflow	3,556.6	-	-	-	-	-	3,556.6
Cross-currency and interest rate swaps, outflow	-97.5	-3.0	-67.0	-	-	-	-167.6
Cross-currency and interest rate swaps, inflow	121.6	4.6	82.9	-	-	-	209.1
Derivatives, net	12.1	1.5	15.9	-	-	-	29.6
Accounts payable and other non-interest bearing liabilities							
Loans from financial institutions, repayments	-430.4	-18.1	-9.3	-11.9	-8.0	-2.2	-479.8
Loans from financial institutions, finance charges	-37.2	-232.0	-92.0	-42.1	-42.1	-16.5	-461.8
Loans from financial institutions, finance charges	-5.6	-3.9	-1.6	-1.0	-0.5	-0.1	-12.6
Commercial papers, repayments	-	-	-	-	-	-	-
Commercial papers, interest charges	-	-	-	-	-	-	-
Corporate bonds, repayments	-113.8	-	-80.6	-149.4	-	-	-343.9
Corporate bonds, finance charges	-12.8	-9.7	-7.4	-5.1	-	-	-34.9
Other interest-bearing liabilities, repayments	-14.1	-1.1	-0.5	-0.2	-0.1	-0.1	-16.2
Other interest-bearing liabilities, finance charges	-0.3	-0.1	-0.1	-	-	-	-0.4
Total	-602.1	-263.3	-175.5	-209.6	-50.7	-19.0	-1,320.1

31 Dec 2015 MEUR	2016	2017	2018	2019	2020	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,864.6	-	-	-	-	-	-3,864.6
Currency forward contracts, inflow	3,886.3	-	-	-	-	-	3,886.3
Cross-currency and interest rate swaps, outflow	-7.2	-97.5	-3.0	-67.0	-	-	-174.8
Cross-currency and interest rate swaps, inflow	10.6	115.5	4.4	80.3	-	-	210.8
Derivatives, net	25.1	18.0	1.4	13.3	-	-	57.8
Accounts payable and other non-interest bearing liabilities							
Loans from financial institutions, repayments	-378.4	-16.6	-6.1	-7.6	-9.0	-2.9	-420.6
Loans from financial institutions, repayments	-35.3	-4.2	-231.6	-92.1	-42.2	-58.7	-464.0
Loans from financial institutions, finance charges	-5.4	-5.3	-4.1	-1.8	-1.1	-0.7	-18.4
Commercial papers, repayments	-30.9	-	-	-	-	-	-30.9
Commercial papers, interest charges	-0.1	-	-	-	-	-	-0.1
Corporate bonds, repayments	-	-110.2	-	-78.0	-149.3	-	-337.5
Corporate bonds, finance charges	-15.6	-12.6	-9.5	-7.3	-5.1	-	-50.1
Other interest-bearing liabilities, repayments	-2.5	-0.4	-0.7	-0.3	-0.2	-0.3	-4.4
Other interest-bearing liabilities, finance charges	-0.1	-0.1	-0.1	-	-	-	-0.4
Total	-443.3	-131.4	-250.7	-173.8	-206.8	-62.6	-1,268.6

Corporate bonds have maturities ranging from 2017 to 2020 and loans from financial institutions have maturities ranging from 2017 to 2022.

there are no significant concentrations of risks relating to refunding.

The preceding tables represent the maturity analysis of the company's financial liabilities and derivatives. The figures are non-discounted contractual cash flows. Cargotec Treasury reports cash flows and liquidity position regularly to the Board of Directors.

Credit and counterparty risks

The business units are responsible for managing the operational credit risks. On account of the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risks are managed through contractual clauses including advance payments, bank guarantees or other guarantees, and by monitoring the creditworthiness of customers. Credit risks relating to large contracts are shared with financial institutions, insurance companies or export guarantee institutions, when feasible. More information on accounts receivable is presented in note 22, Accounts receivable and other non-interest-bearing receivables.

Cargotec holds no significant amounts of external loan receivables. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee. Derivative contracts are entered into under ISDA agreement with several counterparties. More information on counterparty risk related to derivative contracts is presented in note 21, Financial assets and liabilities by measurement category. The Treasury Committee sets counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and, if needed, may reject a counterparty with immediate effect. Only large

financial institutions with high credit rating are accepted as counterparties. The maximum credit risk relating to cash and cash equivalents corresponds to their carrying amount. According to the management assessment no significant credit losses are anticipated on the investments of liquidity reserves.

Operational risks of the treasury functions

The management of operational risks aims to eliminate losses or increased risk levels due to errors in procedures or insufficient monitoring. The risks are minimised by maintaining a high level of proficiency, identifying and documenting routine procedures and organising responsibilities.

Risks relating to transactions are minimised by conducting regular general assessments and monitoring trading limits, market valuations and daily trade confirmations.

Capital structure management

The goal of Cargotec's capital structure management is to secure operational preconditions at all times and to maintain the optimum capital cost structure. The target capital structure is determined by shareholders and is regularly monitored by the Board of Directors.

Total capital is calculated as the sum of equity and net debt. Gearing, calculated as the ratio of net debt to equity, is the key figure monitored for capital structure management. Net debt is calculated as net of interest-bearing liabilities and assets, including cash and cash equivalents. Cargotec's target is to retain gearing below 50 percent. The elements of gearing are presented in the table below.

MEUR	31 Dec 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
Interest-bearing net debt in balance sheet	543.7	656.4
Foreign currency hedge of corporate bonds*	-40.2	-34.0
Interest-bearing net debt	503.5	622.4
Equity	1,397.2	1,341.8
Gearing	36.0%	46.4%

* 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.

Segment assets and liabilities

The segments' assets and liabilities comprise all business assets and liabilities that are used by the segment or can be reasonably allocated to the segment excluding the intercompany receivables and liabilities. Unallocated assets comprise loans and other interest-bearing receivables, cash and cash equivalents, income tax receivables,

deferred tax assets, deferred interests and derivatives designated as hedges of future treasury transactions. Unallocated liabilities comprise loans and other interest-bearing liabilities, income tax payables, deferred tax liabilities, accrued interests and derivatives designated as hedges of future treasury transactions.

31 Dec 2016 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets	1,398.6	589.6	1,000.3	2,988.5	97.2	3,085.6
Investments in associated companies and joint ventures	50.8	13.6	1.7	66.0	57.3	123.4
Unallocated assets, interest-bearing	-	-	-	-	278.2	278.2
Unallocated assets, non-interest-bearing	-	-	-	-	249.1	249.1
Total assets	1,449.4	603.1	1,002.0	3,054.5	681.8	3,736.3
Non-interest-bearing liabilities	676.7	209.9	438.1	1,324.7	66.4	1,391.2
Unallocated liabilities, interest-bearing *	-	-	-	-	781.7	781.7
Unallocated liabilities, non-interest-bearing	-	-	-	-	166.2	166.2
Total liabilities	676.7	209.9	438.1	1,324.7	1,014.4	2,339.1
Operative capital employed	772.7	393.2	563.9	1,729.8	88.1	1,817.9
Capital expenditure	60.1	7.7	4.7	72.5	7.9	80.5

31 Dec 2015 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets	1,298.4	593.8	1,033.5	2,925.8	124.7	3,050.5
Investments in associated companies and joint ventures	43.7	11.1	2.1	56.9	59.8	116.7
Unallocated assets, interest-bearing	-	-	-	-	180.4	180.4
Unallocated assets, non-interest-bearing	-	-	-	-	223.1	223.1
Total assets	1,342.2	604.9	1,035.7	2,982.7	588.0	3,570.7
Non-interest-bearing liabilities	568.7	185.4	482.3	1,236.4	72.6	1,309.0
Unallocated liabilities, interest-bearing *	-	-	-	-	802.7	802.7
Unallocated liabilities, non-interest-bearing	-	-	-	-	117.2	117.2
Total liabilities	568.7	185.4	482.3	1,236.4	992.6	2,229.0
Operative capital employed	773.4	419.5	553.4	1,746.4	111.9	1,858.2
Capital expenditure	56.8	7.7	7.7	72.2	6.6	78.8

* The unallocated interest-bearing debt includes the hedging of cross-currency risk relating to the USD 205 (31 Dec 2015: 205) million Private Placement bond, totalling EUR -40.2 (31 Dec 2015: -34.0) million on 31 December 2016.

Orders

MEUR	Orders received		Order book	
	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015	31 Dec 2016	31 Dec 2015
Kalmar	1,721.0	1,763.6	900.0	877.2
Hiab	1,016.1	966.8	285.9	304.7
MacGregor	546.5	828.1	597.9	883.0
Eliminations	-0.9	-1.2	-0.7	-0.5
Total	3,282.7	3,557.2	1,783.1	2,064.5

Number of employees

	Average		At the end of year	
	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015	31 Dec 2016	31 Dec 2015
Kalmar	5,588	5,286	5,702	5,328
Hiab	2,995	2,638	2,997	2,757
MacGregor	2,390	2,652	2,256	2,543
Eliminations	221	195	230	209
Total	11,193	10,772	11,184	10,837

4.2. Information divided by geographical area

Sales are reported by customer location, while assets and capital expenditure are reported by the location of the assets. The geographical areas are based on the main market areas.

Sales

1 Jan–31 Dec 2016 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	27.8	28.4	6.1	62.3	0.0	62.3
Other EMEA (Europe, Middle East, Africa)	691.0	472.6	256.9	1,420.4	-0.4	1,420.0
China	108.3	9.0	219.5	336.8	0.0	336.8
South Korea	21.7	26.5	111.1	159.3	0.0	159.3
Other Asia-Pacific	245.4	79.0	131.9	456.3	-0.1	456.2
USA	403.8	366.8	33.6	804.2	0.0	804.2
Other Americas	201.9	53.6	19.4	274.8	0.0	274.8
Total	1,700.0	1,035.9	778.5	3,514.3	-0.6	3,513.7

1 Jan–31 Dec 2015 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	24.6	26.9	4.7	56.2	0.0	56.2
Other EMEA (Europe, Middle East, Africa)	672.8	422.0	321.3	1,416.1	-0.7	1,415.5
China	103.2	16.1	386.0	505.3	0.0	505.3
South Korea	20.0	15.7	187.9	223.6	0.0	223.6
Other Asia-Pacific	238.1	62.4	170.1	470.6	0.0	470.6
USA	435.5	329.2	44.8	809.5	0.0	809.4
Other Americas	169.2	55.7	23.8	248.7	0.0	248.7
Total	1,663.4	928.1	1,138.6	3,730.0	-0.8	3,729.3

Non-current assets and goodwill*

MEUR	31 Dec 2016	31 Dec 2015
Finland	101.0	109.4
Other EMEA (Europe, Middle East, Africa)	454.2	420.4
Asia-Pacific	57.0	52.0
Americas	110.1	113.3
Goodwill	1024.5	976.4
Total	1,746.8	1,671.5

* Excluding financial instruments and deferred tax assets. Goodwill has not been allocated to geographical areas.

Capital expenditure

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Finland	9.1	9.9
Other EMEA (Europe, Middle East, Africa)	57.8	57.0
Asia-Pacific	6.6	4.8
Americas	7.0	7.0
Total	80.5	78.8

Number of employees

	31 Dec 2016	31 Dec 2015
Finland	949	905
Other EMEA (Europe, Middle East, Africa)	5,980	5,645
Asia-Pacific	2,643	2,716
Americas	1,612	1,571
Total	11,184	10,837

5. Acquisitions and disposals

Acquisitions and disposals 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
Net assets	21.8
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Purchase price, payable in cash	62.1
Total consideration	62.1
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Goodwill	40.2
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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 24.1 million to Cargotec's sales and EUR -7.0 million to net income since the acquisition date. Transaction costs of EUR 0.3 million in 2015 and EUR 1.3 million in 2016 related to the acquisition have been included in the operating profits of Kalmar and MacGregor segments, and in other operating expenses in the consolidated statement of income. In addition, the cumulative operating profit for 2016 includes EUR 1.9 million in amortisation and depreciation of fixed assets, and EUR 3.6 million of restructuring costs.

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

Other acquisitions

MacGregor obtained control of 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 is developing 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 pay

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.

Acquisitions and disposals 2015

Cargotec had no acquisitions or disposals during 2015.

6. Long-term construction contracts

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Sales in statement of income, long-term construction contracts	302.5	324.1

Information on balance sheet items of long-term construction projects in progress on 31 December

Amounts due from customers for contract work are included in accounts receivable and other non-interest-bearing assets in the balance sheet.

Amounts due to customers for contract work are included in accounts payable and other non-interest-bearing liabilities in the balance sheet.

31 Dec 2016 MEUR	Net amount of recognised costs, profits and losses	Progress billings	Net
Amount due from customers presented as an asset	-	-	104.7
Amount due to customers presented as a liability	-	-	30.3
Projects in progress total	773.7	699.2	74.5

31 Dec 2015 MEUR	Net amount of recognised costs, profits and losses	Progress billings	Net
Amount due from customers presented as an asset	-	-	108.8
Amount due to customers presented as a liability	-	-	28.9
Projects in progress total	660.2	580.4	79.8

Customer advances of EUR 29.7 (31 Dec 2015: 24.2) million are included in amounts due to customers.

7. Other operating income and expenses

Other operating income

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Gain on disposal of intangible assets and property, plant and equipment	0.8	2.7
Customer finance related other income	27.2	28.1
Rental income	4.6	4.2
Income due to order cancellations	2.5	0.2
Other income	3.0	5.2
Total	38.1	40.4

Other operating expenses

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Loss on disposal of intangible assets and property, plant and equipment	0.4	0.8
Customer finance related other expenses	26.8	27.6
Expenses due to order cancellations	0.4	1.0
Business combinations related expenses	1.8	0.1
Other expenses	8.4	10.3
Total	37.8	39.8

Audit fees

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Annual audit	2.6	2.6
Tax advice	1.0	1.5
Other services	0.5	0.9
Total	4.0	5.0

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR -1.4 (2015: -3.6) million, of which EUR 1.6 (2015: -7.0) million in sales, EUR -3.1 (2015: 2.8) million in cost of goods sold, and the portion of ineffective hedges and released cash flow hedges related to cancelled projects, EUR 0.2 (2015: 0.7) million in other operating income and expenses.

In addition, operating profit includes EUR 0.9 (2015: 0.4) million of exchange rate differences arising from unhedged sales and purchases, and from hedges of sales and purchases for which hedge accounting is not applied.

8. Restructuring costs

Cargotec's reporting segments have continued restructuring measures in 2016 to improve profitability. In MacGregor, global employee co-operation negotiations completed during 2016 resulted in the decision to reduce 315 person-years globally with the biggest impact on 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. Kalmar consolidates the production of forklift trucks from Sweden to Poland. The change in Lidhult will lead to a permanent reduction of 160

employees and gradual operational closing. Operations of maritime software company INTERSCHALT in Germany, USA and China are re-organised, affecting tens of employees.

The costs arising from restructuring measures have been presented on a separate line in the consolidated statement of income. Restructuring costs have been, based on their nature, recognised in the balance sheet as an impairment to assets, as restructuring provisions or as accruals. Part of the costs has been recognised on accrual basis in the statement of income and also paid during the financial period.

1 Jan–31 Dec 2016 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Employment termination costs	8.2	0.7	10.1	-	19.1
Impairment of non-current assets	4.2	-	1.3	-	5.5
Impairment of inventories	0.3	0.3	4.8	-	5.4
Other restructuring costs *	7.0	0.2	15.3	-	22.5
Total	19.7	1.2	31.6	-	52.5

1 Jan–31 Dec 2015 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Employment termination costs	2.3	0.8	12.5	0.0	15.6
Impairment of non-current assets	-	0.1	0.6	-	0.6
Impairment of inventories	-	0.1	0.0	-	0.1
Other restructuring costs *	0.2	-0.1	1.2	-	1.3
Total	2.5	0.9	14.3	0.0	17.7

* Includes i.a. contract (other than employment contract) termination costs, costs arising from outsourcing or transferring operations to new locations, costs of vacant premises, as well as gains and losses on sale of intangible assets and property, plant and equipment. In 2016 main costs were related to MacGregor's sale of production facility in Germany, MacGregor's re-organisation of office locations in Norway and Kalmar's transfer of forklift trucks production from Sweden to Poland.

9. Personnel expenses

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Wages and salaries	565.1	532.7
Equity-settled share-based payments	2.8	2.8
Cash-settled share-based payments	3.9	2.4
Pension costs	52.4	48.0
Other statutory employer costs	93.1	94.6
Total	717.3	680.4

Pension costs are presented in more detail in note 27, Post-employment benefits. Information on key management compensation is presented in note 33, Related-

party transactions, and information on options granted as well as other share-based incentives in note 25, Share-based payments.

10. Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Cost of goods sold	36.8	36.4
Sales and marketing	13.7	14.5
Research and development	10.8	9.9
Administration	16.7	15.2
Restructuring	5.5	0.6
Other	1.3	-0.1
Total	84.8	76.5

Depreciation and amortisation by asset type

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Intangible assets	29.2	28.7
Buildings	8.6	8.2
Machinery & equipment	40.0	39.0
Total	77.8	76.0

Impairment charges by asset type

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Other intangible assets	0.1	0.0
Property, plant and equipment	6.9	0.6
Total	7.0	0.6

11. Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Interest income on loans receivable and cash and cash equivalents	1.2	1.7
Other financing income	0.6	0.5
Total	1.8	2.2

Financing expenses

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Interest expenses on financial liabilities measured at amortised cost	21.6	22.3
Arrangement and commitment fees relating to interest-bearing loans	1.2	1.6
Forward contracts interest component	6.2	2.6
Other financing expenses	1.3	1.3
Exchange rate differences, net	0.1	1.4
Total	30.5	29.1

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Exchange rate differences on interest-bearing loans and receivables	12.1	-27.4
Exchange rate differences on derivative instruments	-12.3	26.1
Total	-0.1	-1.4

Positive result from cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 3.2 (2015: 3.4) million, has been recorded as adjustment to interest expenses on financial liabilities at amortised cost.

12. Income taxes

Taxes in statement of income

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 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
Total	43.8	43.3

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Income before taxes	169.1	186.2
Tax calculated at Finnish tax rate (20%)	33.6	37.2
Effect of different tax rates in foreign subsidiaries	6.2	2.7
Tax expense for previous years	-1.1	-2.5
Tax exempt income and non-deductible expenses	0.7	10.3
Benefit arising from previously unrecognised tax losses and temporary differences	-2.5	-7.8
Unrecognised current year tax losses and temporary differences	5.6	3.3
Adjustments to previous years' deferred taxes	2.9	-0.4
Effect of changes in tax rates	-1.6	0.3
Income taxes total	43.8	43.3
Effective tax rate, %	25.9	23.3

Taxes relating to components of other comprehensive income

MEUR	1 Jan–31 Dec 2016			1 Jan–31 Dec 2015		
	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Cash flow hedges	3.1	-1.1	2.0	-7.5	0.9	-6.6
Translation differences	-12.4	2.1	-10.3	32.0	-11.0	21.0
Actuarial gains (+)/losses (-) from defined benefit plans	-6.9	1.5	-5.4	3.0	-0.4	2.6
Total other comprehensive income	-16.3	2.6	-13.7	27.5	-10.5	17.1

13. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the company by the weighted average number of shares outstanding during the financial period. The group's dilutive potential ordinary shares relate to equity-settled share-based incentive schemes. The granted shares under the incentive schemes are contingently issuable and, therefore, are considered as options when calculating the diluted earnings per share. Shares and share options are

dilutive when their subscription price, including the value of the employee's yet undelivered service, is lower than the average share price during the reporting period.

Dilutive effect is the difference between the number of shares to be issued and the number of shares that would have been issued at the average price of the reporting period. Further information on the option programme and share-based incentive programmes is available in note 25, Share-based payments.

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Net income attributable to the equity holders of the company, MEUR	126.0	143.0
Weighted average number of shares during financial period, ('000)	64,602	64,568
Basic earnings per share, EUR	1.95	2.21

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Net income attributable to the equity holders of the company, MEUR	126.0	143.0
Weighted average number of shares during financial period, ('000)	64,602	64,568
Effect of stock options, ('000)	-	2
Effect of share-based incentive programmes, ('000)	170	29
Diluted weighted average number of shares during financial period, ('000)	64,772	64,599
Diluted earnings per share, EUR	1.94	2.21

14. Goodwill

MEUR	2016	2015
Book value 1 Jan	976.4	962.9
Translation differences	4.7	13.6
Companies acquired	43.4	0.1
Other changes	-	-0.1
Book value 31 Dec	1,024.5	976.4

Impairment testing of goodwill

MEUR	31 Dec 2016	31 Dec 2015
Kalmar	376.9	342.8
Hiab	208.6	209.4
MacGregor	439.1	424.3
Total	1,024.5	976.4

Goodwill is reviewed for potential impairment whenever there is an indication that the current value may be impaired, or at least annually. Impairment testing of goodwill is carried out by allocating goodwill to the lowest cash generating unit level (CGU) which generates independent cash flows. These levels have been identified according to the operative business organisation to be the reported operating segments. Due to the way the operating segments are managed and organised, it is not possible to define independent cash flows for lower level product divisions.

The recoverable amounts of the cash generating units (CGU) are determined on the basis of value-in-use calculations. The future cash flow projections are based on the strategic plans approved by the top management and the Board of Directors. Cash flow projections cover 5 years, of which the last year is used to define the terminal value. The fifth year is defined by extrapolating it on the basis of average development in the past and during the forecasted planning horizon, taking into account the cyclical nature of the CGU's business. Cash flows beyond the forecast period are projected by using a 2 percent long-term growth rate, that is based on a prudent estimate about the long-term growth rate of the industries.

The key assumptions made by the management in the projections relate to market and profitability outlooks. Future growth estimates are based on information available by external market research institutions on market development and timing of business cycles. Additionally, market share and growth potential in both new equipment and service markets have been taken into account when defining future sales growth. Key factors affecting profitability are sales volume, competitiveness and cost efficiency. The better average profitability of service business means that its relative share of sales also has an impact on profitability. Additionally, in Kalmar and Hiab segments, as well as in MacGregor's offshore business, the utilisation rate of factories and assembly units and their cost competitiveness have a significant impact on profitability. Major restructuring measures

started in 2012 in Kalmar and Hiab have reflected positively to performance and the ongoing profit improvement programmes are expected to further improve the profitability in the coming years. MacGregor has continued its restructuring measures in order to protect profitability in the continuing weak market situation. Cash flow projections also reflect typical working capital build-up in upturns and release during downturns in the Kalmar and Hiab segments. MacGregor's business model, mainly in merchant ship division, ties very limited working capital, but estimated timing of orders and related advances received have been taken into account in cash flow estimates.

The discount rate used in the impairment testing is the weighted average pre-tax cost of capital (WACC) determined for each segment that reflects the total cost of equity and debt, and the market risks related to the segment. Components of WACC are the risk-free interest rate, market risk premium, comparable peer industry beta, gearing and credit spread. The discount rate used in impairment testing has been determined similarly as in 2015. The pre-tax discount rate (WACC) used for Kalmar was 10.0 (2015: 10.8) percent, for Hiab 8.4 (2015: 9.0) percent and for MacGregor 9.1 (2015: 9.7) percent. Discount rates have decreased from previous year mainly because of the decrease in the risk-free rate that is derived from government bond yields.

As a result of the impairment tests performed no impairment loss has been recognised in 2016 or in 2015.

Sensitivity analyses of the key assumptions have been prepared as part of the impairment testing process for each CGU based on three different scenarios. The tested change in the first scenario is an increase of 2 percentage points in the discount rate, in the second scenario a decrease of 10 percentages in sales together with a decrease of 2 percentage points in operating profit margin, and in the third scenario the combined effect of the previous scenarios. The sensitivity analyses performed during 2016 and 2015 have not indicated impairment risk for any of the segments.

15. Other intangible assets

2016 MEUR	Develop- ment costs	Trade- marks	Customer relation- ships	Patents and licences	Intangible assets under construction	Other*	Total
Acquisition cost 1 Jan	59.4	68.9	154.5	76.8	11.8	77.0	448.3
Translation differences	0.8	0.7	5.5	1.2	0.0	-4.1	4.2
Additions	1.7	-	-	1.0	7.6	0.1	10.5
Disposals	-0.2	-	-	-0.9	0.0	-0.7	-1.8
Reclassifications	6.1	-	-	0.2	-11.1	4.9	0.1
Companies acquired and sold	6.5	-	21.8	3.5	-	0.7	32.6
Acquisition cost 31 Dec	74.3	69.6	181.8	81.9	8.4	77.9	493.8
Accumulated amortisation and impairment 1 Jan	-36.7	-7.8	-36.1	-46.9	-	-48.5	-176.0
Translation differences	-0.3	-0.1	-1.5	-0.4	0.0	4.1	1.8
Amortisation during the financial period	-5.9	-1.7	-10.8	-6.0	-0.2	-4.6	-29.2
Impairment charges	-	-	-	-0.1	-	0.0	-0.1
Disposals	0.2	-	-	0.8	-	0.7	1.7
Reclassifications	-	-	-	-0.1	-	0.0	0.0
Companies acquired and sold	-0.4	-	-	-1.0	-	-0.3	-1.7
Accumulated amortisation and impairment 31 Dec	-43.2	-9.6	-48.3	-53.6	-0.2	-48.8	-203.6
Book value 1 Jan	22.7	61.1	118.4	29.8	11.8	28.5	272.4
Book value 31 Dec	31.1	60.0	133.5	28.4	8.2	29.1	290.2

2015 MEUR	Develop- ment costs	Trade- marks	Customer relation- ships	Patents and licences	Intangible assets under construction	Other*	Total
Acquisition cost 1 Jan	58.6	69.3	149.0	74.0	7.2	71.2	429.3
Translation differences	0.8	-0.4	5.5	0.3	0.4	0.8	7.2
Additions	-	-	-	0.7	11.0	0.3	12.1
Disposals	-	-	-	-0.4	-0.6	0.0	-0.9
Reclassifications	0.0	0.0	0.0	1.8	-6.2	4.7	0.3
Companies acquired and sold	-	-	-	0.4	-	-	0.4
Acquisition cost 31 Dec	59.4	68.9	154.5	76.8	11.8	77.0	448.3
Accumulated amortisation and impairment 1 Jan	-30.8	-5.9	-23.7	-41.1	-	-43.3	-144.8
Translation differences	0.1	-0.1	-1.0	-0.4	-	-0.7	-2.2
Amortisation during the financial period	-5.7	-2.1	-11.1	-5.6	-	-4.2	-28.7
Impairment charges	-	-	-	0.0	-	0.0	0.0
Disposals	-	-	-	0.2	-	0.0	0.2
Reclassifications	-0.2	0.4	-0.1	0.0	-	-0.3	-0.3
Companies acquired and sold	-	-	-	-	-	-	-
Accumulated amortisation and impairment 31 Dec	-36.7	-7.8	-36.1	-46.9	-	-48.5	-176.0
Book value 1 Jan	27.8	63.4	125.3	32.8	7.2	27.9	284.4
Book value 31 Dec	22.7	61.1	118.4	29.8	11.8	28.5	272.4

* Other intangible assets include mainly capitalized development and implementation costs for enterprise resource planning (ERP) and IT systems for internal use.

The trademarks have been valued at fair value in connection with the acquisition. Some of the trademarks have been assessed to have indefinite useful lives, including MacGregor. It is estimated that they will create cash flow for an indefinite period. The estimate is based on their global, regional or customer segment specific market leadership and their long history. The MacGregor trademark has been used since the 1930's and it is continuously developed. The trademarks are tested for impairment annually or more frequently if there is an indication that their current value would not be recoverable. The

trademarks with indefinite useful life are tested for impairment as a part of the appropriate cash generating unit (CGU). The process is described in more detail in note 14, Goodwill. The book value of the intangible assets with indefinite useful life amounted to EUR 40.9 (31 Dec 2015: 41.1) million on 31 December 2016.

Other trademarks have been estimated to create cash flow during their useful lives, which varies from 3 to 15 years. These trademarks are amortised on a straight-line basis over their useful lives.

16. Property, plant and equipment

2016 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	21.0	239.8	501.0	3.9	0.3	766.0
Translation differences	0.0	-1.4	-4.8	0.0	0.0	-6.3
Additions	0.3	3.0	53.0	13.5	0.1	70.0
Disposals	-0.2	-0.7	-81.8	-0.7	-	-83.3
Reclassifications	0.2	1.1	4.5	-6.8	-0.3	-1.2
Companies acquired and sold	1.7	6.5	4.3	-	-	12.5
Acquisition cost 31 Dec	23.1	248.3	476.2	9.9	0.1	757.6
Accumulated depreciation and impairment 1 Jan	-1.0	-113.7	-345.2	0.0	-	-459.9
Translation differences	0.0	0.7	2.9	0.0	-	3.6
Depreciation during the financial period	-	-8.6	-40.0	0.0	-	-48.6
Impairment charges	-0.1	-6.4	-0.4	-	-	-6.9
Disposals	0.1	0.3	67.3	-	-	67.7
Reclassifications	-	-0.4	1.5	-	-	1.0
Companies acquired and sold	-	-2.6	-3.2	-	-	-5.8
Accumulated depreciation and impairment 31 Dec	-1.0	-130.7	-317.2	0.0	-	-448.9
Book value 1 Jan	20.0	126.0	155.8	3.8	0.3	306.0
Book value 31 Dec	22.1	117.6	159.0	9.9	0.1	308.6

2015 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	21.4	231.7	487.7	5.2	0.1	746.0
Translation differences	0.3	5.7	8.3	0.3	0.0	14.6
Additions	0.6	2.5	55.4	7.9	0.3	66.7
Disposals	-1.2	-2.3	-43.3	-3.2	-	-50.0
Reclassifications	-	2.1	-7.1	-6.3	0.0	-11.3
Companies acquired and sold	-	-	-	-	-	-
Acquisition cost 31 Dec	21.0	239.8	501.0	3.9	0.3	766.0
Accumulated depreciation and impairment 1 Jan	-0.9	-104.9	-337.0	-0.2	-	-443.1
Translation differences	0.0	-2.6	-7.1	0.0	-	-9.6
Depreciation during the financial period	0.0	-8.2	-39.0	0.0	-	-47.2
Impairment charges	0.0	0.0	-0.7	0.2	-	-0.6
Disposals	-	1.7	29.5	-	-	31.2
Reclassifications	-	0.3	9.1	-	-	9.4
Companies acquired and sold	-	-	-	-	-	-
Accumulated depreciation and impairment 31 Dec	-1.0	-113.7	-345.2	0.0	-	-448.9
Book value 1 Jan	20.5	126.7	150.7	5.0	0.1	302.9
Book value 31 Dec	20.0	126.0	155.8	3.8	0.3	306.0

Finance lease agreements

Property, plant and equipment include capitalised finance leases as follows:

2016 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	5.0	9.6	14.7
Translation differences	-0.3	0.0	-0.3
Additions	0.0	1.3	1.3
Disposals	0.0	-0.2	-0.2
Reclassifications	-0.2	0.1	-0.1
Acquisition cost 31 Dec	4.6	10.9	15.5
Accumulated depreciation and impairment 1 Jan	-4.3	-6.6	-11.0
Translation differences	0.3	0.0	0.3
Depreciation during the financial period	-0.1	-1.4	-1.5
Disposals	-	0.1	0.1
Reclassifications	0.2	0.0	0.1
Accumulated depreciation and impairment 31 Dec	-4.0	-7.9	-11.9
Book value 1 Jan	0.7	3.0	3.7
Book value 31 Dec	0.6	2.9	3.5

2015 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	4.9	8.6	13.4
Translation differences	0.1	0.0	0.1
Additions	0.1	0.8	0.9
Disposals	-0.1	-2.1	-2.1
Reclassifications	-	2.4	2.4
Acquisition cost 31 Dec	5.0	9.6	14.7
Accumulated depreciation and impairment 1 Jan	-4.1	-4.7	-8.8
Translation differences	-0.1	0.0	-0.1
Depreciation during the financial period	-0.2	-1.6	-1.8
Disposals	0.1	2.0	2.1
Reclassifications	0.0	-2.3	-2.4
Accumulated depreciation and impairment 31 Dec	-4.3	-6.6	-11.0
Book value 1 Jan	0.8	3.9	4.7
Book value 31 Dec	0.7	3.0	3.7

Customer finance arrangements

Property, plant and equipment includes machinery and equipment related to customer financing arrangements that have been leased out to customers under operating lease contracts or sold to financing companies under conditions that have prevented immediate revenue recognition. Additional information about the lease receivables related to customer finance arrangements

resulting revenue recognition over time is disclosed in note 32, Leases. Additional information about the advance payments received from financing companies resulting in revenue recognition over time, and the buy-back obligations related to these transactions are disclosed in note 29, Accounts payable and other non-interest-bearing liabilities.

Machinery & equipment MEUR	2016	2015
Acquisition cost 1 Jan	159.9	153.6
Translation differences	-3.0	0.7
Additions	40.4	40.6
Disposals	-40.6	-23.1
Reclassifications	0.0	-11.9
Acquisition cost 31 Dec	156.7	159.9
Accumulated depreciation and impairment 1 Jan	-67.8	-70.8
Translation differences	1.3	-0.7
Depreciation during the financial period	-20.4	-18.5
Disposals	28.2	11.5
Reclassifications	0.5	10.6
Accumulated depreciation and impairment 31 Dec	-58.3	-67.8
Book value 1 Jan	92.1	82.8
Book value 31 Dec	98.4	92.1

17. Associated companies and joint ventures

MEUR	Associated companies		Joint ventures		Total	
	2016	2015	2016	2015	2016	2015
Book value 1 Jan	61.0	60.3	55.7	44.5	116.7	104.8
Translation differences	1.5	0.4	-1.7	3.3	-0.1	3.7
Share of net income *	-4.0	0.4	6.5	2.4	2.5	2.8
Dividend income	-0.1	-0.1	-0.3	-0.4	-0.3	-0.5
Additions	-	-	4.7	5.9	4.7	5.9
Book value 31 Dec	58.5	61.0	64.9	55.7	123.4	116.7

* Entities have no items recognised in the statement of comprehensive income.

Equity-accounted investments in other entities

31 Dec 2016 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%)	
							Parent company	Group
Hymetal S.A.	France	Associated company	5.2	3.4	11.0	0.0	-	40.0
Sanger Metal SP z.o.o.	Poland	Associated company	1.5	1.4	0.5	-0.1	-	30.0
Jumbo Logistics Ltd.	Cyprus	Associated company	0.3	0.0	0.5	0.2	-	30.0
Jiangsu Rainbow Heavy Industries Co., Ltd.	China	Associated company	618.0	287.8	350.8	-53.9	-	7.9
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	21.4	6.3	1.8	-4.4	50.0	50.0
Rainbow-Cargotec Industries Co., Ltd	China	Joint venture	182.5	79.9	140.1	17.9	49.0	49.0
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	6.4	1.5	5.4	0.2	-	25.0

31 Dec 2015 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%)	
							Parent company	Group
Hymetal S.A.	France	Associated company	5.5	3.8	10.8	0.1	-	40.0
Sanger Metal SP z.o.o.	Poland	Associated company	2.2	0.5	0.6	-0.3	-	30.0
Jumbo Logistics Ltd.	Cyprus	Associated company	0.4	0.0	0.5	0.2	-	30.0
Jiangsu Rainbow Heavy Industries Co., Ltd.	China	Associated company	697.1	277.1	326.4	3.9	-	7.5
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	18.3	1.9	1.2	-4.4	50.0	50.0
Rainbow-Cargotec Industries Co., Ltd	China	Joint venture	181.3	93.4	110.9	8.5	49.0	49.0
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	9.2	3.2	10.3	1.1	-	25.0

* The countries of incorporation and of primary operations are the same.

Investments in the entities Jiangsu Rainbow Heavy Industries Co., Ltd. and Rainbow-Cargotec Industries Co., Ltd are classified as material investments due to their size. In addition, Sinotruk Hiab (Shandong) Equipment Co., Ltd. is classified as a material investment due to the amount invested in the joint venture.

Cargotec owns 7.9 (31 Dec 2015: 7.5) percent of Jiangsu Rainbow Heavy Industries Co., Ltd. The ownership has been classified as an associated company because Cargotec has a significant influence in the company due to its significant customership and board representation in the company. Jiangsu Rainbow Heavy Industries Co., Ltd. is Cargotec's strategic partner in the joint venture Rainbow-Cargotec Industries Co., Ltd. The figures recognised in the consolidated statement of income are based on the last 12-month period ending in September because the latest financial statements have not been available.

Rainbow-Cargotec Industries Co., Ltd. was established in 2012. Cargotec's ownership in the company is 49 percent

and the ownership of Cargotec's associated company Jiangsu Rainbow Heavy Industries Co., Ltd. is 51 percent. The management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, parties have rights to the net assets of the arrangement in accordance with their ownership, and control over the arrangement is shared, requiring decisions about relevant activities to be made unanimously. The joint venture Rainbow-Cargotec Industries Co., Ltd. manufactures port and offshore cranes as a strategic partner for Kalmar and MacGregor. The parties to the joint venture are committed to provide funding for the entity, if needed, up to EUR 117 million from which the share of Cargotec is approximately EUR 57 million. At the reporting date, no funding has been needed and this commitment has not been recognised in the financial statements.

Joint venture Sinotruk Hiab (Shandong) Equipment Co., Ltd. has operated from 2014 as Hiab's strategic partner manufacturing and selling truck-mounted cranes. Cargotec and China National Heavy Duty Truck Group

Co., Ltd both own 50 percent of the company. The management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, parties have rights to the net assets of the arrangement in accordance with their investments, and control over the arrangement is shared requiring decisions about relevant activities to be made unanimously. At the reporting date Cargotec has recognised 50 percent of the result of the entity in accordance with the shareholder agreement, and owns 50 (31 Dec 2015: 40.8) percent of the invested capital.

MacGregor and China State Shipbuilding Corporation's (CSSC) Nanjing Luzhou Machine Co., Ltd. (LMC) signed a joint venture contract on 15 September 2016 to form CSSC Luzhou MacGregor Machine Co., Ltd. Subject to all relevant authority approvals, LMC will own 51 percent and MacGregor 49 percent of the new joint venture company that will specialise in marine air compressor technology. At the reporting date, the new entity is in the process of being registered, and MacGregor is committed to invest RMB 3.9 million (EUR 0.5 million) in it. This commitment is not recognised in the financial statements.

Summarised financial information about material associated companies and joint ventures

Summarised balance sheets at 31 Dec MEUR	Jiangsu Rainbow Heavy Industries Co., Ltd.		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
	2016	2015	2016	2015	2016	2015
Non-current assets	257.6	208.5	74.5	70.1	14.0	14.5
Cash and cash equivalents	94.1	137.1	31.2	29.2	3.3	0.7
Other current assets	266.3	351.4	76.9	82.0	4.1	3.1
Total assets	618.0	697.1	182.5	181.3	21.4	18.3
Non-current financial liabilities	8.4	18.5	-	-	-	-
Other non-current liabilities	62.8	45.5	-	-	-	-
Current financial liabilities	40.7	35.9	-	-	4.1	-
Other current liabilities*	175.8	177.2	79.9	93.4	2.2	1.9
Total liabilities	287.8	277.1	79.9	93.4	6.3	1.9
Net assets	330.3	420.0	102.6	87.9	15.1	16.4

* Accounts payable are included in other current liabilities.

Summarised statements of income MEUR	Jiangsu Rainbow Heavy Industries Co., Ltd.		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
	2016	2015	2016	2015	2016	2015
Sales	350.8	326.4	140.1	110.9	1.8	1.2
Depreciation, amortisation and impairments*	-	-	2.5	2.4	1.0	0.9
Financing income*	-	-	-	-	-	0.0
Financing expenses*	-	-	2.4	0.1	-	-
Income before taxes	-48.7	8.1	21.0	9.9	-4.4	-4.4
Income taxes	5.3	4.2	3.2	1.4	-	-
Net income for the period**	-53.9	3.9	17.9	8.5	-4.4	-4.4
Dividends received	-	-	-	-	-	-

* Information not required for associated companies.

** Entities have no items recognised via other comprehensive income.

Reconciliation of summarised information

MEUR	Jiangsu Rainbow Heavy Industries Co., Ltd.		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
	2016	2015	2016	2015	2016	2015
Net assets 1 Jan	420.0	324.0	87.9	74.5	16.4	15.9
Net income for the period	-53.9	3.9	17.9	8.5	-4.4	-4.4
Additions/disposals	-20.9	111.6	-	-	4.7	5.7
Dividends	-	-2.6	-	-	-	-
Translation differences	-14.9	-16.9	-3.1	4.9	-1.6	-0.8
Net assets 31 Dec	330.3	420.0	102.6	87.9	15.1	16.4
Cargotec's share of net assets	26.0	31.3	50.3	43.1	7.5	8.2
Goodwill	31.3	28.5	0.5	0.6	5.3	2.2
Book value	57.3	59.8	50.8	43.7	12.8	10.4

Jiangsu Rainbow Heavy Industries Co., Limited is listed in China at the Shenzhen stock exchange. The fair value of Cargotec's 7.9 percent ownership on 31 December 2016 was EUR 53.3 (31 Dec 2015: 54.0) million. The 2015 fair

value is based on the closing rate of the company's share on 29 Sep 2015 due to the temporary suspension in the trading of its shares.

18. Available-for-sale investments

MEUR	2016	2015
Book value 1 Jan	3.8	3.8
Translation difference	0.0	0.0
Disposals	0.0	-
Book value 31 Dec	3.8	3.8

Available-for-sale investments include shares of unlisted companies. Shares are valued at acquisition cost, as fair values of these assets cannot be measured reliably or the fair value would not significantly differ from the acquisition price.

19. Deferred tax assets and liabilities

Deferred tax assets

MEUR	1 Jan 2016	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2016
Tax losses carried forward	64.5	-8.0	-	0.6	1.1	58.2
Provisions	16.8	-4.3	-	0.2	0.0	12.7
Depreciation differences	46.2	4.7	-	0.1	-	51.0
Pensions	6.5	0.5	1.7	0.1	0.0	8.7
Elimination of intercompany profit	19.9	0.9	-	0.0	-	20.8
Changes in fair value	6.6	5.2	-5.1	0.2	-	6.9
Other temporary differences	62.1	6.3	-	0.7	3.3	72.5
Total	222.6	5.3	-3.4	1.8	4.5	230.8
Offset against deferred tax liabilities *	-39.1	-2.1	0.4	-1.0	-4.1	-45.8
Total, net	183.5	3.3	-2.9	0.8	0.4	185.0

Deferred tax liabilities

MEUR	1 Jan 2016	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2016
Depreciation differences	3.3	-3.0	-	0.2	9.0	9.4
Pensions	0.0	0.3	0.2	0.0	-	0.6
Goodwill amortisations	32.6	0.1	-	1.4	1.9	36.1
Allocations of fair value on acquisitions	22.5	-2.6	-	1.4	0.4	21.7
Research and development costs	0.6	-0.3	-	-	0.4	0.7
Changes in fair value	0.8	4.9	-3.6	0.0	-	2.2
Other temporary differences	51.2	-4.3	-	0.7	0.7	48.3
Total	111.1	-4.8	-3.4	3.6	12.3	118.9
Offset against deferred tax assets *	-39.1	-2.1	0.4	-1.0	-4.1	-45.8
Total, net	72.1	-6.9	-3.0	2.6	8.2	73.1

Deferred tax assets

MEUR	1 Jan 2015	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2015
Tax losses carried forward	65.3	-0.5	-	-0.3	-	64.5
Provisions	15.2	1.0	-	0.6	-	16.8
Depreciation differences	34.2	12.2	-	-0.1	-	46.2
Pensions	6.6	0.3	-0.8	0.3	-	6.5
Elimination of intercompany profit	14.8	5.1	-	-	-	19.9
Changes in fair value	9.0	-2.3	0.2	-0.2	-	6.6
Other temporary differences	57.5	2.3	-	2.3	-	62.1
Total	202.4	18.1	-0.6	2.6	-	222.6
Offset against deferred tax liabilities *	-24.4	-15.1	-0.4	0.8	-	-39.1
Total, net	178.0	3.0	-1.0	3.4	-	183.5

Deferred tax liabilities

MEUR	1 Jan 2015	Charged to the statement of income	Charged to other comprehensive income	Translation difference	Acquired/sold companies	31 Dec 2015
Depreciation differences	7.8	-5.0	-	0.5	-	3.3
Pensions	0.0	0.1	-0.1	0.0	-	0.0
Goodwill amortisations	24.8	4.7	-	3.1	-	32.6
Allocations of fair value on acquisitions	25.8	-1.1	-	-2.2	-	22.5
Research and development costs	0.8	-0.2	-	-	-	0.6
Changes in fair value	2.2	-0.3	-1.3	0.2	-	0.8
Other temporary differences	40.8	10.9	-	-0.5	-	51.2
Total	102.1	9.2	-1.4	1.1	-	111.1
Offset against deferred tax assets *	-24.4	-15.1	-0.4	0.8	-	-39.1
Total, net	77.8	-5.9	-1.8	1.9	-	72.1

* Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company has in its estimates, following the prudence principle, taken into consideration the expiry dates of the tax losses. On 31 December 2016, Cargotec had EUR 53.8 (31 Dec 2015: 51.0) million of tax losses carried forward of which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses of EUR 7.7 (31 Dec 2015: 12.2) million will expire during the next five years and the rest, EUR 46.1

(31 Dec 2015: 38.8) million, have no expiry date or will expire after five years.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that earnings will be distributed in the near future. On 31 December 2016, Cargotec had EUR 1,372.6 (31 Dec 2015: 1,407.0) million of undistributed profits of which no deferred tax liabilities were recognised.

20. Inventories

MEUR	31 Dec 2016	31 Dec 2015
Raw materials and supplies	236.9	226.2
Work in progress	230.1	213.5
Finished goods	156.3	164.3
Advance payments paid for inventories	23.7	51.4
Total	647.0	655.4

Obsolescence provision of inventories to net realisable value was EUR 96.0 (31 Dec 2015: 95.8) million at the end of period.

21. Financial assets and liabilities by measurement category

31 Dec 2016 MEUR	Note	Measured at cost or amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total
Available-for-sale investments	18	3.8	-	-	3.8
Loans receivable and other interest-bearing assets		5.0	-	-	5.0
Derivative assets	30	-	42.0	20.7	62.7
Accounts receivable and other non-interest-bearing receivables	22	679.5	-	-	679.5
Cash and cash equivalents	23	273.2	-	-	273.2
Total financial assets		961.5	42.0	20.7	1,024.2
Interest-bearing liabilities	26	821.9	-	-	821.9
Derivative liabilities	30	-	22.1	12.0	34.1
Other non-interest-bearing liabilities	29	479.8	-	-	479.8
Total financial liabilities		1,301.7	22.1	12.0	1,335.8

31 Dec 2015 MEUR	Note	Measured at cost or amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total
Available-for-sale investments	18	3.8	-	-	3.8
Loans receivable and other interest-bearing assets		4.6	-	-	4.6
Derivative assets	30	-	43.1	28.9	72.0
Accounts receivable and other non-interest-bearing receivables	22	647.9	-	-	647.9
Cash and cash equivalents	23	175.8	-	-	175.8
Total financial assets		832.1	43.1	28.9	904.1
Interest-bearing liabilities	26	836.8	-	-	836.8
Derivative liabilities	30	-	5.4	8.8	14.2
Other non-interest-bearing liabilities	29	420.6	-	-	420.6
Total financial liabilities		1,257.4	5.4	8.8	1,271.6

Financial assets and liabilities measured at fair value through profit and loss include currency forwards, and cross-currency and interest rate swaps that are used to hedge against financial risks but for which no hedge accounting is applied. Fair value changes related to derivatives for which hedge accounting is applied are accumulated in other comprehensive income during hedge accounting and recycled to statement of income when hedge accounting is ceased. The recurring measurement of these instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables. Therefore, these measurements are categorised in the fair value hierarchy as level 2 fair values. Other items are recognised on balance sheet either at cost or at amortised cost and information about

their fair values is presented under each respective note to the extent that the difference between the book value and fair value is significant.

The derivative assets and liabilities are presented at their gross values as the offsetting criteria of IFRS is not met. Cargotec has derivative positions with several banks and related transactions are effected under ISDA agreement that allows to settle on a net basis all outstanding items within the scope of the agreement for example in the event of bankruptcy. At the reporting date, the remaining counterparty risk after net settlement, as allowed by ISDA, was EUR 28.9 (31 Dec 2015: 57.8) million for Cargotec and EUR 0.3 (31 Dec 2015: 0.0) million for the counterparties.

22. Accounts receivable and other non-interest-bearing receivables

MEUR	Note	31 Dec 2016	31 Dec 2015
Non-current			
Non-current non-interest-bearing assets	21	7.9	5.7
Current			
Accounts receivable	21	549.3	522.6
Receivables from construction contracts	21	104.7	108.8
VAT receivable		54.7	71.8
Receivables from service contracts	21	13.6	6.2
Deferred interests	21	4.0	3.9
Other deferred assets		52.5	65.2
Total		778.9	778.4
Total accounts receivable and other non-interest-bearing receivables		786.8	784.1

Ageing analysis of accounts receivable

MEUR	31 Dec 2016	31 Dec 2015
Not due	394.2	387.2
1–90 days overdue	120.2	112.9
91–360 days overdue	31.4	21.6
Over 360 days overdue	3.5	0.9
Total	549.3	522.6

Impairments, included into ageing analysis of accounts receivable

MEUR	31 Dec 2016	31 Dec 2015
1–90 days overdue	0.3	0.4
91–360 days overdue	4.3	11.7
Over 360 days overdue	15.4	8.5
Total	20.0	20.6

23. Cash and cash equivalents

MEUR	31 Dec 2016	31 Dec 2015
Cash at bank and on hand	264.2	172.0
Short-term deposits	9.0	3.8
Total	273.2	175.8

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2016	31 Dec 2015
Cash and cash equivalents	273.2	175.8
Bank overdrafts used	-12.4	-10.9
Cash and cash equivalents in the statement of cash flows	260.8	164.9

24. Equity

Total equity consists of share capital, share premium account, translation differences, fair value reserves, reserve for invested non-restricted equity, retained earnings and non-controlling interest. Share premium account includes the amount exceeding the accounting par value of shares received by the company in connection with share subscriptions if the stock options had been decided on under the old Limited Liability Companies Act (29 Sep 1978/734). Translation differences includes translation differences caused by translation of foreign subsidiaries' financial statements into euro, exchange rate gains and losses from the intercompany loan agreements that form part of a net investment, and effective portion of foreign currency differences arising from hedges of net investment in a foreign operation. Fair value reserve includes hedge accounted component of fair value changes of derivatives under hedge accounting. Reserve for invested non-restricted equity includes transactions with treasury shares and share subscriptions with stock options. Retained earnings include net income for the period less paid dividends and donations

approved by the Annual General Meeting. Additionally, retained earnings include actuarial gains and losses from defined benefit plans, and the cost of equity-settled share-based payments.

Shares and share capital

According to Cargotec's Articles of Association, the company's share capital is divided into class A and class B shares, both without nominal value. Cargotec class B shares are quoted on the Nasdaq Helsinki Ltd. Cargotec's share capital is fully paid up.

In the Shareholders' Meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote. According to the Articles of Association, class B shares earn a higher dividend in dividend distribution than class A shares. The difference between dividends paid on the two classes of shares is a minimum of one (1) cent and a maximum of two and a half (2.5) cents.

Number of shares	Class A shares	Class B shares	Total
Number of shares 1 Jan 2015	9,526,089	54,911,209	64,437,298
Stock options exercised	-	253,774	253,774
Number of shares 31 Dec 2015	9,526,089	55,164,983	64,691,072
Treasury shares 31 Dec 2015	-	-92,700	-92,700
Number of shares outstanding 31 Dec 2015	9,526,089	55,072,283	64,598,372
Number of shares 1 Jan 2016	9,526,089	55,164,983	64,691,072
Stock options exercised	-	17,096	17,096
Number of shares 31 Dec 2016	9,526,089	55,182,079	64,708,168
Treasury shares 31 Dec 2016	-	-265,099	-265,099
Number of shares outstanding 31 Dec 2016	9,526,089	54,916,980	64,443,069

Dividend distribution

After 31 December 2016 the following dividends were proposed by the Board of Directors to be paid: EUR 0.94

per each class A share and EUR 0.95 per outstanding class B share, a total of EUR 61,125,654.66.

25. Share-based payments

Restricted share-based incentive programme

As a part of the total compensation, restricted amount of additional share awards may be granted to selected key employees during 2014–2018. Restricted reward programme is granted annually, and consist of one-year vesting periods subject to earnings criteria that are mainly tied to financial performance targets, and the following one-year lock-up periods. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions is delivered in Cargotec class B shares after the vesting period. If the financial performance threshold levels are not met or participant's employment terminates before the share grants are delivered, no share incentive will be paid. The maximum amount of reward can amount to 100% of participant's annual salary. At the inception of the programme in 2014, the total cost for earnings periods 2014–2016 was estimated at approximately EUR 3 million if the financial performance threshold levels were met by all the participants. The estimated cost of the new additional programme started in 2016 is EUR 1.75 million per year, if the performance threshold levels are met.

- During 2014, restricted share awards were granted to eight persons including Cargotec's CEO, and members of the Executive Board, and the minimum earnings criterion set for the programme was met. The cost of the 2014 programme was EUR 1.7 million.

- During 2015, restricted share awards were granted to eight persons including Cargotec's CEO, and members of the Executive Board, and the minimum earnings criterion set for the programme was met. The cost of the 2015 programme was EUR 1.4 million.
- During 2016, restricted share awards were granted to nine persons including Cargotec's CEO, and members of the Executive Board, and the minimum earnings criterion set for the programme was met.

Share-based incentive programmes 2014–2016

Cargotec's Board of Directors has annually approved a new three-year incentive programme for the key personnel of Cargotec including members of the executive board and other key persons. Vesting periods of programmes consists of two phases. The first phase includes business area specific financial performance targets for the first year, and the second phase consists of an additional earnings multiplier, which is based on total shareholder return (TSR) of Cargotec's class B share at the end of the performance period. The estimated cost of each plan at the grant date is based on the expected outcome of the financial performance targets, expected forfeiture rate, and the expected earnings multiplier at the end of the vesting period that has been estimated by using the Black-Scholes option pricing model. The final amount of reward is a product of the reward earned during the first phase and the multiplier determined during the second phase. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions will be delivered in Cargotec class B shares. Reward is not paid if the first phase earnings criteria is not met, or employment of a participant terminates before the reward is paid.

Summary of the annual incentive programs

	2016	2015	2014
First phase earnings criteria	Operating result, orders received, return on capital employed	Operating result, orders received, return on capital employed	Operating result, orders received, financial performance targets tied to return on capital employed
Second phase additional earnings criteria	Total shareholder return	Total shareholder return	Share price
Range of first phase reward in relation to annual salary	0–120%	0–120%	0–120%
Range of second phase earnings multiplier in relation to phase one reward	100–300%	100–300%	100–300%
Expected total cost of the programme at grant date, MEUR	7.3	6.5	5.6
The highest potential total cost of the programme, MEUR	21.8	19.0	12.0
The number of participants	84	77	56
Participants fulfilling the minimum earnings criteria 31 Dec 2016	64	55	42
Participants fulfilling the minimum earnings criteria 31 Dec 2015	-	62	49

Option programme 2010

In March 2010, Cargotec Corporation's Annual General Meeting decided that stock options will be issued to the key personnel of Cargotec and its subsidiaries as part of Cargotec's rewarding and engagement system. The programme included 2010A, 2010B and 2010C stock options, with 400,000 stock options in each series. Stock options were given free of charge. Each stock option entitles its holder to subscribe for one (1) new class B share in Cargotec. For share subscription to commence, the required attainment of targets established for a financial performance criterion determined by the Board

of Directors was required annually. The Board of Directors decided on the option issuance on an annual basis, in the spring of the years 2010, 2011 and 2012. 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. The share subscription period with 2010A stock options ended 30 April 2015 and with 2010B stock options 30 April 2016. The subscription price adjusted with dividends was EUR 18.05 for stock option 2010A in year 2015 and EUR 27.74 (2015: 28.54) for stock option 2010B in year 2016.

Changes in the number of stock options outstanding

	2010B	2010A
Number of stock options outstanding 1 Jan 2015	20,496	268,222
Exercised stock options	640	253,134
Expired stock options	-	15,088
Number of stock options outstanding 31 Dec 2015	19,856	-
Exercisable stock options 31 Dec 2015	19,856	-
Number of stock options outstanding 1 Jan 2016	19,856	-
Exercised stock options	17,096	-
Expired stock options	2,760	-
Number of stock options outstanding 31 Dec 2016	-	-

Impact of share-base incentives to the consolidated financial statements

Information on share-based payments recognised as expense in the statement of income is presented in

note 9, Personnel expenses. The liability booked for the cash settlement was EUR 6.2 (31 Dec 2015: 2.4) million.

26. Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	Note	31 Dec 2016	31 Dec 2015
Non-current			
Loans from financial institutions		424.7	428.8
Corporate bonds		230.0	337.5
Finance lease liabilities	32	2.1	1.9
Total		656.8	768.1
Current			
Loans from financial institutions		24.7	24.4
Corporate bonds		113.8	-
Commercial papers		-	30.9
Finance lease liabilities	32	1.2	2.5
Other interest-bearing liabilities		13.0	-
Bank overdrafts used		12.4	10.9
Total		165.1	68.7
Total interest-bearing liabilities		821.9	836.8

On 31 December 2016, the average interest rate of long-term loans and corporate bonds after hedging of USD denominated corporate bonds through cross-currency and interest rate swaps into EUR, was 1.9 (31 Dec 2015: 2.3) percent. The average interest rate of short-term loans was 4.6 (31 Dec 2015: 1.9) percent.

The fair values of corporate bonds, presented below, are calculated using discounted cash flows with market rates and Cargotec Corporation's credit risk as discount factors. The fair values of other interest-bearing liabilities are not materially different from their carrying amounts.

Corporate bonds

Loan period	Coupon rate, %	Nominal value	Fair value, MEUR		Book value, MEUR	
			31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
2007–2017	5.6	120.0 MUSD	114.5	113.9	113.8	110.2
2007–2019	5.7	85.0 MUSD	84.9	81.4	80.6	78.0
2014–2020	3.4	150.0 MEUR	159.6	152.9	149.4	149.3

USD denominated Private Placement corporate bonds are hedged through cross-currency and interest rate swaps defined as cash flow hedges. Considering the hedge, Cargotec has no material amounts of interest-bearing debt in foreign currencies.

27. Post-employment benefits

Cargotec has various post-employment benefit plans throughout the world. Pension arrangements are made in accordance with local regulations and practises in line with the defined contribution pension plans or defined benefit pension plans.

The defined benefit arrangements determine the amount of pension to be paid and the benefits to be paid for disability and at termination of employment. The benefits in these arrangements are usually based on the length of employment and the level of final salary.

The main countries having defined benefit plans are Sweden, the United Kingdom and Norway. The most significant plans are in Sweden. The defined benefit pension plans are funded by the relevant group companies to satisfy local statutory funding requirements.

Summary of the impact of post-employment benefits in the financial statements

MEUR	2016	2015
Present value of unfunded obligations	72.4	67.9
Present value of funded obligations	46.7	42.7
Fair value of benefit plan assets	37.7	39.3
Liability in the balance sheet	81.4	71.3
Expense related to defined contribution plans	45.4	41.2
Expense related to defined benefit plans and other post-employment benefits	7.0	6.7
Expense in the statement of income	52.4	48.0
Remeasurement of defined pension benefits and other post-employment benefits	-6.9	3.0
Remeasurement in the statement of comprehensive income	-6.9	3.0

Expected contribution to defined benefit plans during the next reporting period is EUR 2.2 (31 December 2015: EUR 1.6) million. The weighted average duration of the defined benefit obligations was 16.6 (31 December 2015: 17.4) years.

Movement in the net defined benefit obligation over the year

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2016	110.6	-39.3	71.3
Current service cost	4.9	-	4.9
Interest expense (+) / income (-)	3.2	-1.2	2.0
Past service cost	-0.1	-	-0.1
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-1.4	-1.4
Actuarial gain (-) / loss (+) from change in demographic assumptions	-0.1	-	-0.1
Actuarial gain (-) / loss (+) from change in financial assumptions	7.7	-	7.7
Experience adjustment gain (-) / loss (+)	0.7	-	0.7
Foreign exchange rate gains (-) / losses (+)	-0.6	2.8	2.2
Contributions by employer	-	-1.8	-1.8
Contributions by plan participants	-	-0.1	-0.1
Benefits paid	-6.5	2.4	-4.1
Settlements	-0.8	0.8	-0.1
Companies acquired and sold	0.1	-	0.1
31 Dec 2016	119.1	-37.7	81.4

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2015	109.5	-37.9	71.6
Current service cost	4.7	-	4.7
Interest expense (+) / income (-)	3.1	-1.2	1.9
Past service cost	-	-	-
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	0.9	0.9
Gain (-) / loss (+) from change in demographic assumptions	0.0	-	0.0
Gain (-) / loss (+) from change in financial assumptions	-3.1	-	-3.1
Experience adjustment gain (-) / loss (+)	-0.9	-	-0.9
Foreign exchange rate gains (-) / losses (+)	2.1	-1.1	0.9
Contributions by employer	-	-1.8	-1.8
Contributions by plan participants	0.0	-0.2	-0.2
Benefits paid	-4.4	1.9	-2.5
Settlements	-0.2	-	-0.2
Companies acquired and sold	0.0	-	0.0
31 Dec 2015	110.6	-39.3	71.3

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2016	71.3	20.6	9.9	17.4	119.1
2015	66.2	21.1	9.7	13.6	110.6
Fair value of plan assets:					
2016	5.9	19.7	8.0	4.1	37.7
2015	5.9	21.1	7.6	4.7	39.3

Allocation of plan assets

MEUR	2016		2015	
	Quoted	Unquoted	Quoted	Unquoted
Debt instruments	3.1	0.7	0.8	17.3
Investment funds	0.1	11.0	0.1	8.1
Qualifying insurance policies	0.8	4.9	-	5.6
Equity instruments	3.3	0.2	3.5	0.1
Other assets	1.1	12.6	2.9	1.0
Total plan assets	8.4	29.3	7.3	32.1

Plan assets do not include own equity instruments or other assets used by the entity.

Defined benefit plans: applied actuarial assumptions

%	Sweden	United Kingdom	Norway	Other countries*
Discount rate 2016 (2015)	2.7 (3.0)	2.5 (3.6)	2.1 (2.3)	1.9 (1.5)
Expected rate of salary increases 2016 (2015)	2.3 (2.3)	2.8 (3.4)	2.3 (2.5)	2.5 (2.7)
Expected pension growth rate 2016 (2015)	1.5 (1.5)	3.5 (3.3)	2.1 (1.9)	1.5 (1.7)

* Weighted average

The discount rate is determined separately for each plan and where available, the discount rate is based on a yield of high quality corporate bonds that are denominated in the same currency and have length that approximates the plan duration. The discount rate in Sweden is based on Swedish housing market bonds, the discount rate in the

United Kingdom is based on iBoxx quoted for sterling corporate bonds and the discount rate in Norway is based on Norwegian covered bond yields. The discount rate in all euro countries is based on iBoxx quoted for euro bonds and the discount rate in the United States is based on a yield curve provided by Mercer.

Impact of changes in relevant actuarial assumptions to defined benefit obligation

MEUR	2016	2015
Effect of a 0.5%-point increase in the principal assumption would impact the overall liability as follows:		
Discount rate	-7.6	-7.1
Expected rate of salary increases	2.7	2.3
Expected pension growth rate	5.7	4.9
Effect of a 0.5%-point decrease in the principal assumption would impact the overall liability as follows:		
Discount rate	8.6	8.0
Expected rate of salary increases	-2.2	-2.0
Expected pension growth rate	-4.7	-4.4
Effect of 1 year increase in the life expectancy	3.4	3.2
Effect of 1 year decrease in the life expectancy	-3.4	-3.3

The table above summarises the results of the sensitivity analysis prepared separately for each plan, and for each relevant actuarial variable, by an external actuary. The relevant actuarial variables have been identified for each plan based on the actuary's assessment. The sensitivity analysis has been prepared for one variable at a time while holding all other variables constant. Regardless of the actual volatility of the given variable, for presentation purposes the analysis has been prepared by assuming a fixed change in the key variable as indicated in table. Consequently, the purpose of the analysis is not to quantify possible or expected change in the defined benefit obligation but to illustrate the sensitivity of the value of obligation to these variables, the fluctuation of which may deviate from the figures presented in practice.

The analysis above assesses only the pension liability's sensitivity to given variables without considering the plan

assets. Although the changes in the discount rate create the most significant risk to plan based on the sensitivity analysis, in practice, the interest rate sensitivity is partly offset by the plan assets that include investments in bonds. The plan assets also include instruments such as equities and funds that in the near term may be volatile, but on the long run are expected to outperform corporate bond yields. The risks related to asset performance are significant both due to the absolute size of plan assets and due to their relative size compared to plan liability. This risk is mitigated by suitable asset allocation and balancing between risk and return. The defined benefit obligation is determined based on the current best estimate of the life expectancy. If the assumed life expectancy proves to be underestimated, also the recognised plan liability will be insufficient. Uncertainty regarding the reliability of this estimate is also a risk to the plan.

28. Provisions

2016 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	66.0	6.5	8.9	15.0	2.4	98.8
Translation differences	0.8	0.3	0.4	0.4	0.0	1.9
Increases	39.5	4.9	35.4	13.9	2.0	95.7
Companies acquired and sold	0.2	-	-	0.5	0.0	0.7
Provisions used	-12.3	-1.9	-5.0	-7.4	-0.5	-27.2
Reversals of provisions	-13.3	-1.5	-1.6	-2.0	-1.1	-19.4
Total provision 31 Dec	80.9	8.3	38.1	20.3	2.9	150.4

2015 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	56.0	5.2	12.1	28.8	3.0	105.0
Translation differences	2.5	0.5	-0.1	2.7	0.0	5.6
Increases	38.0	4.9	15.9	5.5*	1.1	65.3
Companies acquired and sold	-	-	-	-	-	-
Provisions used	-17.8	-1.4	-16.4	-20.4*	-1.6	-57.5
Reversals of provisions	-12.7	-2.6	-2.6	-1.6	-0.2	-19.7
Total provision 31 Dec	66.0	6.5	8.9	15.0	2.4	98.8

MEUR	31 Dec 2016	31 Dec 2015
Non-current provisions	37.6	22.9
Current provisions	112.8	75.9
Total	150.4	98.8

* The increases and use of provisions related to loss-making contracts in 2015 have been reclassified by EUR 31.4 million.

Provisions for warranties cover the expected expenses related to warranty claims from goods sold in the financial period or earlier with a valid warranty. Warranty periods vary among the products but are mainly from 1 to 2 years.

Provisions for product claims received are made when the value, probability and realisation can be estimated. Provisions are expected to realise mainly within 1–2 years.

Provisions for restructuring are based on plans approved and implemented by the management related to restructuring of operations. Provisions are expected to realise

within 1–2 years. Information on restructuring costs can be found in note 8, Restructuring costs.

Provisions for loss contracts are recognised when it is probable that contract costs will exceed the estimated total contract revenue. The expected loss is recognised as an expense immediately. Provisions for loss contracts in general realise within 1–2 years.

Other provisions include various items, e.g. related to personnel, taxes and legal disputes. More information on estimation of provisions can be found in note 2, Estimates and assumptions requiring management judgement.

29. Accounts payable and other non-interest-bearing liabilities

MEUR	Note	31 Dec 2016	31 Dec 2015
Non-current			
Buy-back obligations from customer finance arrangements	21	44.8	36.8
Other non-interest-bearing liabilities	21	4.7	5.4
Total		49.4	42.3
Current			
Accounts payable	21	408.2	359.9
Accrued salaries, wages and employment costs		56.8	71.3
Late cost reservations		84.6	100.0
Cost accruals related to construction contracts		64.2	63.8
Amount due to customers from construction contracts		30.3	28.9
Advance payments from customer financing arrangements		50.7	43.1
Advance payments from service contracts		18.4	12.7
Accrued interests	21	14.6	14.6
Liabilities related to business combinations	21	7.6	3.9
Share-based incentives		2.3	0.3
Other accrued expenses		198.6	173.5
Total		936.2	872.1
Total accounts payable and other non-interest-bearing liabilities		985.6	914.3

30. Derivatives

31 Dec 2016 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Cross-currency and interest rate swaps	80.6	16.9	-	16.9
Current				
Currency forwards, cash flow hedge accounting	1,311.4	1.6	9.9	-8.4
Currency forwards, net investment hedge accounting	566.4	-	12.2	-12.2
Currency forwards, other	1,700.8	20.7	12.0	8.8
Cross-currency and interest rate swaps	113.8	23.5	-	23.5
Total	3,692.5	45.8	34.1	11.8
Total derivatives	3,773.1	62.7	34.1	28.7

31 Dec 2015 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Currency forwards, cash flow hedge accounting	-	-	-	-
Currency forwards, net investment hedge accounting	-	-	-	-
Currency forwards, other	-	-	-	-
Cross-currency and interest rate swaps	188.3	35.3	-	35.3
Total	188.3	35.3	-	35.3
Current				
Currency forwards, cash flow hedge accounting	1,161.0	7.8	0.6	7.1
Currency forwards, net investment hedge accounting	588.8	-	4.7	-4.7
Currency forwards, other	2,124.7	28.9	8.8	20.1
Cross-currency and interest rate swaps	-	-	-	-
Total	3,874.5	36.7	14.2	22.5
Total derivatives	4,062.8	72.0	14.2	57.8

Cross-currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007 and mature in years 2017–2019. Cash flow hedge accounting is applied to these instruments. Majority of the highly probable cash flows hedged by currency forward contracts realise within 2 years.

The derivatives have been recognised at gross fair values in the 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.

31. 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
Total	218.1	184.2

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

Information regarding operating leases is disclosed in note 32, Leases. It is not anticipated that any material liabilities will arise from the customer finance commitments.

In addition, Cargotec has commitments related to its investments in joint ventures. These commitments are disclosed in note 17, Investments in associated companies and joint ventures.

Contingent liabilities

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. The management believes that the outcome of these disputes will not have a material effect on Cargotec's financial position.

32. Leases

Cargotec as lessee

MEUR	31 Dec 2016	31 Dec 2015
Non-cancellable operating lease payables		
Less than 1 year	34.9	31.8
1–5 years	85.1	69.9
Over 5 years	74.9	64.2
Total	194.9	165.9
Non-cancellable finance lease payables		
Less than 1 year	1.3	2.7
1–5 years	2.1	1.8
Over 5 years	0.1	0.3
Total	3.6	4.8
Present value of non-cancellable finance lease payables		
Less than 1 year	1.2	2.5
1–5 years	1.9	1.6
Over 5 years	0.1	0.3
Total	3.2	4.4
Future finance charges	0.3	0.4

Cargotec leases globally a large part of the properties needed in the operations under non-cancellable operating leases with varying terms and conditions. Cargotec's finance lease obligations mainly include machinery and equipment needed in the operations.

The aggregate operating lease expenses for the financial year totaled EUR 39.5 (2015: 36.6) million.

Cargotec as lessor

MEUR	31 Dec 2016	31 Dec 2015
Non-cancellable operating lease receivables		
Less than 1 year	5.8	8.0
1–5 years	13.8	13.8
Over 5 years	0.8	0.8
Total	20.4	22.6
Non-cancellable finance lease receivables		
Less than 1 year	0.7	0.6
1–5 years	0.6	0.8
Over 5 years	-	-
Total	1.3	1.4
Present value of non-cancellable finance lease receivables		
Less than 1 year	0.6	0.5
1–5 years	0.6	0.7
Over 5 years	-	-
Total	1.1	1.2
Future finance income	0.2	0.2

Cargotec's operating lease receivables mainly relate to container handling and industrial application equipment leased out under contracts with varying duration and other terms.

Rental income recognised in sales from operating leases was EUR 5.4 (2015: 6.2) million.

33. Related-party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties include

also the members of the Board of Directors and the Executive Board, including the CEO. Ilkka Herlin together with Wipunen varainhallinta oy (in Ilkka Herlin's control), Mariatorp Oy (in Niklas Herlin's control) and Pivosto Oy (in Ilona Herlin's control, until 31 Aug 2015 D-sijoitus Oy) exercise through ownership in Cargotec significant influence over the company.

Transactions with associated companies and joint ventures

1 Jan–31 Dec 2016 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	5.4	7.7	13.2
Purchase of products and services	6.0	134.5	140.5

1 Jan–31 Dec 2015 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	4.7	11.4	16.1
Purchase of products and services	6.5	168.2	174.6

Balances with associated companies and joint ventures

31 Dec 2016 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	1.6	2.1	3.7
Accounts payable	1.5	5.8	7.3

31 Dec 2015 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	1.4	3.1	4.5
Accounts payable	0.8	4.0	4.8

Transactions with associated companies and joint ventures are carried out at market price.

Key management compensation

The top management comprises the Board of Directors and the Executive Board. The remuneration paid or payable based on the work performed consists of the following:

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Wages, salaries and other short-term employee benefits	4.6	3.5
Share-based payments	3.1	2.7
Post-employment benefits	0.7	-
Termination benefits	0.5	-
Total	8.9	6.2

The composition of Cargotec's Executive Board has changed during 2015 and 2016. The remuneration of the Executive Board members who left the Board is included in the key management compensation information for the period they were members.

The CEO and members of the Executive Board are participants in the share-based incentive programme 2014–2016. Based on the first phase of 2014 programme, the CEO and three other Executive Board members will be rewarded. The first phase of 2015 programme will reward the CEO and four other Executive Board members and the first phase of 2016 programme will reward the CEO and five other Executive Board members. If employment terminates before the share payment after the second phase of the incentive programme, the participant will lose the right to the share reward. Additionally, the CEO and members of the Executive Board participate to the restricted share-based incentive programme. As the financial targets for the earnings period 2014 were fulfilled, the CEO was rewarded with 10,782 class B shares and other Executive Board members with 11,490 class B shares in spring 2015. These shares were released in spring 2016. As the financial targets for the earnings period 2015 were fulfilled, the CEO was rewarded with 8,097 class B shares and other Executive Board members with 13,174 class B shares in spring 2016. These shares will be released in spring 2017. As the financial targets for the earnings period 2016 were fulfilled, the reward shares will be delivered to the CEO and three other Executive Board members in spring 2017 and released in spring 2018.

Share-based incentive programme 2013 reward was delivered in spring 2014, when the CEO received 3,183 Cargotec class B shares and two other Executive Board members a total of 2,443 class B shares. These shares

were released in two tranches during the year 2015. Further information on the incentive programmes is presented in note 25, Share-based payments.

CEO is entitled to a supplemental defined contribution pension benefit. According to the pension arrangement, the CEO is entitled to retire between age of 60–65. One-time payment of EUR 0.7 million has been paid in full in 2016 to the insurance company administering the CEO's pension benefit. There are no additional costs for Cargotec in relation to the CEO's supplemental pension. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 0.2 (2015: 0.2) million was recorded in year 2016. Other Finnish members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. For the Finnish members of the Executive Board, the statutory retirement age is 63 years in accordance with the legislation in 2016 (new legislation from January 2017 onwards increases the statutory retirement age). Hiab and MacGregor Business Area Presidents have supplemental defined contribution pension plans, following the local market practice in Belgium and the Netherlands. The members of the Executive Board have a period of notice of six months and are entitled to compensation for termination of employment, corresponding to 6 to 12 months' salary.

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's related party on 31 December 2016 or 2015.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Mika Vehviläinen	CEO*	1,689.5	2,536.9
Ilkka Herlin	Chairman of the Board	101.2	101.2
Tapio Hakakari	Vice Chairman of the Board	69.2	71.2
Kimmo Alkio	Member of the Board (as of 22 March 2016)	36.7	-
Jorma Eloranta	Member of the Board	53.0	54.0
Peter Immonen	Member of the Board	53.0	56.0
Antti Lagerroos	Member of the Board (until 22 March 2016)	11.0	52.0
Kaisa Olkkonen	Member of the Board (as of 22 March 2016)	44.7	-
Teuvo Salminen	Member of the Board	70.0	70.0
Anja McAlister (Silvennoinen)	Member of the Board (until 22 March 2016)	12.0	52.0
Heikki Soljama	Member of the Board (as of 22 March 2016)	38.7	-

* In 2016 includes, in addition to the base salary, fringe benefits and short-term incentive payout, also taxable income from the restricted shares programme 2015. In 2015 includes, in addition to the base salary and fringe benefits and short-term incentive payout, also taxable income from the share-based incentive programme 2014 and the option programme 2010.

Further information on share and option right ownership of the Board of Directors and key management is available under Shares and shareholders.

34. Subsidiaries

31 Dec 2016	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Australia Pty Ltd	Australia		100
Cargotec Automation Solutions Australia Pty Ltd	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
MacGregor Australia Pty Ltd	Australia		100
Hiab Austria GmbH	Austria		100
Interhydraulik Zepro GmbH	Austria		100
Kalmar Austria GmbH	Austria		100
Cargotec Caribbean Services Ltd.	Bahamas		100
Cargotec Belgium NV	Belgium	100	100
MacGregor Belgium NV	Belgium		100
Cargotec Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Triplex Chile Ltda.	Chile		95
Cargotec Asia Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
Cargotec (Shanghai) Trading Company Limited	China		100
China Crane Investment Holdings Limited	China		100
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China		100
INTERSCHALT Maritime Systems Trading (Shanghai) Co., Ltd.	China		100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China		100
MacGREGOR (CHN) Ltd	China		100
MacGregor (HKG) Limited	China		100
MacGREGOR (Shanghai) Trading Co., Ltd.	China		100
MacGregor (Tianjin) Co., Ltd	China		100
Hiab d.o.o.	Croatia	100	100
MacGregor Croatia d.o.o.	Croatia		100
HATLAPA (Eastmed) Limited	Cyprus		70
HATLAPA Filtration Technology Ltd.	Cyprus		51
ISMS Holdings Limited	Cyprus		100
MacGregor Cyprus Limited	Cyprus		100
Cargotec Czech Republic s.r.o.	Czech Republic	100	100
MacGregor Denmark A/S	Denmark		100
Zepro Danmark A/S	Denmark		100
Cargotec Estonia AS	Estonia	100	100
Linda Properties OÜ	Estonia		45*
MacGREGOR BLRT Baltic OÜ	Estonia		51
Cargotec Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
Forastar Oy Ab	Finland	100	100
MacGregor Finland Oy	Finland		100
Oy Sisu Ab	Finland	100	100
Hiab France SAS	France	100	100

31 Dec 2016	Country	Shareholding (%) Parent company	Shareholding (%) Group
Kalmar France SAS	France		100
MacGregor France S.A.S.	France		100
SRMP – Société Réunionnais de Maintenance Portuaire	France		51
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
Hiab Germany GmbH	Germany		100
INTERSCHALT Bluedrive GmbH	Germany		100
INTERSCHALT maritime systems GmbH	Germany	100	100
Kalmar Germany GmbH	Germany		100
MacGregor Germany GmbH	Germany		100
MacGregor Hatlapa GmbH & Co. KG	Germany		100
Müller + Blank Software GmbH	Germany		100
MacGregor Greece Ltd	Greece		100
Cargotec India Private Limited	India		100
MacGregor Marine India Private Limited	India		100
PT MacGregor Indonesia	Indonesia		100
Cargotec Engineering Ireland Ltd	Ireland		100
Cargotec Research & Development Ireland Ltd	Ireland		100
Hiab Italia S.r.l.	Italy		100
Kalmar Italia S.r.l.	Italy		100
MacGregor Italy S.r.l.	Italy		100
Cargotec Japan Ltd	Japan		100
MacGregor Japan Ltd	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Cargotec Luxembourg S.a.r.l.	Luxembourg		100
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		70
Hiab Sdn Bhd	Malaysia		100
MacGregor Malaysia Sdn. Bhd.	Malaysia		100
Kalmar Mexico Equipos S.A. de C.V.	Mexico		100
MacGregor PCS Mexico S. de R.L. de C.V.	Mexico		100
Kalmar Maghreb S.A.	Morocco		100
HATLAPA Marine Equipment AS	Norway		100
Hiab Norway AS	Norway		100
Kalmar Holding Norway AS	Norway	100	100
Kalmar Norway AS	Norway		100
MacGregor Holding Norway AS	Norway	50	100
MacGregor MDH AS	Norway		100
MacGregor Norway AS	Norway		100
Cargotec Panama, S.A.	Panama		100
Cargotec Services Panama, S.A.	Panama		100
Cargotec Poland Sp. z.o.o.	Poland		100
MacGregor Poland Sp. z.o.o.	Poland		100
Kalmar Portugal, Unipessoal Lda	Portugal		100
MacGregor Doha WLL	Qatar		49*
Cargotec RUS LLC	Russia		100
Cargotec CHS Pte. Ltd.	Singapore		100
HATLAPA Asia Pacific Pte. Ltd.	Singapore		100
IS Seacos Asia Pte. Ltd	Singapore		100
ISMS Services Pte. Ltd.	Singapore		100

31 Dec 2016	Country	Shareholding (%) Parent company	Shareholding (%) Group
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore		100
MacGREGOR Plimsoll Pte Ltd	Singapore		100
MacGregor Pte Ltd	Singapore	100	100
MacGREGOR (SGP) Pte Ltd.	Singapore		100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
InterElektro, spol. s.r.o.	Slovakia		100
Tagros d.o.o.	Slovenia	100	100
Hiab (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Korea Limited	South Korea		100
MacGregor Korea Ltd	South Korea		100
MacGregor Pusnes Korea Co., Ltd.	South Korea		100
Cargotec Iberia, S.A.	Spain		100
Hiab Cranes, S.L. Unipersonal	Spain		100
Hiab Iberia, S.L.	Spain		100
Cargotec Holding Sweden AB	Sweden	100	100
Cargotec Patenter AB	Sweden		100
Cargotec Patenter HB	Sweden		100
Cargotec Sweden AB	Sweden	100	100
Hiab AB	Sweden		100
Koffert Sverige AB	Sweden		100
MacGregor Sweden AB	Sweden		100
ME Real Estate Ljungby AB	Sweden		100
Siwertell AB	Sweden		100
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Cargotec (Thailand) Co., Ltd.	Thailand		100
Cargotec Holding Netherlands B.V.	The Netherlands	100	100
Hiab Benelux B.V.	The Netherlands		100
Kalmar Netherlands B.V.	The Netherlands		100
MacGregor Netherlands B.V.	The Netherlands		100
MacGregor Netherlands Holding B.V.	The Netherlands		100
Kalmar Turkey Yuk Tasima Sistemleri Anonim irketi	Turkey		100
Cargotec UK Limited	UK		100
Del Equipment (U.K.) Limited	UK		100
Flintstone Technology Limited	UK		51
Hiab Limited	UK	100	100
Kalmar Limited	UK	100	100
MacGregor (GBR) Limited	UK		100
MacGregor Marine Equipment Ltd.	UK		100
P&C Compressor Spares Ltd	UK		100
Player and Cornish Marine Limited	UK		100
Woodfield Rochester Engineering Limited	UK		100
Woodfield Systems Limited	UK		100
Cargotec Ukraine, LLC	Ukraine		100
Bromma Middle East DMCC	United Arab Emirates		100
Kalmar Middle East DMCC	United Arab Emirates		100
MacGregor (ARE) Gulf LLC	United Arab Emirates		49*
MacGregor (ARE) LLC	United Arab Emirates		49*

31 Dec 2016	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Crane and Electrical Services Inc.	USA		100
Cargotec Holding, Inc.	USA	100	100
Cargotec Port Security LLC	USA		100
Hiab USA Inc.	USA		100
IS Maritime Services Corporation	USA		100
Kalmar RT Center LLC	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Inc.	USA		100
MacGregor USA Inc.	USA		100
Navis LLC	USA		100
Waltco Lift Corp.	USA		100

* Cargotec has control of the company based on the shareholders' agreement and thus subsidiary is fully consolidated.

Financial statements of the parent company (FAS)

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Sales		152.4	142.3
Administration expenses	3, 4, 5	-152.9	-138.8
Other operating income		0.0	1.0
Operating loss/profit		-0.5	4.5
Financing income and expenses	6	128.5	104.7
Profit before appropriations and taxes		128.0	109.2
Group contributions		-8.9	56.7
Income taxes	7	-2.2	-11.2
Profit for the period		116.9	154.7

Figures are presented according to the Finnish Accounting Standards (FAS).

Parent company balance sheet

MEUR	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	8	35.8	33.5
Tangible assets	9	0.1	0.1
Investments			
Investments in subsidiaries	10	2,798.5	2,720.5
Investments in joint ventures	10	50.5	45.8
Other investments	10	3.8	3.8
Total non-current assets		2,888.7	2,803.8
Current assets			
Non-current receivables	11, 17	425.8	537.6
Current receivables	12, 17	755.2	915.4
Cash and cash equivalents		191.0	86.9
Total current assets		1,372.0	1,539.9
Total assets		4,260.7	4,343.7

MEUR	Note	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Fair value reserves		0.2	1.0
Reserve for invested non-restricted equity		71.7	78.0
Retained earnings		1,057.8	955.3
Net income for the period		116.9	154.7
Total equity	13	1,408.9	1,351.3
Provisions			
		-	0.1
Liabilities			
Non-current liabilities			
Other non-current liabilities	14, 17	654.8	762.3
Current liabilities	15, 17	2,197.1	2,230.0
Total liabilities		2,851.8	2,992.3
Total equity and liabilities		4,260.7	4,343.7

Figures are presented according to the Finnish Accounting Standards (FAS).

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Operating profit/loss	-1.7	4.5
Adjustments to the operating profit/loss for the period	6.2	4.9
Change in working capital:		
Change in non-interest-bearing receivables	-10.9	10.9
Change in non-interest-bearing payables	6.9	19.7
Interest paid	-21.7	-23.1
Interest received	16.1	20.1
Dividends received	107.7	103.3
Taxes paid	0.0	0.0
Derivatives	53.8	-118.6
Cash flow from operating activities	156.4	21.7
Investments to tangible and intangible assets	-7.7	-6.6
Investments to subsidiaries and other companies	-61.6	-782.9
Proceeds from sales of tangible and intangible assets	-	1.6
Proceeds from sales of group companies	-	2.0
Cash flow from investing activities	-69.3	-785.9
Received and paid group contributions	56.7	10.6
Stock options exercised	0.5	4.6
Acquisition of treasury shares	-7.6	-3.4
Proceeds from sale of treasury shares	0.4	0.2
Increase in loans receivable	-126.1	-822.9
Disbursement of loans receivable	304.5	1,767.1
Proceeds from short-term borrowings	423.5	1,007.3
Repayments of short-term borrowings	-580.2	-1,183.4
Proceeds from long-term borrowings	-	100.0
Repayments of long-term borrowings	-2.5	-105.0
Dividends paid and other distribution of profit	-52.2	-35.3
Cash flow from financing activities	17.0	739.8
Change in cash and cash equivalents	104.2	-24.5
Cash and cash equivalents 1 Jan	86.9	111.3
Cash and cash equivalents 31 Dec	191.0	86.9

Figures are presented according to the Finnish Accounting Standards (FAS).

Notes to the parent company financial statements

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1. Accounting principles for the parent company financial statements

Basis of preparation

Cargotec Corporation's financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Foreign currency-denominated receivables and payables outstanding at the end of the financial period are revaluated at the exchange rate prevailing on the balance sheet date. Exchange rate gains/losses relating to operations are treated as adjustments to sales and costs. Exchange rate gains/losses associated with financial instruments are included in financing income and expenses.

Revenue recognition

Sales primarily include internal service charges. Revenue from the service sales is recognised when the services have been rendered.

Income taxes

Deferred tax assets and liabilities, due to temporary differences between the financial statements and tax accounting are calculated using the future period's enacted tax rate at the closing date. Total deferred tax liability is included in the balance sheet in full and deferred tax asset at the estimated probable asset value.

Income taxes include a tax expense calculated from the taxable income of the period in accordance with the Finnish tax legislation.

Intangible and tangible assets, amortisation and depreciation

Intangible and tangible assets are stated at original acquisition cost less accumulated amortisation and depreciation, and impairment. Amortisation and depreciation are recognised on a straight-line basis in accordance with a predetermined plan based on the estimated useful economic life of assets. The amortisation and depreciation periods based on expected useful economic lives are as follows:

- Intangible assets 3–10 years
- Other capitalised expenditure 5–10 years
- Buildings 25 years
- Machinery and equipment 3–5 years.

Investments

Investments in the group companies and joint ventures are measured at acquisition cost less accumulated impairment. Other investments, for which fair value cannot be measured reliably due to non-existent public markets or

reliable valuation methods, are also mainly measured at acquisition cost less accumulated impairment.

Loans receivable

Loans receivable includes mainly loans to group companies. Loans receivable are initially recognised at fair value, and subsequently measured at amortised cost less impairments in accordance with the effective interest method. Interest income from loans receivable is recognised as financial income based on the effective interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash balances, short-term bank deposits and other short-term liquid investments with maturities up to three months.

Loans payable

Loans payable are initially recognised as a liability on balance sheet at an amount received less transaction costs. Subsequently, loans payable are measured at amortised cost in accordance with the effective interest rate method. Transaction costs and interests are recognised as finance expense by applying the effective interest rate.

Derivative instruments

Derivative instruments are initially recognised in the balance sheet at cost, which equals their fair value, and subsequently they are measured at fair value on each balance sheet date in accordance with the principles of IFRS, as allowed by FAS, and the fair value changes are recognised in the income statement unless hedge accounting is applied. Fair values of currency forward contracts and cross-currency and interest rate swaps are determined by using commonly applied valuation methods and the valuations are based on observable market data for interest rates and currencies. Derivative instruments maturing after 12 months from the balance sheet date are included in the non-current assets and liabilities. Other derivative instruments are included in the current assets and liabilities.

Hedge accounting in accordance with IAS 39 is applied to hedges of cash flows associated with foreign currency denominated loans. To qualify for hedge accounting, the parent company documents the hedge relationship of the derivative instrument and the related hedged item, the company's risk management targets and the hedging strategy. When starting hedge accounting and at least in every interim and annual closing, the company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying asset or cash flow with respect to the hedged risk.

Changes in the fair value of effective cash flow hedges are recognised in fair value reserve of the equity. Ineffective portion is recognised immediately in the income statement. Cumulative gain or loss on the hedge deferred to equity is recognised in the income statement as an adjustment to

the hedged item during the same period when the hedged item is recognised. Changes in the fair value of hedging instruments relating to operative items that no longer are expected to materialise are recognised immediately in the income statement in other operating income/expenses. If the hedging instrument matures, is sold, the contract is revoked or exercised or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument remains in equity and is recognised in the income statement when the underlying operative item materialises.

Changes in the fair values of hedges, for which hedge accounting is not applied, are recognised in the income statement, either in operative income and expenses or financial income and expenses, depending on the hedged item. Changes in all forward contract fair values due to interest rate changes are always directly recognised in financial income and expenses.

Equity

Equity consists of share capital, share premium account, fair value reserves, reserve for invested non-restricted equity and retained earnings, deducted with dividends paid and donations approved at the Annual General Meeting. The amount exceeding the accounting par value of shares received by the company in connection with share subscriptions was recorded in share premium account under the old Limited Liability Companies Act (29 Sep 1978/734). Fair value reserves include the cumulative spot-component of the changes in the fair values of the derivative instruments defined as cash flow hedges. Under the new (effective from 1 Sep 2006) Limited Liability Companies Act (21 Jul 2006/624), when stock options are exercised, the amount received is recorded in reserve for invested non-restricted equity. Changes in treasury shares are recorded in reserve for invested non-restricted equity. The net income for the period is recorded in retained earnings.

Provisions

Statutory provisions are expenses to which the parent company is committed and that are not likely to generate the corresponding revenue, or losses, which are regarded as evident.

2. Financial risk management

The parent company manages the financial risks of the group and operates under the same policies and instructions as the group.

Currency risk

The parent company's treasury function operates as an internal bank for the group's subsidiaries. The parent company's currency exposure originates mainly from foreign currency funding given to subsidiaries and foreign currency loans taken by the parent company. In addition, the currency position includes internal forward agreements with the subsidiaries, external forward agreements, and cross currency swaps. Foreign exchange differences arising from these transactions are booked in the profit and loss statement in the financial items. Furthermore, the parent company invoices the group companies for services provided. Foreign exchange differences from these invoices are booked in the parent company's operational profit.

The parent company's open currency exposure on 31 December 2016 was, in absolute numbers, EUR 17.3 (31 Dec 2015: 6.2) million.

The group has identified a translation risk from Swedish Krona fluctuations that is hedged by the parent company. The impact of the SEK rate to the group's gearing has been hedged with derivatives having a nominal value of EUR 566.4 (31 Dec 2015: 588.8) million. The impact of these derivatives to the parent company's financing income over the period was EUR 23.4 (2015: -4.7) million.

Interest rate risk

The parent company's interest rate risk originates from external loans and internal loans and deposits. The pricing of intercompany transactions is based on transfer pricing rules, and internal interest income and expenses are eliminated on group level. As a result, interest rate risk is not measured separately on parent company level, and the information presented in the consolidated financial statements regarding interest risk and its management is the same for the parent company.

Liquidity and funding risk

The majority of the group's derivatives, loans and cash equivalents belong to the parent company. The maturity structure of these financial liabilities is not separately followed on parent company level, because the information presented in the consolidated financial statements provides a fair view of the liquidity and funding risk. Only account payables and account receivables vary significantly between the parent company and the group.

Credit and counterparty risk

The parent company's account receivables and loan receivables originate mainly from the other group companies, and the parent company is therefore not exposed to a counterparty risk.

External loan receivables on 31 December 2016 were EUR 1.2 (31 Dec 2015: 0.1) million, and cash and equivalents EUR 191.0 (31 Dec 2015: 86.9) million. The parent company's cash and equivalents are held in banks having

a solid credit rating and approved by the Treasury Committee. More information about the credit risk related to derivatives is disclosed in the note 21, Financial instruments by category, in the consolidated financial statements.

Operational risks of the treasury functions

The treasury function operates as part of the parent company, and applies the same risk management goals as the group.

3. Personnel expenses

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Wages and salaries	18.0	15.1
Pension costs	3.3	2.1
Other statutory employer costs	1.2	0.9
Total	22.5	18.1

Pension benefits of personnel are arranged with an external pension insurance company.

Average number of employees

	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Administrative employees	180	160

Key management compensation

Remunerations including fringe benefits paid to members of Cargotec's Board of Directors related to their Board work during the financial period totalled EUR 0.5 (2015: 0.5) million.

The salaries and remunerations paid to the CEO, including base salary, fringe benefits, short-term incentive payout and taxable income from the restricted shares programme 2015 (2015: share-based incentive programme 2014 and option programme 2010), totalled EUR 1.7 (2015: 2.5) million. The CEO is entitled to a supplemental defined contribution pension benefit.

According to the pension arrangement, the CEO is entitled to retire between age of 60–65. One-time payment of EUR 0.7 million has been paid in full in 2016 to the insurance company administering the CEO's pension benefit. There are no additional costs for Cargotec in relation to the CEO's supplemental pension. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 0.2 (2015: 0.2) million was recorded in year 2016.

The key management's compensation is described in more detail in note 33, Related-party transactions in the consolidated financial statements.

4. Amortisation, depreciation and impairment charges

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Planned depreciation and amortisation		
Intangible rights	0.7	0.6
Goodwill	0.4	0.4
Other capitalised expenditure	4.2	3.8
Buildings	-	0.0
Machinery and equipment	0.0	0.0
Total	5.3	4.9

5. Audit fees

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Annual audit	0.4	0.4
Tax advice	0.1	0.2
Other services	0.3	0.3
Total	0.8	0.9

6. Financing income and expenses

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Interest income		
From group companies	13.6	17.4
From third parties	0.2	0.1
Total	13.8	17.5
Other financing income		
From group companies	13.3	14.3
Dividends from group companies	107.7	103.3
Exchange rate differences	22.9	-3.8
Total	143.8	113.9
Interest expenses		
From group companies	-3.5	-2.7
From third parties	-16.6	-18.3
Total	-20.1	-21.0
Other financing expenses		
From group companies	-18.8	-4.6
From third parties	-9.3	-5.4
Total	-28.0	-10.0
Reversals of impairments of investments in subsidiaries	51.0	25.0
Impairments of investments in subsidiaries	-32.0	-20.7
Total financing income and expenses	128.5	104.7

Positive result from cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 3.2 (2015: 3.4) million, has been recorded as adjustment to interest expenses on financial liabilities at amortised cost.

7. Income taxes

MEUR	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Current year tax expense	0.3	0.2
Change in deferred tax asset	1.9	11.0
Total	2.2	11.2

8. Intangible assets

MEUR	Intangible rights	Goodwill	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2016	6.4	2.2	50.1	2.5	61.1
Additions	0.6	-	0.1	6.9	7.6
Disposals	-	-	-0.2	-	-0.2
Transfer between groups	-	-	2.9	-2.9	-
Acquisition cost 31 Dec 2016	7.0	2.2	52.8	6.5	68.4
Accumulated amortisation 1 Jan 2016	4.5	0.9	22.2	-	27.5
Amortisation during the period	0.7	0.4	4.2	-	5.3
Disposals	-	-	-0.2	-	-0.2
Accumulated amortisation and impairments 31 Dec 2016	5.2	1.3	26.2	-	32.7
Book value on 31 Dec 2016	1.8	0.9	26.7	6.5	35.8
Acquisition cost 1 Jan 2015	4.6	2.2	45.8	1.9	54.5
Additions	-	-	-	6.6	6.6
Transfer between groups	1.7	-	4.3	-6.1	-
Acquisition cost 31 Dec 2015	6.4	2.2	50.1	2.5	61.1
Accumulated amortisation 1 Jan 2015	3.9	0.4	18.3	-	22.7
Amortisation during the period	0.6	0.4	3.8	-	4.8
Accumulated amortisation 31 Dec 2015	4.5	0.9	22.2	-	27.5
Book value 31 Dec 2015	1.9	1.3	27.9	2.5	33.5
MEUR				2016	2015
Undepreciated capitalised interest				0.2	0.2

Capitalised interest relate to an ERP project and they are included in other capitalised expenditure. Capitalised

interest are depreciated according to the depreciation plan for other capitalised expenditure.

9. Tangible assets

MEUR	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan 2016	-	-	1.1	0.1	1.2
Additions	-	-	0.1	-	0.1
Acquisition cost on 31 Dec 2016	-	-	1.2	0.1	1.3
Accumulated depreciation on 1 Jan 2016	-	-	1.1	0.1	1.1
Depreciation during the period	-	-	0.0	-	0.0
Accumulated depreciation on 31 Dec 2016	-	-	1.1	0.1	1.2
Book value on 31 Dec 2016	-	-	0.1	0.0	0.1
Acquisition cost on 1 Jan 2015	0.4	0.4	1.1	0.1	2.0
Disposals	-0.4	-0.4	-	-	-0.8
Acquisition cost on 31 Dec 2015	-	-	1.1	0.1	1.2
Accumulated depreciation on 1 Jan 2015	-	0.1	1.0	0.1	1.2
Depreciation during the period	-	0.0	0.0	-	0.1
Disposals	-	-0.1	-	-	-0.1
Accumulated depreciation on 31 Dec 2015	-	-	1.1	0.1	1.1
Book value on 31 Dec 2015	-	-	0.1	0.0	0.1

10. Investments

MEUR	2016	2015
Investments in subsidiaries		
Acquisition cost 1 Jan	2,861.6	2,081.8
Accumulated impairments 1 Jan	-141.0	-145.3
Additions	59.0	782.7
Disposals	-	-2.9
Reversals of impairments / impairments	19.0	4.3
Book value 31 Dec	2,798.5	2,720.5

MEUR	2016	2015
Investments in joint ventures		
Acquisition cost 1 Jan	45.8	40.0
Additions	4.7	5.9
Book value 31 Dec	50.5	45.8

MEUR	2016	2015
Other investments		
Acquisition cost 1 Jan	3.8	3.8
Book value 31 Dec	3.8	3.8

Subsidiary companies' full name, country of domicile and parent company's shareholding are disclosed in note 34, Subsidiaries, in the consolidated financial statements.

11. Non-current receivables

MEUR	31 Dec 2016	31 Dec 2015
Loans receivable from group companies	407.1	499.8
Loans receivable from others	1.2	-
Deferred tax asset	0.6	2.5
Derivative assets	16.9	35.3
Total	425.8	537.6

12. Current receivables

MEUR	31 Dec 2016	31 Dec 2015
From group companies		
Loans receivable	616.3	723.2
Accounts receivable	7.5	12.9
Derivative assets	53.5	69.0
Deferred assets	17.2	60.3
Total	694.5	865.4
From third parties		
Loans receivable	-	0.1
Accounts receivable	0.0	0.0
Derivative assets	45.5	36.5
Deferred assets	15.1	13.4
Total	60.7	50.0
Total current receivables	755.2	915.4

13. Equity

MEUR	2016	2015
Restricted equity		
Share capital 1 Jan	64.3	64.3
Share capital 31 Dec	64.3	64.3
Share premium account 1 Jan	98.0	98.0
Share premium account 31 Dec	98.0	98.0
Fair value reserves 1 Jan	1.0	0.7
Cash flow hedges	-1.0	0.4
Change in deferred taxes	0.2	-0.1
Fair value reserve 31 Dec	0.2	1.0
Total restricted equity	162.5	163.3
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	78.0	75.9
Acquisition of treasury shares	-7.6	-3.4
Proceeds from sale of treasury shares	0.8	0.9
Stock options exercised	0.5	4.6
Reserve for invested non-restricted equity 31 Dec	71.7	78.0
Retained earnings 1 Jan	1,110.0	990.6
Dividends paid	-51.6	-35.3
Donations	-0.6	-
Retained earnings 31 Dec	1,057.8	955.3
Profit for the period	116.9	154.7
Total non-restricted equity	1,246.4	1,188.0
Total equity	1,408.9	1,351.3
Distributable equity	1,246.4	1,188.0

14. Non-current liabilities

MEUR	31 Dec 2016	31 Dec 2015
Corporate bonds	230.0	337.5
Loans from financial institutions	424.7	424.5
Deferred tax liability	0.1	0.3
Total non-current liabilities	654.8	762.3

Maturity after 5 years

MEUR	31 Dec 2016	31 Dec 2015
Loans from financial institutions	16.6	58.7
Total	16.6	58.7

The fair values of corporate bonds, presented below, are calculated using discounted cash flows with market rates and Cargotec Corporation's credit risk as discount factors. The fair values of other interest-bearing liabilities are not materially different from their carrying amounts.

Corporate bonds

Loan period	Coupon rate, %	Nominal value	Book value, MEUR	
			31 Dec 2016	31 Dec 2015
2007–2017	5.6	120.0 MUSD	113.8	110.2
2007–2019	5.7	85.0 MUSD	80.6	78.0
2014–2020	3.4	150.0 MEUR	149.4	149.3

USD denominated Private Placement corporate bonds are hedged through cross-currency and interest rate swaps defined as cash flow hedges. Considering the hedge, Cargotec has no material amounts of interest-bearing debt in foreign currencies. The corporate bond maturing in 2017 is included in current liabilities.

15. Current liabilities

MEUR	31 Dec 2016	31 Dec 2015
To group companies		
Loans from group companies	1,962.3	2,088.1
Accounts payable	13.3	12.3
Derivative liabilities	13.0	31.5
Accruals	16.1	13.7
Total	2,004.7	2,145.6
To third parties		
Corporate bonds	113.8	-
Loans from financial institutions	-	2.5
Commercial papers	-	30.9
Bank overdrafts used	0.0	1.4
Accounts payable	13.5	8.7
Derivative liabilities	34.0	14.0
Accruals	31.0	26.9
Total	192.4	84.5
Total current liabilities	2,197.1	2,230.0

Accruals

MEUR	31 Dec 2016	31 Dec 2015
Accrued salaries, wages and employment costs	6.0	4.9
Accrued interests	14.6	14.4
Other accruals	26.4	21.2
Total	47.0	40.6

16. Commitments

MEUR	31 Dec 2016	31 Dec 2015
Security for guarantees		
Guarantees given on behalf of group companies	424.3	494.1
Contingencies		
Rental commitments given on behalf of others	1.7	2.0
Leasing commitments		
Maturity within the next financial period	2.0	2.1
Maturity after next financial period	2.1	2.2
Total	5.8	6.3

17. Derivatives

Fair values of derivative financial instruments

31 Dec 2016 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	53.5	13.0	40.5
Currency forward contracts	21.9	33.8	-12.0
Cross-currency and interest rate swaps	40.5	-	40.5
Total	115.9	46.9	69.0

31 Dec 2015 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	69.0	31.5	37.5
Currency forward contracts	36.5	14.0	22.5
Cross-currency and interest rate swaps	35.3	-	35.3
Total	140.7	45.5	95.3

Nominal values of derivative financial instruments

MEUR	31 Dec 2016	31 Dec 2015
Intra-group currency forward contracts	2,463.3	2,436.9
Currency forward contracts	3,563.7	3,853.5
Cross-currency and interest rate swaps	194.5	188.3
Total	6,221.5	6,478.7

Cross-currency and interest rate swaps hedge the US Private Placement corporate bond funded in February 2007 and mature in years 2017–2019. Cash flow hedge accounting is applied to these instruments. Majority of the highly probable cash flows hedged by currency forward contracts realise within two years.

The derivatives have been recognised at gross fair values in the 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.

Key figures

Key financial figures

Consolidated statement of income		2016	2015	2014	2013	2012
Sales	MEUR	3,514	3,729	3,358	3,181	3,327
Exports from and sales outside Finland	MEUR	3,451	3,673	3,307	3,131	3,260
Operating profit	MEUR	198	213	127	93	131
% of sales	%	5.6	5.7	3.8	2.9	3.9
Operating profit excluding restructuring costs	MEUR	250	231	149	127	158
% of sales	%	7.1	6.2	4.4	4.0	4.7
Income before taxes	MEUR	169	186	98	79	123
% of sales	%	4.8	5.0	2.9	2.5	3.7
Net income for the period	MEUR	125	143	72	55	89
% of sales	%	3.6	3.8	2.1	1.7	2.7

Other key figures		2016	2015	2014	2013	2012
Wages and salaries	MEUR	571	538	506	460	452
Depreciation, amortisation and impairment	MEUR	85	77	81	77	70
Capital expenditure in intangible assets and property, plant and equipment	MEUR	40	38	38	69	76
Capital expenditure in customer financing	MEUR	40	41	42	39	34
Capital expenditure total % of sales	%	2.3	2.1	2.4	3.4	3.3
Cash flow from operations	MEUR	373	315	204	181	97
Research and development costs	MEUR	91	83	67	63	75
% of sales	%	2.6	2.2	2.0	2.0	2.3
Equity	MEUR	1,397	1,342	1,214	1,239	1,219
Total assets	MEUR	3,736	3,571	3,652	3,336	3,298
Interest-bearing net debt ¹	MEUR	503	622	719	578	478
Return on equity	%	9.1	11.2	5.9	4.5	7.5
Return on capital employed	%	8.8	9.8	6.2	5.0	8.2
Total equity / total assets	%	39.1	39.8	35.9	39.5	40.8
Gearing ¹	%	36.0	46.4	59.2	46.7	39.2
Orders received	MEUR	3,283	3,557	3,599	3,307	3,058
Order book	MEUR	1,783	2,064	2,200	1,980	2,021
Average number of employees		11,193	10,772	10,838	10,210	10,522
Number of employees 31 Dec		11,184	10,837	10,703	10,610	10,294
Dividends	MEUR	61 ²	52	35	27	44

¹ Including cross-currency hedging of the 205 (31 Dec 2012–31 Dec 2013: 300 and 31 Dec 2014–31 Dec 2015: 205) million USD Private Placement corporate bonds. Additional information is disclosed in Capital structure management section under note 3, Financial risk management.

² Board's proposal.

Share-related key figures

		2016	2015	2014	2013	2012
Earnings per share						
Basic earnings per share	EUR	1.95	2.21	1.11	0.89	1.45
Diluted earnings per share	EUR	1.94	2.21	1.11	0.89	1.45
Equity per share						
Equity per share	EUR	21.65	20.73	18.76	19.18	19.80
Dividend per class B share	EUR	0.95 ⁴	0.80	0.55	0.42	0.72
Dividend per class A share	EUR	0.94 ⁴	0.79	0.54	0.41	0.71
Dividend per earnings, class B share	%	48.7 ⁴	36.1	49.6	47.1	49.7
Dividend per earnings, class A share	%	48.3 ⁴	35.7	48.7	46.0	49.1
Effective dividend yield, class B share	%	2.2 ⁴	2.3	2.2	1.6	3.6
Price per earnings, class B share	EUR	22.0	15.6	23.0	30.4	13.8
Development of share price, class B share						
Average share price	EUR	34.31	31.58	27.65	24.49	22.70
Highest share price	EUR	43.35	37.37	34.67	29.69	33.62
Lowest share price	EUR	24.30	23.70	20.57	19.35	15.65
Closing price at the end of period	EUR	42.89	34.50	25.55	27.09	19.95
Market capitalisation 31 Dec ¹	MEUR	2,762	2,228	1,647	1,743	1,223
Market capitalisation of class B shares 31 Dec ²	MEUR	2,355	1,900	1,403	1,484	1,034
Trading volume, number of class B shares traded						
Trading volume, number of class B shares traded	('000)	42,653	58,340	53,641	41,105	64,275
Trading volume, number of class B shares traded	%	73.9	104.5	96.0	74.0	118.8
Weighted average number of class A shares ³						
Weighted average number of class A shares ³	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares 31 Dec ³	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares ²						
Weighted average number of class B shares ²	('000)	55,076	55,042	54,861	51,995	51,819
Number of class B shares 31 Dec ²	('000)	54,917	55,072	54,911	54,789	51,819
Diluted weighted average number of class B shares ²						
Diluted weighted average number of class B shares ²	('000)	55,246	55,072	54,949	52,082	51,819

Trading information is based on Nasdaq Helsinki Ltd. statistics.

- 1 Including class A and B shares, excluding treasury shares.
- 2 Excluding treasury shares.
- 3 No dilution on class A shares.
- 4 Board's proposal.

Calculation of key figures

Return on equity (%)	=	100 x $\frac{\text{Net income for period}}{\text{Total equity (average for period)}}$
Return on capital employed (%)	=	100 x $\frac{\text{Income before taxes + interest and other financing expenses}}{\text{Total assets – non-interest-bearing debt (average for period)}}$
Total equity / total assets (%)	=	100 x $\frac{\text{Total equity}}{\text{Total assets – advances received}}$
Gearing (%)	=	100 x $\frac{\text{Interest-bearing debt* - interest-bearing assets}}{\text{Total equity}}$
Basic earnings / share	=	$\frac{\text{Net income attributable to the equity holders of the company}}{\text{Average number of outstanding shares during period}}$
Diluted earnings / share	=	$\frac{\text{Net income attributable to the equity holders of the company}}{\text{Average number of diluted outstanding shares during period}}$
Equity / share	=	$\frac{\text{Total equity attributable to the equity holders of the company}}{\text{Number of outstanding shares at the end of period}}$
Dividend / share	=	$\frac{\text{Dividend for financial period}}{\text{Number of outstanding shares at the end of period}}$
Dividend / earnings (%)	=	100 x $\frac{\text{Dividend for financial period / share}}{\text{Basic earnings / share}}$
Effective dividend yield (%)	=	100 x $\frac{\text{Dividend / share}}{\text{Closing price for the class B share at the end of period}}$
Price / earnings (P/E)	=	$\frac{\text{Closing price for the class B share at the end of period}}{\text{Basic earnings / share}}$
Average share price	=	$\frac{\text{EUR amount traded during period for the class B share}}{\text{Number of class B shares traded during period}}$
Market capitalisation at the end of period	=	Number of class B shares outstanding at the end of period x closing price for the class B share at the end of period + Number of class A shares outstanding at the end of period x closing day average price for the class B share
Trading volume	=	Number of class B shares traded during period
Trading volume (%)	=	100 x $\frac{\text{Number of class B shares traded during period}}{\text{Average weighted number of class B shares during period}}$

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

Key exchange rates for the Euro

Closing rate	31 Dec 2016	31 Dec 2015
SEK	9.553	9.190
USD	1.054	1.089

Average rate	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
SEK	9.450	9.341
USD	1.102	1.113

Shares and shareholders

Cargotec Corporation's class B shares are quoted on the Nasdaq Helsinki Large Cap list since 1 June 2005. The trading code is CGCBV. The shares are registered in the

book-entry securities system maintained by Euroclear Finland Ltd., which also maintains the official shareholder register of Cargotec Corporation.

Share-related key figures 2012–2016, EUR

	2016	2015	2014	2013	2012
Basic earnings per share	1.95	2.21	1.11	0.89	1.45
Equity per share	21.65	20.73	18.76	19.18	19.80
Dividend per class B share	0.95*	0.80	0.55	0.42	0.72
Dividend per class A share	0.94*	0.79	0.54	0.41	0.71
Effective dividend yield, class B share, %	2.2*	2.3	2.2	1.6	3.6
Price per earnings, class B share	22.0	15.6	23.0	30.4	13.8
Development of share price, class B share					
Average share price	34.31	31.58	27.65	24.49	22.70
Highest share price	43.35	37.37	34.67	29.69	33.62
Lowest share price	24.30	23.70	20.57	19.35	15.65
Closing price at the end of period	42.89	34.50	25.55	27.09	19.95

* Board's proposal

Shares and share capital

Cargotec has two classes of shares, of which class B shares are listed and class A shares are unlisted. At the Annual General Meeting, each class A share is assigned one vote, as is each block of ten class B shares, with the provision that each shareholder is entitled to at least one vote. The total number of votes attached to all shares was 15,041,877 at the end of 2016.

There were no changes in Cargotec Corporation's share capital in 2016. On 31 December 2016, the share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 55,182,079 class B shares and 9,526,089 class A shares. During the financial period, the number of class B shares grew by 17,096 shares subscribed with 2010B option rights. The entire subscription price of EUR 474,243.04 was credited to the reserve for invested non-restricted equity. As a consequence, Cargotec's share capital remained unchanged.

Dividend distribution

In dividend distribution, class B shares earn a higher dividend than class A shares. The difference between dividends paid on the two classes of shares is a minimum of one (1) cent and a maximum of two and a half (2.5) cents.

Dividend proposal

The Board of Directors proposes to the Annual General Meeting (AGM), that of the distributable profit, a dividend of EUR 0.94 for each class A shares and EUR 0.95 for each class B shares outstanding be paid for the financial year 2016.

Own shares and share issue

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 to be used as reward payments for Cargotec's share-based incentive programmes.

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.

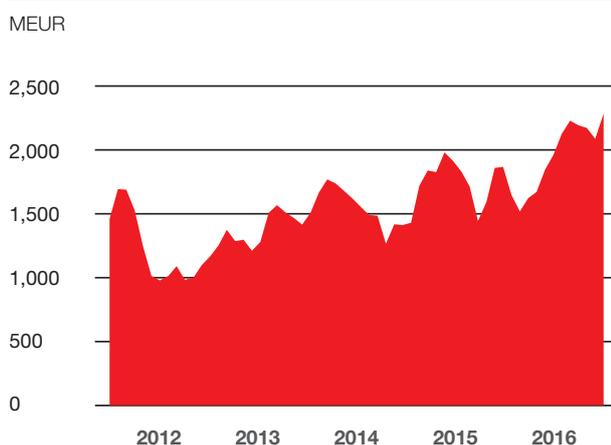
At the end of 2016, Cargotec held a total of 265,099 own class B shares, accounting for 0.41 percent of the total number of shares and 0.18 percent of the total number of votes, and the number of outstanding class B shares totalled 54,916,980.

Share price development and trading

In 2016, Cargotec's class B share price rose 24 percent, from EUR 34.50 to EUR 42.89. Over the same period, the OMX Helsinki Benchmark Cap Index rose 10 percent.

At the end of 2016, the total market value of class B shares, calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 2,355 (31 Dec 2015: 1,900) million, excluding own shares held by the company. Cargotec's 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 year, was EUR 2,762 (2,228) million, excluding own shares held by the company.

Market capitalisation, class B shares



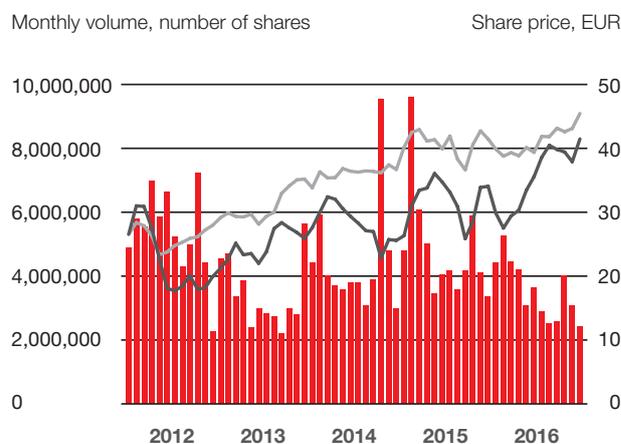
The class B share closed at EUR 42.89 (34.50) on the last trading day of 2016. The highest quotation for 2016 was EUR 43.35 (37.37) and the lowest EUR 24.30 (23.70). The volume weighted average price for the financial period was EUR 34.31 (31.58).

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. The average daily trading volume of class B shares was 168,590 (232,429) shares or EUR 6 (7) million.

In addition, according to Fidessa, a total of 68 (62) million class B shares were traded in several alternative marketplaces, such as BATS Chi-X CXE and BATS OTC, corresponding to a turnover of EUR 2,334 (1,966) million.

Information on the Cargotec class B share price is available on Cargotec's website www.cargotec.com/investors

Share price and volume



- Monthly volume in Nasdaq Helsinki Ltd
- Monthly volume weighted average price
- OMXHB Cap indexed monthly closing price

Shareholders

At the end of 2016, Cargotec had 22,068 (31 Dec 2015: 24,705) registered shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin was the largest owner when including shares owned directly as well as through companies in which a controlling interest is held. There were 16,622,504 (13,127,208) nominee-

registered shares, representing 25.69 (20.29) percent of the total number of shares, which corresponds to 11.05 (8.73) percent of all votes.

A monthly updated list of major shareholders is available on Cargotec's website at www.cargotec.com/investors.

Major shareholders on 31 December 2016

Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1 Ownership of Ilkka Herlin, total	2,940,067	6,207,197	9,147,264	14.14	3,560,786	23.67
Wipunen varainhallinta oy	2,940,067	6,200,000	9,140,067	14.13	3,560,067	23.67
Herlin Ilkka, direct ownership		7,197	7,197	0.01	719	0.00
2 Mariatorp Oy (in Niklas Herlin's controlling power)	2,940,067	5,000,000	7,940,067	12.27	3,440,067	22.87
3 Pivosto Oy (in Ilona Herlin's controlling power)	2,940,067	3,850,000	6,790,067	10.49	3,325,067	22.11
4 Kone Foundation	705,888	1,232,454	1,938,342	3.00	829,133	5.51
5 The State Pension Fund		1,109,000	1,109,000	1.71	110,900	0.74
6 Ilmarinen Mutual Pension Insurance Company		861,953	861,953	1.33	86,195	0.57
7 Varma Mutual Pension Insurance Company		500,098	500,098	0.77	50,009	0.33
8 Nordea Finland Fund		486,403	486,403	0.75	48,640	0.32
9 Keva		466,910	466,910	0.72	46,691	0.31
10 Herlin Heikki		400,000	400,000	0.62	40,000	0.27
11 Sigrid Jusélius Foundation		367,600	367,600	0.57	36,760	0.24
12 SEB Finlandia Investment Fund		365,875	365,875	0.57	36,587	0.24
13 Svenska litteratursällskapet i Finland r.f.		344,800	344,800	0.53	34,480	0.23
14 Nordea Pro Finland Fund		328,849	328,849	0.51	32,884	0.22
15 OP-Finland Small Firms Fund		326,322	326,322	0.50	32,632	0.22
16 Fondita Nordic Small Cap Investment Fund		290,000	290,000	0.45	29,000	0.19
17 Nurminen Hanna		270,268	270,268	0.42	27,026	0.18
18 Cargotec Corporation		265,099	265,099	0.41	26,509	0.18
19 Evli Finnish Small Cap Fund		252,872	252,872	0.39	25,287	0.17
20 OP-Finland Value Fund		233,519	233,519	0.36	23,351	0.16
Total	9,526,089	23,159,249	32,685,308	50.51	11,842,004	78.74
Nominee registered			16,622,504			
Other owners			15,400,356			
Total number of shares issued on 31 Dec 2016			64,708,168			

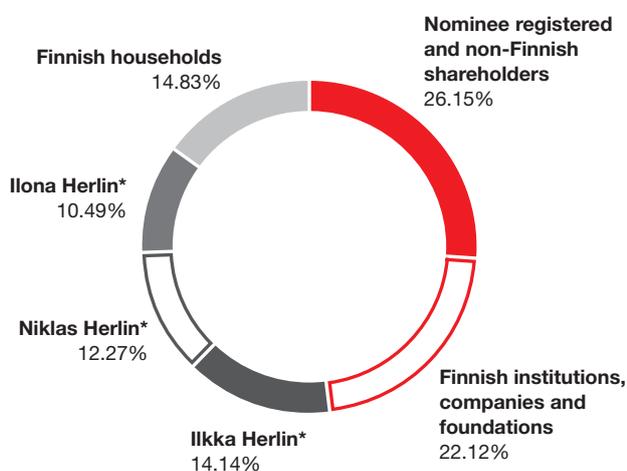
Based on ownership records of Euroclear Finland Ltd.

Breakdown of share ownership on 31 December 2016

Number of shares	Number of shareholder	% of shareholders	Total shares	% of total number of shares
1–100	10,092	45.73	540,031	0.83
101–500	8,333	37.76	2,112,131	3.26
501–1,000	1,830	8.29	1,402,118	2.17
1,001–10,000	1,621	7.35	4,439,579	6.86
10,001–100,000	151	0.68	4,553,483	7.04
100,001–1,000,000	33	0.15	8,251,900	12.75
over 1,000,000	7	0.03	43,138,481	66.67
Total	22,067	100.00	64,437,723	99.58
of which nominee registered	10			
In the joint book-entry account			5,346	0.01
Number of outstanding shares on 31 Dec 2016			64,443,069	99.59
Own shares on 31 Dec 2016	1		265,099	0.41
Total number of shares on 31 Dec 2016			64,708,168	100.00

Based on ownership records of Euroclear Finland Ltd.

Breakdown by shareholder category on 31 December 2016



*Ownership information includes shares owned directly as well as through companies under controlling power

Based on ownership records of Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2016, the aggregate shareholding of the Board of Directors, the CEO and companies in which they have a controlling interest was 2,940,067 (31 Dec 2015: 2,940,067) class A shares and 6,489,623 (6,492,309) class B shares, which correspond to 14.57 (14.58) percent of the total number of all shares and 23.86 (23.87) percent of all votes.

The CEO Mika Vehviläinen is covered by the share-based incentive programmes 2014, 2015 and 2016.

Additional information:

Corporate Governance statement 2016, pdf
CVs of Board members (Cargotec.com)
CVs of Executive Board members (Cargotec.com)
Remuneration statement 2016, pdf

Signatures for Board of Directors' report and financial statements

Helsinki, 7 February 2017

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board

Jorma Eloranta
Member of the Board

Peter Immonen
Member of the Board

Kimmo Alkio
Member of the Board

Kaisa Olkkonen
Member of the Board

Teuvo Salminen
Member of the Board

Heikki Soljama
Member of the Board

Mika Vehviläinen
CEO

Our Auditor's report has been issued today.

Helsinki, 7 February 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Tomi Hyryläinen
Authorised Public Accountant

Auditor's Report

(Translation from the Finnish Original)

To the Annual General Meeting of Cargotec Oyj

Report on the audit of the financial statements

Opinion

In our opinion,

- the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Cargotec Oyj (Business ID: 1927402-8) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, which include a summary of significant accounting policies; and
- the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

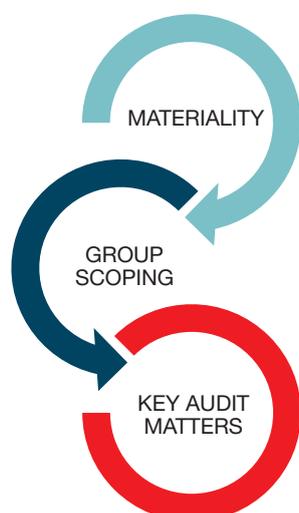
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Finland, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality

- We have applied an overall group materiality of EUR 14 million.

Group scoping

- The group audit scope includes all significant operating companies, as well as a large number of smaller companies, covering the vast majority of revenues, assets and liabilities.

Key audit matters

- Revenue recognition of long-term contracts
- Valuation of goodwill
- Accounting for restructuring provisions and costs
- Valuation of inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to

fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	EUR 14 million
How we determined it	Net sales and profit before tax
Rationale for the materiality benchmark applied	We chose the combination of net sales and profit before tax as the benchmark because, in our view, the performance of the Group is most commonly measured by using these criteria, and it is a generally accepted benchmark.

How we tailored our group audit scope

The group audit scope was tailored to take into account the structure of the Group and the size, complexity and risk of individual subsidiaries. Using this criteria we selected companies and accounts into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the Group

Revenue recognition of long-term contracts

Refer to notes 1, 2, and 6 in the consolidated financial statements.

The group has significant long-term contracts in Kalmar and MacGregor segments. These long-term contracts are often complex customised solutions and meet the definition of a construction contract.

Revenue related to these construction contracts is recognised using the percentage of completion method, where progress is measured either by physical milestones or determined by comparing actual costs incurred to date, with the total estimated costs of the project. The revenue recognition for construction contracts includes management judgment in a form of estimates, which are subject to management experience and expectations of future events. The most important judgment relates to the estimated total costs of the project, which is influenced by various factors, related to both material and labour as well as specific contract related risks.

We have accordingly considered these estimates to constitute a focus area in the audit.

How our audit addressed the Key audit matter

Our revenue testing included both testing of the company's controls, as well as substantive audit procedures targeted at selected major projects.

Our testing of the company's controls, focused on the IT systems used by the company, as well as process level controls covering project forecasting and revenue recognition.

Our substantive testing focused on estimates applied by management in the accounting. Our procedures included, among others things, the following:

- Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement;
- Agreed the total project revenue estimates to sales agreements, including amendments as appropriate;
- Tested the accuracy of the cost estimate by taking a sample of cost components and traced those to supporting documentation; and
- Recalculated the completion stage of the projects to ensure that the amount of revenue being recognized is correct by comparing actual costs per the company's accounting records to the estimated total costs of the projects. When physical milestone method was used, we obtained appropriate evidence based on the circumstances to support the stage of completion.

Key audit matter in the audit of the Group

How our audit addressed the Key audit matter

Valuation of Goodwill

Refer to notes 1, 2 and 14 in the consolidated financial statements.

At 31 December 2016 the Group's goodwill balance amounted to EUR 1,024.5 million and is recognized in three reporting segments: Kalmar EUR 376.9 million, Hiab EUR 208.6 million and MacGregor EUR 439.1 million.

The company tests goodwill for potential impairment annually and whenever there is an indication that the carrying value may be impaired by comparing the recoverable amount against the carrying value of the goodwill. The recoverable amounts are determined using value in use model. Value in use calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates.

Valuation of goodwill is a focus area in the audit due to the size of the goodwill balance and the high level of management judgement involved.

Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures:

- We tested the methodology applied in the value in use calculation by comparing it to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of calculation;
- We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors;
- We tested the key underlying assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period;
- We compared the current year actual results included in the prior year impairment model to consider whether forecasts included assumptions that, with hindsight, had been optimistic;
- We considered whether the sensitivity analysis performed by the management around key assumptions of the cash flow forecast was appropriate by considering the likelihood of the movements of these key assumptions; and
- The discount rates applied within the model were assessed by PwC business valuation specialist, including comparison to economic and industry forecasts as appropriate.
- We also considered the appropriateness of the related disclosures provided in note 14 in the financial statements.

Accounting for restructuring provisions and costs

Refer to notes 1, 2, 8 and 28 in the consolidated financial statements.

Restructuring provision amounts to EUR 38.1 million at 2016 year-end, with an annual restructuring costs of EUR 52.5 million recognised in the profit and loss statement. These costs primarily consisted of redundancies and related costs, costs for contract terminations, relocation costs, consulting and professional fees and asset impairments.

The recognition of restructuring costs requires judgement to estimate the value and timing of net economic outflows and the extent to which the Group is committed at the balance sheet date. The presentation in the financial statements also requires consideration of whether the amounts included in the charge are fair,

We have accordingly considered this area to constitute a focus area in the audit.

Our audit procedures were designed to test that the costs incurred were accurately recorded, capturing both amounts paid during the year and amounts estimated and accrued.

Our audit focused specifically on the following:

- We assessed whether the restructurings costs have been recognised in the correct financial period, in accordance with IFRS;
- The appropriateness of the provisions and the assumptions relating to asset impairments; and
- Assessment of whether the costs incurred were sufficiently distinct to warrant inclusion in the restructuring costs and in line with Cargotec accounting policies.

Valuation of inventories

Refer to notes 1, 2 and 20 in the consolidated financial statements.

Net inventories amount to EUR 647.0 million, including a provision of EUR 96.0 million at the end of 2016.

Inventories are measured at the lower of cost or estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Inventory provision is recorded to adjust the inventory to its net realisable value. When estimating the level of provision, management takes into account the nature, state, age structure and estimated demand for the inventory, as appropriate.

We focused on inventories due to its size and the nature of the judgements made by management when assessing the level of provision required.

Our audit consisted testing of company's controls both for valuation and existence of inventories as well as substantive audit procedures.

Our substantive procedures were focused on the following:

- We participated in the physical inventory counting to obtain audit evidence regarding existence and condition of the inventory. During the inventory counting we assessed the appropriateness of the counting procedures at each site and performed independent test counts. Where inventory was held in the custody of third parties, we obtained appropriate confirmations and reconciled these to the inventory balance;
- To address the risk of misstatement in the cost of inventory, we tested a sample of items from the inventory system to third party purchase invoices. We also obtained and tested management's calculations on the absorption of direct and indirect costs to make sure that those have been appropriately accounted for;
- Where the provision was based on the aging structure of the inventory, we performed recalculations and ensured that the provision is in line with the Group's accounting policies. Where judgement was used by management, we ensured that it was reasonable and reflected the circumstances; and
- Where provision was based on estimated demand of the inventory, we tested the supporting documentation and ensured that the provision is in line with Group's accounting policies. Where judgement was used by management, we ensured that it was reasonable and reflected the circumstances.

Responsibilities of the Board of Directors and the Managing Director for the financial statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the annual report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors our responsibility also includes considering whether the report of Board of Directors has been prepared in accordance with the applicable legal requirements.

In our opinion,

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable legal requirements.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 7.2.2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Tomi Hyryläinen
Authorised Public Accountant

Cargotec corporate governance statement 2016

Cargotec's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the rules and guidelines of Nasdaq Helsinki Ltd, as well as the company's Articles of Association and Code of Conduct. Cargotec complies with all the recommendations of the Finnish Corporate Governance Code 2015, published by the Securities Markets Association (www.cgfinland.fi/en).

The corporate governance statement is issued as a separate report and disclosed, together with the financial statements, Board of Directors' report and the remuneration statement, on the company website at www.cargotec.com > Investors > Governance. Up-to-date information on governance and remuneration is available on the website.

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

Cargotec has three business areas: Kalmar, Hiab and MacGregor. Cargotec Corporate's role is to act as a strategic architect to maximise shareholder value and support the business areas in fulfilling the requirements, rules and regulations set for listed companies.

Board of Directors

Responsibilities

The Board confirms Cargotec's strategy and will monitor its implementation. As stipulated in the Finnish Limited Liability Companies Act and the Articles of Association, the Board is responsible for the management and proper organisation of the company's operations as well as representing the company. The Board has compiled a written charter for its work that defines its main duties and operating principles. The Board's responsibilities include approving the company's annual, half-year and interim financial statements and ensuring that the supervision of the company's accounting and financial matters is properly organized. The Board decides on significant loans, acquisitions and investments and approves the annual and long-term business plans and budgets as well as risk management principles. The Board approves the long- and short-term incentive programmes and their outcome. The Board appoints Cargotec's CEO and determines the related terms of employment. As defined in the Board's annual plan, the Board has theme meetings in which issues associated with the execution of the strategy or another current theme are discussed.

In 2016, the Board met nine times. The attendance in the meetings is reported in the table further below. The key themes on the Board's agenda were Cargotec's strategic focus areas services, digitalisation and leadership development. Cargotec's business areas Kalmar, Hiab and MacGregor were discussed in specific theme meetings and other special themes were corporate responsibility and development of product portfolio.

Composition

According to the Articles of Association, Cargotec's Board of Directors includes a minimum of five and a maximum of eight regular members, as well as a maximum of three deputy members. Board members are elected at the Annual General Meeting (AGM) for a one-year term of office that expires at the end of the first AGM following the election. The Board elects Chairman and Vice Chairman from among its members.

The Board's composition shall support the overall goal of implementing Cargotec's strategy. According to the Board's diversity principles defined in 2016, board diversity is not a static concept but evolves over time and reflects the operations strategy and the future needs of the company. The diversity factors include work experience in our strategic business areas and of the cultures in which we operate, as well as educational background, age and gender. Both genders shall be represented in Cargotec's board. The company's goal is to have a more balanced representation of genders on the Board.

Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. In the self-evaluation conducted in December 2016 the members considered, among other things, the decision-making process, the strategy work, the role of the members and board diversity, as well as the Board's ability to perceive the social and environmental effects of its resolutions. The Board members have a wide range of educational background and they have managerial experience in international companies and of different cultures. The age range in 2016 was between 52 and 65 years and one of the eight members was female. Half of the members have been on the Board for more than five years and half less than five years.

The majority of Board members shall be independent of the company and a minimum of two of the independent directors are to be independent of significant shareholders. The Board conducts, annually and when necessary, an assessment of its members as regards their

independence of the company and major shareholders, as defined in the Corporate Governance Code. The members are independent of the company and all except Ilkka Herlin and Peter Immonen are independent of major shareholders. The Board considers that also Ilkka Herlin, Tapio Hakakari and Peter Immonen, who have been on the Board for more than ten years, are independent of the company.

Outi Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Board of Directors. The CV details of the Board members are available on the company website at www.cargotec.com.

Name, born, nationality	Education, title	Main position	Independence	Ownership 31 Dec 2016*
Ilkka Herlin Chairman 1959, Finnish	Ph.D., D.Sc. (Tech) h.c., D.Sc. (Agr & For) h.c.	Chairman and owner, Wipunen varainhallinta oy; Chairman, Foundation for a Living Baltic Sea	Independent of the company, significant shareholder	2,940,067 A shares, 6,207,197 B shares
Tapio Hakakari Vice Chairman 1953, Finnish	LL.M.	Non-executive director	Independent	165,832 B shares
Jorma Eloranta 1951, Finnish	M.Sc. (Tech), D.Sc. (Tech) h.c.	Non-executive director	Independent	8,470 B shares
Peter Immonen 1959, Finnish	M.Sc. (Econ)	Chairman, WIP Asset Management Oy	Independent of the company, non-independent of significant shareholders	53,596 B shares
Teuvo Salminen 1954, Finnish	M.Sc. (Econ), APA exam 1983	Non-executive director	Independent	8,354 B shares
Members as of 22 March 2016:				
Kimmo Alkio 1963, Finnish	BBA, EMBA	President and CEO, Tieto Corporation	Independent	1,939 B shares
Kaisa Olkkonen 1964, Finnish	LL.M.	CEO, SSH Communications Security Oyj	Independent	169 B shares
Heikki Soljama 1954, Finnish	M.Sc. (Power electronics)	Non-executive director	Independent	169 B shares
Members until 22 March 2016:				
Antti Lagerroos 1945, Finnish	LL.Lic.	Non-executive director	Independent	-
Anja McAlister (Silvennoinen) 1960, Finnish	M.Sc. (Eng), MBA	Vice President, Pöyry Management Consulting Oy	Independent	-

* Direct ownership and ownership of corporations controlled by the director

Board Committees

The Board has set up two committees to improve the efficiency of board work: the Audit and Risk Management Committee and the Nomination and Compensation Committee. The Board nominates the members and the Chairmen of the committees from among its members annually in its organising meeting and confirms the committees' written charters. The committees have no independent decision-making power, but prepare issues to be resolved by the Board.

Audit and Risk Management Committee

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

auditors' independence, and monitors the statutory audit of financial statements and consolidated financial statements. The committee also reviews the Corporate governance statement.

The Audit and Risk Management Committee consists of a minimum of three members of the Board of Directors. The CEO, CFO and director of Corporate Audit as well as representatives of the auditing firm attend the meetings. The directors of Group Control, Treasury, Taxes and Risk Management report to the committee on a regular basis. If the matters to be dealt with so require, the committee convenes without the presence of the company's management.

The Audit and Risk Management Committee was chaired by Teuvo Salminen and its members were Ilkka Herlin and Anja McAlister until 22 March 2016 and Kaisa Olkkonen as of 22 March 2016. Committee members are independent of the company and, with the exception of Ilkka Herlin, independent of major shareholders. Committee members possess years of experience in business management duties. In 2016, the committee met seven times. The attendance in the meetings is reported in the table below. Along with the financial, treasury, tax and risk management issues, the committee monitored the implementation of the enterprise resource planning system for the sales and service network as well as the corporate-wide development programme concerning controls, and handled compliance issues. The committee held an annual self-assessment discussion to review whether its performance needs to be developed.

Nomination and Compensation Committee

The Nomination and Compensation Committee prepares a proposal to Cargotec's Annual General Meeting concerning the composition and remuneration of the Board of Directors and is responsible for taking into account the Board's diversity criteria. The committee prepares a proposal to the Board regarding the appointment of the CEO and the terms of employment, and prepares the nomination and remuneration issues of other top management members as needed before Board approval. The committee handles and prepares Cargotec's pay strategy and the long- and short-term incentive programmes and follows their outcome and functionality.

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

Ilkka Herlin acted as chairman of the committee, and the members were Jorma Eloranta, Tapio Hakakari and Peter Immonen. Committee members are independent of the company. The CEO and the Senior Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2016, the Nomination and Compensation Committee convened six times. The attendance in the meetings is presented in the table below. In accordance with the annual cycle, the committee's agenda comprised top management incentive programmes and their outcome, top management reviews and compensation as well as talent review follow-up. The committee handled the Board's diversity principles and saw to it that all diversity criteria were addressed when starting to prepare the proposal concerning the board's composition to the AGM in 2017.

Participation in meetings, Board and committees 2016

Name	Board of Directors	Audit and Risk Management Committee	Nomination and Compensation Committee
Ilkka Herlin	9/9 (Chairman)	7/7	6/6 (Chairman)
Tapio Hakakari	9/9 (Vice Chairman)		6/6
Jorma Eloranta	8/9		6/6
Peter Immonen	9/9		6/6
Teuvo Salminen	9/9	7/7 (Chairman)	
Members as of 22 March 2016:			
Kimmo Alkio	6/8		
Kaisa Olkkonen	8/8	6/6	
Heikki Soljama	8/8		
Members until 22 March 2016:			
Antti Lagerroos	1/1		
Anja McAlister	1/1	1/1	

CEO

The Board of Directors appoints Cargotec's CEO and determines the related terms of employment, defined in a written employment contract. The CEO is responsible for ensuring that the targets, plans, guidelines and goals set by the Board are carried out within Cargotec. According to the Finnish Limited Liability Companies Act, the CEO ensures that the accounting practices of the company comply with the law and that financial matters are handled in a reliable manner. The performance of the CEO is evaluated by the Board, as is the achievement of targets set by the Board. Cargotec's CEO is Mika Vehviläinen, Master of Science (Economics).

Executive Board

Supporting the CEO in his duties, the Executive Board is responsible for business development and the company's operational activities in accordance with the targets set by the Board of Directors and the CEO. The Executive Board

also defines operative principles and procedures in accordance with the guidelines set by the Board. The Executive Board convenes every month and whenever necessary and concentrates on the strategic issues of the group and the business areas. On the agenda are regular reports and questions concerning the development of the financials, governance, human resources, corporate responsibility and development projects. The CEO acts as Chairman and the General Counsel serves as the Secretary to the Executive Board. The Executive Board's CV details are available on the company website at www.cargotec.com.

In addition to the Executive Board members listed below, the Extended Executive Board included Outi Aaltonen, Senior Vice President, General Counsel; Stephen Foster, Senior Vice President, Corporate Audit; Leena Lie, Senior Vice President, Communications and Soili Mäkinen, Chief Information Officer. They support the Executive Board in their fields of expertise.

Name	Born, nationality	Position	Education	Ownership on 31 Dec 2016, class B shares*
Mika Vehviläinen	1961, Finnish	CEO	M.Sc. (Econ.)	43,897
Mikko Puolakka	1969, Finnish	Executive Vice President, CFO as of 1 May 2016	M.Sc. (Econ)	1,200
Mikael Laine	1964, Finnish	Senior Vice President, Strategy	M.Sc. (Econ.)	2,500
Mikko Pelkonen	1970, Finnish	Senior Vice President, Human Resources	B.A.	10,675
Antti Kaunonen	1959, Finnish	President, Kalmar as of 1 July 2016	Dr. Tech	3,200
Roland Sundén	1953, Swedish	President, Hiab	M.Sc. (Mech. Eng.)	5,652
Michel van Roozendaal	1963, Dutch	President, MacGregor	M.Sc. (Aerospace Eng.), MBA	4,392
Eeva Sipilä	1973, Finnish	Executive Vice President, CFO until 31 July 2016	M.Sc. (Econ.), CEFA	-
Olli Isotalo	1959, Finnish	President, Kalmar until 30 June 2016	M.Sc. (Eng.)	-

* Direct ownership and ownership of corporations controlled by the director

Insider administration

Cargotec applies the insider guidelines of Nasdaq Helsinki Ltd, in addition to which the Board of Directors has approved internal insider guidelines based on the Nasdaq Helsinki guidelines. Cargotec's insider guidelines were updated in June 2016 according to the EU Market abuse regulation.

Persons who have access to all Cargotec inside information when performing their duties are registered permanently. The members of the Board of Directors, the CEO and the other members of the Extended Executive Board, the Executive Assistant to the CEO and the officer maintaining the insider registers are included on the permanent insider list. Persons who, on the basis of an employment or other contract, work for the company and obtain insider information associated with a specific

project, are entered in the company's project-specific insider register, which is established when necessary.

Cargotec maintains a list of its Managers and their closely associated persons. Cargotec's Managers include the members of the Board of Directors and the Executive Board. The Managers and their closely associated persons are obliged to notify Cargotec and the Finnish Financial Supervisory Authority of every transaction conducted on their own account relating to Cargotec's financial instruments. Cargotec will publish each notification in the form of a stock exchange release.

Trading in Cargotec financial instruments is prohibited

- if a person possesses inside information,
- regarding permanent insiders and their dependent children, during a period of 30 days prior to the publication of Cargotec's annual or interim reports (closed window),

- c) regarding persons having access to full Cargotec financials, especially persons engaged with preparing Cargotec's annual or interim reports, and their dependent children, during a period of 30 days prior to the publication of such report (closed window), or
- d) regarding project-specific insiders, for the duration of the project until the project is published or otherwise terminated.

The General Counsel of Cargotec is responsible for the overall insider management in Cargotec, including necessary training. Corporate Legal is responsible for maintaining the list of Managers and the insider lists and informing the insiders on their insider status and of closed windows. Corporate Communications is responsible for disclosing the transactions of the Managers and their closely associated persons.

External audit

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

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

The AGM in 2016 elected Authorised Public Accountants (APA) Tomi Hyryläinen and PricewaterhouseCoopers Oy as Cargotec's auditors. PricewaterhouseCoopers nominated APA Ylva Eriksson as its principal auditor. Auditors' fees are compensated against an invoice. PricewaterhouseCoopers Oy has acted as Cargotec's auditor since 2005. Competitive tendering for the audit last took place for the financial year starting in 2012.

The fees paid to the Auditors for different services are listed below. Other services include mainly services related to mergers and acquisitions and IFRS advice.

Auditors' fees

MEUR	2016	2015
Audit fees	2.6	2.6
Tax advice	1.0	1.5
Other services	0.5	0.9
Total	4.0	5.0

Internal control of the financial reporting process

Cargotec compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Securities Markets Act, the Finnish Accounting Act and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of Nasdaq Helsinki Ltd. The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the company's financial reporting process, have been designed to ensure that the financial reports disclosed by Cargotec are reliable and meet the requirements of the law, regulations and company principles. Instructions regarding the publication of financial information and external communications are included in Cargotec's disclosure policy approved by the Board of Directors. This is available on Cargotec's intranet and on the company website at www.cargotec.com > Investors > Investor services. Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, 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.

Risk management

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.

Financial reporting process

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

financial reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are first reviewed at a reporting unit level, and then at the operative management's review meetings on a division level, followed by business area level and group management level reviews. Finally, the reports are discussed at the Extended Executive Board's meeting. Financial information is also reported to the Board of Directors on a monthly basis. Controllers report any deviations from the plans to the management teams, analyse the reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and that financial forecasts are up to date. The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them.

A corporate-wide development programme regarding internal controls has clarified and reinforced the shared principles and ways of working and strengthened internal control. The programme's processes are now part of the company's daily operations and help ensure compliance with Cargotec's Code of Conduct and internal policies. Multifaceted reporting tools, based on common systems, have been developed to support the financial performance monitoring and comparability. As part of the common system there is a shared Service Centre for financial services.

Cargotec remuneration statement 2016

The remuneration statement presents Cargotec's decision-making procedure, remuneration principles and the remuneration paid to members of the Board, Chief Executive Officer (CEO) and the Executive Board in 2016.

Decision-making procedure

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

Cargotec's compensation and benefits policy is applied in determining the total remuneration of the CEO and Executive Board. The policy is approved by the Board of Directors. Based on a proposal by the NCC, the Board decides on the annual base salary, short-term incentive programmes and benefits of the CEO and the Executive Board. In addition, the Board of Directors decides on long-term incentive programmes and on the target group and allocation of such programmes based on a proposal by the NCC.

Main principles of remuneration

Remuneration at Cargotec is characterised by five key principles:

- We align total compensation funding with our strategic and business plans – Our compensation and benefits programmes reinforce the link between rewards and achievement of business results. Programmes are funded on the basis of business affordability to justify the spending of compensation euros.
- We reinforce a high-performing culture – We pay for performance and behaviours that reinforce the underlying shared performance culture value. Cargotec has a standard approach for managing performance on a global basis to reward top performers and support low performers.
- We promote pay for performance differentiation – Our compensation programmes enable robust differentiation based on individual performance contributions to business results. As individual and company performance goals are met and exceeded, our programmes offer incentives that position actual cash compensation at competitive levels.
- Our goal is to balance shareholder and employee needs – Our compensation and benefits programmes are designed to optimise the needs of both shareholders and employees.
- We enhance our ability to attract, retain, and motivate a diverse group of talented individuals – Our compensation and benefits programmes are flexible and fair and are understood and valued by employees.

Board of Directors

The Board members receive from the company only remuneration related to their Board and Committee memberships and Board work. Board members are not included in Cargotec's short-term or long-term incentive programmes. Of the total annual remuneration, 30 percent is paid in Cargotec's class B shares and the rest in cash. The shares are purchased at market price on a quarterly basis. Board members must keep the shares they have obtained as annual remuneration under their ownership for at least two years from the day they obtained them.

CEO and Executive Board

The total remuneration structure of the CEO and Executive Board comprises a fixed base salary including fringe benefits and incentive plans, for which both short- and long-term targets have been defined. The variable salary component consists of a share-based incentive programme linked to the company's long-term targets, as well as short-term incentive programme. Relevant market practices are closely followed when defining the remuneration elements.

Cargotec Executive Board remuneration consists of the following elements:

Remuneration element	Description
Base salary	Fixed salary including taxable fringe benefits
Short-term Incentives (STI)	<p>Annual bonus programme performance targets:</p> <ul style="list-style-type: none"> • Financial, 60% weight (2016 cash flow and EBIT) • Strategic individual targets, 40% weight • Threshold, target and maximum performance levels defined <p>Target (maximum) incentive level as a % of annual base salary:</p> <ul style="list-style-type: none"> • CEO: 60% (120%) • Business Area President: 50% (100%) • Other Executive Board member: 40% (80%)
Long-term Incentives (LTI)	<p>LTI programme includes a three-year earning period, performance measurement in two phases. Performance targets:</p> <ul style="list-style-type: none"> • Phase 1: 2016 ROCE • Phase 2: Cargotec 3/2016–3/2019 Total Shareholder Return • Threshold, target and maximum performance levels defined <p>Target (maximum) incentive level as a % of annual base salary:</p> <ul style="list-style-type: none"> • CEO: 120% (360%) • Business Area President: 80% (240%) • Other Executive Board member: 80% (240%) <p>Phase 1 threshold financial performance level needs to be reached for any share reward.</p> <p>Phase 2 of the programme determines earning multiplier for the Phase 1 achievement. The LTI reward vests and is delivered in shares after Phase 2, in the spring 2019. No restriction period after the shares have been delivered. No share delivery if a termination notice has been delivered by either party prior to the share delivery.</p> <p>Share ownership recommendation: One-year gross base salary. The recommendation is to be fulfilled through refraining from transferring shares received under the Cargotec share-based incentive programmes.</p> <p>Claw-back provision: The Board may decide to cut or cancel rewards and recover already delivered rewards from the participant in case of misconduct.</p>
Restricted shares	Additional restricted share grants may be allocated for selected Executive Board members. Gross reward, before deduction for the applicable taxes and employment related expenses, is in the range of 20–100% of annual base salary. Threshold level for financial performance is set by the Board. One-year earning period is followed by one-year restriction period.
Pension	<p>CEO is entitled to a supplemental defined contribution pension benefit. According to the pension agreement, the CEO is entitled to retire between age of 60–65. One-time payment of EUR 700,000 has been paid in full in 2016 to insurance company administering the CEO's pension benefit. There are no additional costs for Cargotec in relation to the CEO's supplemental pension.</p> <p>Other Finnish members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. For the Finnish members of the Executive Board, the statutory retirement age is 63 years in accordance with the legislation in 2016 (new legislation from January 2017 onwards increases the statutory retirement age).</p> <p>Hiab and MacGregor Business Area Presidents have supplemental defined contribution pension plans, following the local market practice in Belgium and the Netherlands.</p>
Severance pay	The members of the Executive Board have a period of notice of 6 months and are entitled to compensation, for termination of employment, corresponding to 6 to 12 months' salary.

Remuneration report

Board of Directors

Based on the decision of the AGM of 22 March 2016, the Board's annual remunerations for the year 2016 are as follows:

- Chairman: EUR 80,000
- Vice Chairman: EUR 55,000
- Chairman of the Audit and Risk Management Committee: EUR 55,000
- Other Board members: EUR 40,000

In addition, a fee of EUR 1,000 is paid for attendance of meetings of the Board and its committees.

Remuneration paid to Board members in 2016 is shown in the following table.

Member of the Board	Remuneration for Board membership and Board work, EUR*	Number of class B shares obtained as remuneration**
Ilkka Herlin , Chairman	101,240	721
Tapio Hakakari , Vice Chairman	69,240	495
Kimmo Alkio , member ¹	36,667	169
Jorma Eloranta , member	53,000	359
Peter Immonen , member	53,000	359
Antti Lagerroos , member ²	11,000	203
Kaisa Olkkonen , member ¹	44,667	169
Teuvo Salminen , member	70,000	495
Anja McAlister (Silvennoinen) , member ²	12,000	203
Heikki Soljama , member ¹	38,667	169
Total	489,481	3,342

* Including annual remuneration and meeting attendance fees

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

¹ as of 22 March 2016

² until 22 March 2016

CEO and Executive Board

For the financial period 2016, the base salary of Cargotec's CEO Mika Vehviläinen was EUR 686,168 including fringe benefits. In addition, he received a short-term incentive payout of EUR 559,707 (payout is based on 2015 performance) and long-term incentive payout of

EUR 443,674 (restricted shares programme). The CEO is covered by Cargotec's short-term incentive programme and share-based incentive programmes. The remuneration paid to the CEO and the Executive Board members in 2016 is stated in the following table:

Remuneration paid during 2016, EUR	CEO Mika Vehviläinen	Other members of Executive Board *
Base salary including fringe benefits	686,168	1,971,142
Short-term incentives (based on 2015 performance)	559,707	1,100,095
Long-term incentives (restricted shares, taxable gross amount)	443,674	676,391
Long-term incentives (2010 B options, taxable gross amount)	0	3,656
Total	1,689,549	3,751,284

* Mikael Laine, Mikko Pelkonen, Mikko Puolakka (as of 1 May 2016), Eeva Sipilä (until 31 July 2016), Antti Kaunonen (as of 1 July 2016), Olli Isotalo (until 30 June 2016), Roland Sundén, Michel van Roozendaal. Summary table does not include termination benefits of EUR 474,601 (payments related to short- and long-term incentives).

The following table summarises the actual number of class B shares delivered (net, after deduction of taxes and employment-related expenses) to the CEO and other members of the Executive Board in 2016:

Actual number of shares delivered in 2016	CEO Mika Vehviläinen	Other members of Executive Board
2014–2016 restricted shares programme; 2015 earning period, 2016 restriction period; class B shares	8,097	13,174

The following table summarises Cargotec 2010 B options exercised by the CEO and other members of the Executive Board in 2016:

Options exercised in 2016	CEO Mika Vehviläinen	Other members of Executive Board
2016 opening / closing balance: 2010 B options	0 / 0	640 / 0

The following table summarises the gross value in Euros of long-term incentives granted to the CEO and other members of the Executive Board in 2016:

Gross LTI value granted in 2016, EUR	CEO Mika Vehviläinen	Other members of Executive Board
2016 share-based incentive programme; earning period 2016–2019, on target performance (gross in euros, before deduction of taxes and employment related expenses)	792,000	1,275,504
2014–2016 restricted shares programme; earning period 2016 (gross in euros, before deduction of taxes and employment-related expenses)	264,000	437,739
Total	1,056,000	1,713,243

Investor Relations

Mission and goal

Cargotec's Investor Relations aims to ensure that all market participants have correct and sufficient information at all times to support a fair valuation of Cargotec's share. Investor Relations is responsible for planning and executing financial and investor communications and all investor requests are processed centrally through Cargotec's Investor Relations.

In addition to Financial Statements and Interim Reports, the investor website and stock exchange releases, Cargotec's investor communication comprises roadshows, investor meetings, seminars, news conferences of result publications, site visits and general meetings. Cargotec also arranges Capital Markets Days for investors and analysts.

In addition, Investor Relations is responsible for gathering and analysing market information as well as investor feedback to be used by Cargotec's management and the Board of Directors.

Silent period

Cargotec follows a three-week silent period prior to publication of an interim report or financial statements. During this time, Cargotec spokespersons do not comment on the company's financial situation, market, or future outlook, hold any meetings with investors or analysts or attend any investor conferences.

Investor relations in 2016

Cargotec's Investor Relations actively organised various events for investors and analysts in 2016. In addition to Investor Relations, Cargotec's CEO, CFO and Business Area Presidents have participated in investor meetings and events. During the year, Investor Relations arranged a site visit to Kalmar Technology and Competence Centre in Tampere to give analysts and investors an opportunity to meet local business management and to see some of Kalmar's state of the art products presented by industry experts. The main theme of the event was Cargotec's terminal automation business. In 2016, Cargotec's roadshows took place in Great Britain, the United States, Germany, France, Switzerland, Sweden, Italy, the Netherlands and Norway.

The publication dates for Cargotec's Financial Statements Review, Half-Year Report and Interim Reports in 2016 were 10 February, 29 April, 20 July and 27 October. Cargotec arranged conference calls for media and analysts for all the Interim Reports, where the CEO and CFO presented the results for the previous quarter. It was possible to follow these meetings at Cargotec's head office in Helsinki, via a live audio webcast on Cargotec's investor website or via a conference call. Recordings and transcripts of the events are available on Cargotec's investor website.

Analyst coverage

During 2016, Cargotec share was covered by at least 11 analysts, located in Helsinki, Stockholm and Düsseldorf. Analyst contact information as well as consensus estimates are available on Cargotec's investor website. Cargotec does not take any responsibility for the content, accuracy or completeness of the views of analysts or other capital market representatives.

Financial calendar 2017

8 February 2017	Financial Statements Review 2016
Week 7 2017	Financial Statements and Annual Report 2016
21 March 2017	Annual General Meeting
26 April 2017	January-March 2017 Interim Report
20 July 2017	January-June 2017 Half-Year Report
12 September 2017	Capital Markets Day
27 October 2017	January-September 2017 Interim Report

The calendar is available on Cargotec's investor website.

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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.
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See also the Cargotec annual review 2016.