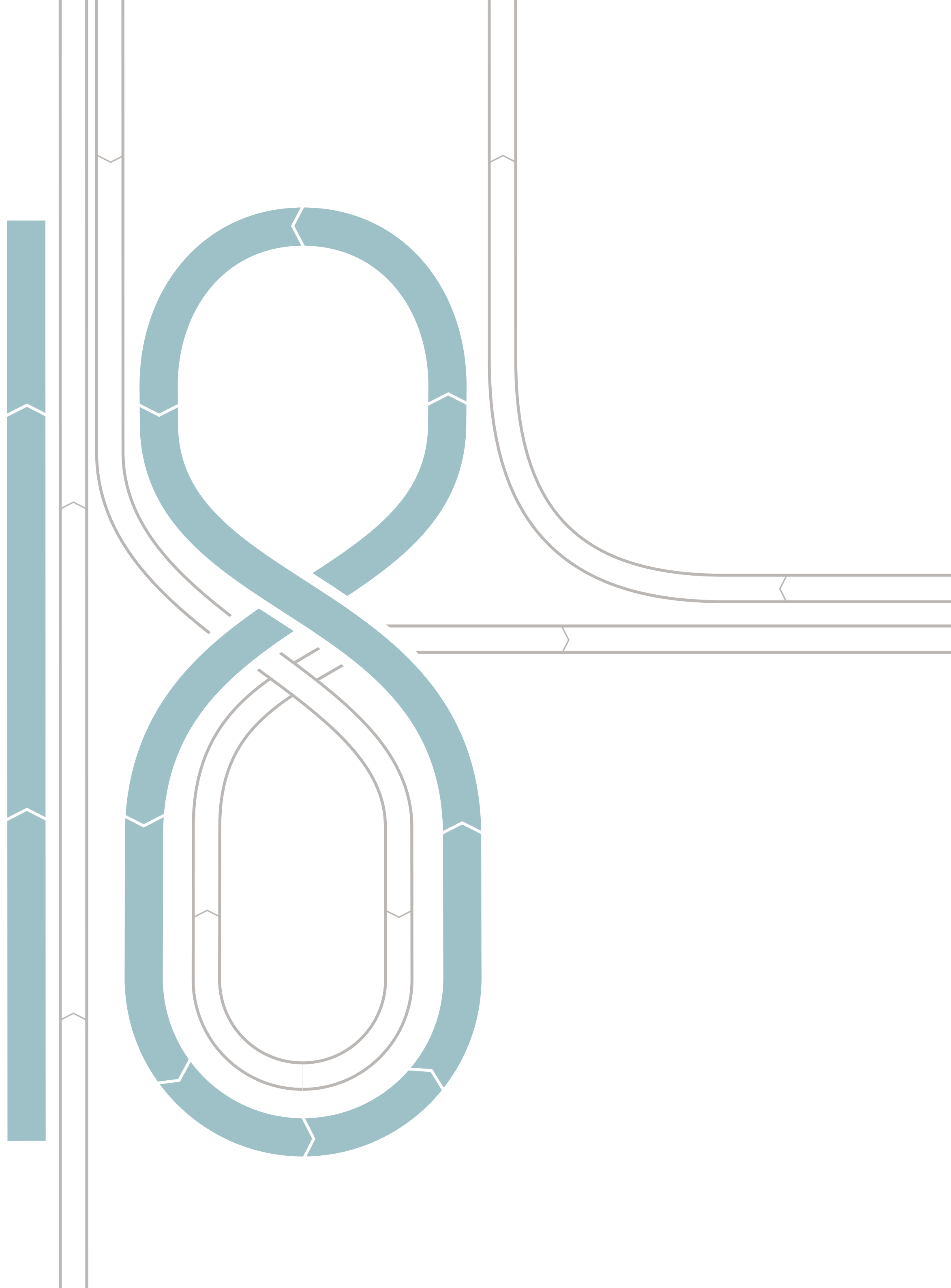
CARGOTEC



Financial review 2018

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BOARD OF DIRECTOR'S REPORT

Operating environment in 2018

The number of containers handled at ports globally is estimated to have grown by around five percent during 2018 compared to the previous year (Drewry). The demand for Kalmar's mobile equipment and services improved compared to the previous year. Customers consider their project and automation solutions carefully in relation to container throughput volumes, the utilisation rates of existing equipment base and the efficiency of automation technology. Customers' investments were mostly targeted to smaller subprojects as well as improving the efficiency of the existing terminals instead of building new terminals.

The demand for Hiab's load handling equipment in 2018 was supported in the United States and Europe by the construction activity, which remained at a good level. The demand for services improved from last year.

Merchant ship contracting improved slightly during 2018 compared to the previous year, but remained at a low level. Contracting in the offshore sector improved slightly compared to 2017, but remained clearly below historical levels. The demand for MacGregor's services improved slightly in the merchant ship sector.

Orders received and order book

Orders received in 2018 increased by 18 percent from the comparison period and totalled EUR 3,756 (3,190) million. Compared to the comparison period, currency rate changes had a three percentage point negative impact on orders received. The negative impact is mainly related to the weakening of the US dollar compared to the euro. 51 (49) percent of the orders in 2018 were received by Kalmar, 34 (35) percent by Hiab and 15 (16) percent by MacGregor. Orders received grew in all business areas. Service orders received increased by 10 percent and totalled EUR 984 (896) million.

In geographical terms, the share of orders received was 47 (48) percent in EMEA and 33 (33) percent in Americas in 2018. Asia-Pacific's share of all orders was 20 (19) percent.

The order book increased by 27 percent from the end of 2017, and at the end of 2018 it totalled EUR 1,995 (31 Dec 2017: 1,566) million. Kalmar's order book totalled EUR 1,012 (786) million, representing 51 (50) percent, Hiab's EUR 453 (300) million or 23 (19) percent and MacGregor's EUR 530 (481) million or 26 (31) percent of the consolidated order book. Approximately 80% of the order book is expected to be recognised as revenue in 2019.

Sales

Sales in 2018 increased by two percent from the comparison period to EUR 3,304 (3,250) million. Compared to the comparison period, currency rate changes had a three percentage point negative impact on sales. In comparable foreign exchange rates, sales increased by four percent. Sales grew in Kalmar and Hiab and declined in MacGregor. Service sales grew by three percent from the comparison period and totalled EUR 932 (907) million, representing 28 (28) percent of consolidated sales. In comparable foreign exchange rates, service sales increased by six percent. Software sales decreased by four percent and amounted to EUR 147 (152) million. In comparable foreign exchange rates, software sales remained at the comparison period's level. Service and software sales amounted to EUR 1,079 (1,060) million, representing 33 (33) percent of consolidated sales.

In geographical terms, sales in 2018 grew in EMEA and declined in Asia-Pacific compared to the previous year. In Americas, sales remained at the comparison period's level. EMEA's share of consolidated sales was 49 (44) percent, Americas' 31 (32) percent and Asia-Pacific's 20 (24) percent.

Financial result

Operating profit for 2018 totalled EUR 190.0 (222.1) million. Operating profit includes EUR 53.8 (36.5) million in restructuring costs. EUR 5.4 (6.4) million of the restructuring costs were related to Kalmar, EUR 0.7 (0.2) million to Hiab, EUR 4.3 (15.8) million to MacGregor and EUR 43.3 (14.1) million to corporate administration and support functions. The restructuring costs of corporate administration and support functions were related to the lowered balance sheet valuation of the associated company Jiangsu Rainbow Heavy Industries Co. Ltd and to the company-wide support functions' efficiency programme.

Operating profit excluding restructuring costs for 2018 was EUR 243.8 (258.6) million, representing 7.4 (8.0) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 143.6 (133.1) million, Hiab EUR 134.5 (157.2) million, and MacGregor EUR 0.1 (10.6) million. Kalmar's operating profit increased due to productivity measures. Hiab's operating profit declined due to the weakening of the US dollar compared to the euro as well as additional costs related to supply chain. MacGregor's operating profit excluding restructuring costs decreased, as cost savings did not fully compensate the decline in sales and due to higher than expected project costs.

In 2018, the net interest expenses for interest-bearing debt and assets totalled 16.4 (16.2) million euros. Net financing expenses totalled EUR 28.9 (32.9) million. Net income for 2018 was EUR 108.0 (132.7) million, and earnings per share EUR 1.66 (2.05). The decline in earnings per share was mainly related to an impairment loss of EUR 30 million of the associated company Jiangsu Rainbow Heavy Industries, recognised in the second quarter of 2018.

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,684 (31 Dec 2017: 3,569) million at the end of the year 2018. Equity attributable to the equity holders of the parent was EUR 1,426 (1,423) million, representing EUR 22.16 (22.06) per share. Property, plant and equipment on the balance sheet amounted to EUR 309 (311) million and intangible assets to EUR 1,249 (1,247) million.

Return on equity (ROE, annualised) in 2018 was 7.6 (2017: 9.4) percent, and return on capital employed (ROCE, annualised) was 8.0 (9.6) percent. Cargotec's financial target is to reach 15 percent return on capital employed in the next 2–4 years.

Cash flow from operating activities, before financial items and taxes, totalled EUR 125.8 (253.5) million during 2018. Cash flow decreased, as more capital was tied up in inventories due to improved demand in certain product categories in Kalmar and Hiab as well as supply chain issues, and as accounts receivable were higher. At the end of 2018, net working capital increased to EUR 271 million from the level of EUR 115 million at the end of 2017.

Cargotec's liquidity position is healthy. Cash and cash equivalents and the undrawn long-term credit limits amounted to EUR 556 (31 Dec 2017: 609) million. In addition, Cargotec had an access to a commercial paper programme as well as undrawn bank overdraft facilities totalling EUR 249 (31 Dec 2017: 270) million. At the end of 2018, interest-bearing net debt totalled EUR 625 (31 Dec 2017: 472) million. Interest-bearing debt amounted to EUR 920 (788) million, of which EUR 203 (121) million was current and EUR 717 (667) million non-current debt. The average interest rate on the loan portfolio was 2.2 (2.3) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 294 (317) million.

At the end of 2018, Cargotec's total equity/total assets ratio was 40.9 (31 Dec 2017: 42.2) percent. Gearing was 43.8 (33.1) percent. Profit distribution in 2018 totalled EUR 68.0 (62.2) million.

More information on loans is available in Note 29 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 2018 totalled EUR 89.0 (92.5) million, representing 2.7 (2.8) percent of sales. EUR 0.5 (0.5) million was capitalised. Research and development investments were focused on digitalisation as well as projects that aim to improve the competitiveness and cost efficiency of products.

Kalmar

In November, Kalmar opened a new innovation centre in Ljungby, southern Sweden, that will focus on the digitalisation and development of mobile cargo handling equipment and related maintenance services.

In September, Navis hosted the Navis Asia Pacific Summit in Qingdao, China, where Navis executives, experts and partners discussed new innovations that are boosting productivity and operational efficiency in the changing ocean shipping landscape.

In June, Kalmar introduced its first application key for Kalmar Key, the terminal industry's only automation platform with open interfaces. The Kalmar Application Key opens up Kalmar's best-practice model for systems integration in terminals that follow the 'AutoRTG with coupled manual horizontal transportation' concept. It includes generic interface specifications, high-level business process descriptions to support integration, access to the Kalmar Key partner forum and a software development kit.

In June, Kalmar also introduced the very first solution to its new eco-efficient Eco Range product range. Kalmar Eco Reachstacker substantially cuts the fuel consumption and costs as well as lowers the carbon emissions, which helps customers meet current and future emissions standards.

In May, Kalmar announced its commitment to reduce emissions in cargo and material handling operations by fostering eco-efficient technologies. According to the commitment, Kalmar's full offering will be available as electrically powered versions by 2021. The target is in line with Cargotec's sustainability roadmap announced in 2016.

In May, the Kalmar Ottawa Electric Terminal Tractor was introduced to the market in the Americas. The electric terminal tractor with a fully electric powertrain that produces zero emissions at source is designed for trailer-handling operations in dispersed warehouses, container terminals and other applications where short-distance highway travel is required.

In April, Kalmar launched the FastCharge Automated Guided Vehicle (AGV) that features an eco-efficient electric power system that uses the latest lithium-ion battery technology, making it much easier and more cost effective to maintain and operate than a comparable machine powered by lead-acid batteries. The fully electric drivetrain also ensures zero emissions at source.

In March, Kalmar introduced the latest-generation straddle and shuttle carriers which provide better reliability, productivity, driver comfort and safety through improvements in e.g. electric systems and working lights. Additionally, the Essential range of reachstackers, empty container handlers and forklifts was introduced in Latin America. The Essential range provides customers with build quality, high availability and excellent safety at a competitive price.

Hiab

In November, Hiab won the Quality Organisation of the Year Award at The 2018 International Quality Awards in London. The Awards, organised by The Chartered Quality Institute, recognise the outstanding work of quality professionals and for the first time also a whole organisation.

Also in November, Hiab completed the acquisition of Effer S.p.A. from CTE Group that was announced on 31 July 2018. For Hiab as the global leader in on-road load handling solutions, the acquisition meant a significant advancement in its ambition to be the leader in cranes and preferred partner for its customers.

During the third quarter, Hiab continued the renewal and expansion of its class-leading load handling equipment, its service network and services offering, and smart and connected solutions.

In September, Hiab had a strong presence at the Internationale Automobil Ausstellung (IAA) 2018 commercial vehicle exhibition in Hannover, Germany, presenting its latest innovations and total load handling solutions. Products launched and first time presented publicly included the MULTILIFT Ultima, the next generation of hooklifts. MULTILIFT Ultima features several industry-first innovations that will enhance productivity, ease of use and operational safety.

Also the new HIAB building material cranes were displayed at the event. The signature models offer the most advanced remote control system in the industry, the HIAB HiPro, as well as pioneering features like Hiab's Crane Tip Control (CTC), to ensure efficient and safe crane operation.

The portfolio of JONSERED recycling cranes was extended with four renewed and two new models, the 1250RZ and 1500RZ. Innovations include new safety features and the option for a JONSERED recycling crane and a MULTILIFT hooklift that can be operated by one combined remote-control unit.

In services, Hiab rolled out it’s ProCare™ Total Repair & Maintenance (R+M) programme globally at IAA, following excellent customer feedback and uptake in the UK and the Netherlands where it was first launched. At a fixed monthly price, customers benefit from increased equipment uptime and reduced total cost of ownership, with their equipment value maintained with Hiab original parts. Since the IAA launch, Hiab has already announced the first new customers for ProCare™ R+M in Australia, Germany and the US.

Hiab commercially rolled out its connected service HiConnect™ at IAA 2018. HiConnect enables businesses to gain real-time insights into their fleet and load-handling equipment utilisation and operation, enhancing uptime, productivity and safety.

Hiab continued to make selective investments into strengthening its comprehensive sales and service network and capability with the acquisition of a former authorised Hiab dealer in Scotland.

In August, Hiab announced the market success of its revolutionary and award-winning HiVision™ virtual reality-based crane operation system, which 18 months after its commercial launch has been sold to customers in more than 10 markets. Latest upgrades to HiVision™ include support for remote service.

In July, all of Hiab’s production units were awarded new, stricter ISO certifications for quality assurance, sustainability and safety, replacing earlier Hiab-wide ISO certifications.

During the second quarter, Hiab continued to expand its spare parts web shop which now covers 46 countries. New service centres were opened in London, UK; Karlsruhe, Germany; and Lyon, France.

In May, Hiab launched its renewed HIAB light range loader cranes with a capacity from 4 to 11 metric tonnes. The renewed loader crane portfolio is now the most up-to-date in total market. Additionally, Hiab bundled its expertise and offering for the Waste Management & Recycling segment. The offering is based on class-leading equipment, experience, services and technology based solutions that are relevant across the waste management and recycling value chain.

In April, Hiab launched the new MOFFETT M5 NX truck mounted forklift which is especially designed for medium to heavy-duty tasks. The introduced truck mounted forklift provides improved operator safety and comfort, easier maintenance, as well as great performance and reliability.

The new MULTILIFT COMMANDER container handling unit was also presented to the markets. This application is new for the commercial hooklift market and it enables handling containers safely and efficiently in locations where no infrastructure exists to load or unload containers from the truck. Uses for the MULTILIFT COMMANDER include cargo applications as well as large warehousing, fire and rescue, construction and project logistics, and infrastructure greenfield projects.

In March, Hiab launched the MULTILIFT hooklifts for the US market. The introduced hooklift models represent light, medium and heavy duty ranges. The key segments in the US market for the hooklifts will be landscaping, waste & recycling, rock & dirt and the municipal sector.

In March, Hiab opened a new installation and competence centre in Meppel, the Netherlands. This new centre offers FrameWorksTM subframes, truck bodies and complete vehicle solutions for the European customer base. It is also the global competence centre for Hiab FrameWorksTM installations as well as the distribution centre for FrameWorksTM kits. Hiab FrameWorksTM, launched in 2016, is a modular system that provides the customer a pre-manufactured, ready-to-install subframe that matches the chosen truck.

In February, Hiab opened Vision Lab, which is the latest addition to the Test and Innovation Centre in Hudiksvall, Sweden. The new facility enables testing the latest technologies with imaging, visual and object recognition under different conditions. The goal is to improve existing sensors and create new smart sensors for all Hiab product lines as well as investigate the possibilities of augmented reality in the service and maintenance of Hiab’s equipment.

MacGregor

In October MacGregor signed a Letter of Intent on strategic cooperation with China State Shipbuilding Corporation (CSSC). The mutual trust built between MacGregor and CSSC during the 30 years of partnership will be a solid foundation for future cooperation.

Finland–Singapore Maritime innovation camp, held on 23–28 September in Singapore, sought ways to improve stevedore working conditions. MacGregor was one of the event's corporate partners together with PSA Corporation.

At the beginning of September, MacGregor introduced a new breakbulk cargo stowage solution, the Breakbulk Optimiser, which enables operators to rapidly and optimally plan the stowage of many different types of cargo, increasing vessel utilisation rates significantly and therefore improving business performance.

At the end of August, MacGregor announced that it is collaborating as part of a consortium aiming to improve containerships' performance and to create a new business model.

MacGregor has developed a unique new system for improving port and voyage efficiency for RoRo vessels. To extend its scope and accuracy, MacGregor participated in June in SeaFocus' Intelligence Hunt®, where two teams were asked to collaborate and create a solution that would extend the scope and accuracy of a unique new system for improving port and voyage efficiency for RoRo vessels. The team working with MacGregor challenge, called the MacGregor Vikings, won this year's event.

In April, MacGregor and China State Shipbuilding Corporation's (CSSC) Nanjing Luzhou Machine Co., Ltd. (LMC) celebrated the opening of their first joint venture in China.

In February, MacGregor and SeaFocus announced a collaboration agreement that will support the companies in creating new cooperation models to benefit maritime trade and drive industry innovation. With the agreement, MacGregor will participate in Intelligence Hunt®, a cooperation concept developed by SeaFocus, which brings companies and cross-faculty international university students together.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 46.4 (47.2) million in 2018. Investments in customer financing were EUR 33.9 (37.1) million. Of the capital expenditure, EUR 7.7 (9.0) million concerned intangible assets, such as global systems that in future will enable higher efficiency in operational activities as well as in support functions. Depreciation, amortisation and impairment amounted to EUR 77.2 (72.0) million.

Acquisitions and divestments

On 31 July 2018, Hiab entered into an agreement to acquire the Effer loader cranes business from the CTE Group for an enterprise value of EUR 50 million. Effer, founded in 1965, has over 50 years' experience in developing and manufacturing knuckle-boom cranes, with its product range encompassing truck cranes with a 3 to 300 metric tonne lifting capacity, special application truck cranes, and marine cranes. Effer S.p.A. is headquartered in Minerbio, Italy and it has approximately 400 employees. Distribution is managed through a network of over 100 dealers covering 60 countries globally. Effer's sales in 2017 totalled EUR 71 million and generated an operating profit of approximately EUR 6.1 million. The acquisition was completed on 6 November 2018 and the financial results of Effer S.p.A. have been consolidated into Hiab business area financials from November 2018.

Kalmar signed an agreement to sell its rough terrain handling business, Kalmar Rough Terrain Center (KRTC), to the management of KRTC and a Texas-based investment group. The contract was signed and is effective as of 29 June 2018. The transaction follows Kalmar's strategy to focus on container ports, heavy industry and distribution segments. The rough terrain handling business is outside these core areas.

On 9 May 2018, Cargotec signed an agreement with JCE Invest AB to establish a joint venture, Bruks Siwertell Group, specialised in dry bulk handling. The new joint venture will own Siwertell AB (previously part of Kalmar Business Area within Cargotec) and BRUKS Holding AB (previously part of JCE Group). Both companies are world-leading suppliers of bulk materials handling solutions. Cargotec will own 48% of the shares in Bruks Siwertell Group, and JCE Invest AB will own the rest, 52%. The ownerships are included to venturers' consolidated financial statements in accordance with the applicable regulation. In 2017, Siwertell generated total revenues of approximately EUR 60 million.

On 8 February 2018, MacGregor entered into an agreement to acquire the major businesses from TTS Group, a global provider of cargo handling equipment and services for merchant and offshore ships, for an enterprise value of EUR 87 million. The combination of two highly complementary businesses will produce greater scale and diversification and will strengthen MacGregor's portfolio and market position in key markets for cargo and load handling equipment. Based on preliminary estimates, potential cost synergies are estimated to be around EUR 30-35 million on annual level and are expected to be reached within 3 years from closing. The sales of the business MacGregor aims to acquire totalled EUR 211 million in 2017 from which approximately 26 percent was related to service sales. During the fourth quarter, MacGregor announced that it has received approvals from the competitive authorities in Germany and South Korea, but is still waiting for the approval from the competition authority in China. MacGregor expects to close the transaction in Q1 2019.

In December 2017, MacGregor signed an agreement to acquire Rapp Marine Group (RMG) in order to strengthen its offering for the fishery and research vessel segment. MacGregor's existing portfolio already includes various deck handling equipment, such as cranes and booms, but with RMG, MacGregor is able to offer complete solutions with advanced winches and related control systems. The transaction was completed on 5 February 2018. RMG's sales in 2017 were approximately EUR 40 million, of which approximately 30 percent was related to services.

More information on acquisitions is available in Note 24 to the consolidated financial statements, Acquisitions and disposals.

Operational restructurings

MacGregor announced on 9 November 2017 planned measures to achieve annual cost savings of approximately EUR 13 million by reorganising its operations and began statutory cooperation negotiations. The statutory cooperation negotiations resulted in restructuring of operations and reducing approximately 170 full-time equivalents globally. The realised savings from the programme were approximately EUR 13 million in 2018.

In May 2017, Cargotec announced it will target EUR 50 million savings by reducing indirect purchasing spend, streamlining processes and planning Cargotec Business Services operations. Cargotec targets annual cost savings of EUR 50 million from 2020 and onwards. Approximately EUR 30 million of the savings will come from reductions in global indirect purchasing spend like logistics, external services and facilities. The remaining part of the savings will come from applying new technologies, like automation, in support processes and from the new Cargotec Business Services operations that has started its activities in Sofia, Bulgaria. In 2018, the realised savings from the programme amounted to around EUR 11 million.

Kalmar has transferred the production of forklift trucks from Sweden to Poland as planned. At the same time, Kalmar invests in new, state of the art premises in Sweden and transforms the operations in Southern Sweden into a Business, Innovation and Technology Centre. The total benefits of the activities are estimated to amount to approximately EUR 13 million annually, of which around EUR 8 million were realised in 2018.

Restructuring costs amounted to EUR 53.8 (36.5) million in 2018. Kalmar's restructuring costs include EUR 12.6 million sales gains and EUR 4.1 million sales losses, both related to disposals of businesses. Kalmar's other restructuring costs were EUR 14.0 million, and were mostly related to discontinuation of unprofitable product ranges. MacGregor's restructuring costs amounted to EUR 4.3 million and were related to operational efficiency measures. Of the corporate administration and support functions' restructuring costs, EUR 30 million are related to the lowered balance sheet valuation of Jiangsu Rainbow Heavy Industries Co. Ltd (RHI) associated company, and the rest, EUR 13.3 million, to company wide support functions efficiency programme. The impairment loss of RHI did not have an impact on the cash flow.

More information on operational restructurings is available in Note 6 to the consolidated financial statements, Restructuring costs.

Personnel

Cargotec employed 11,987 (31 Dec 2017: 11,251) people at the end of 2018. Kalmar employed 5,737 (5,819) people, Hiab 3,879 (3,370), MacGregor 1,879 (1,859), and corporate administration and support functions 492 (203). The number of employees in corporate administration and support functions increased due to the establishment of Cargotec Business Service (CBS) centre in Bulgaria. The average number of employees in 2018 was 11,589 (1–12/2017: 11,128).

At the end of the year 2018, 9 (31 Dec 2017: 11) percent of the employees were located in Sweden, 8 (8) percent in Finland, and 48 (43) percent in the rest of Europe. Asia-Pacific personnel represented 20 (21) percent, Americas 13 (15) percent, and the rest of the world 2 (2) percent of total employees.

Salaries and remunerations to employees totalled EUR 567 (570) million in 2018.

The annual Compass Employee Engagement survey provides valuable information on our employees' work-related feelings and thoughts. The Compass 2018 survey had a participation rate of 85 percent (2017: 86). Employee engagement has slightly declined to 67 percent (2017: 69). However, we see continuous improvement in our leadership indices. The leadership behaviours index is up at 73 percent (2017: 71) and the climate index shows an increase as well, being now at 77 percent (2017: 76). Our expectation is that, with the new strategy being assimilated and leadership indices on the rise, the engagement will continue to improve.

Disclosure on non-financial issues

Cargotec operates in more than 100 countries. Its business areas are Kalmar, Hiab and MacGregor. Kalmar's offering comprises cargo handling equipment and automated terminal solutions, software, and services that are used in ports, terminals, distribution centres and various industries. Hiab is the global market leader in on-road load handling solutions; its customers operate in on-land transport and delivery industries. MacGregor provides engineering solutions and services for marine cargo and offshore load handling.

Cargotec´s business model is based on an asset-light and assembly-only production footprint and supply chain expertise. The outputs of its business model are the products, solutions and services of its business areas, which create added efficiency, safety and environmental value to customers.

Cargotec creates economic value to the society through income taxes and sales, employee salaries and remunerations, as well as interests, purchases and payments to suppliers and partners. Cargotec shareholders benefit from the company dividends and the expected market value growth.

Core policies and commitments supporting non-financial management

Cargotec is committed to the principles of the UN Global Compact, OECD´s guidelines on multinational enterprises, the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. The internal policies and practices support the implementation of these commitments.

The Cargotec Code of Conduct describes the ethical principles and defines our way of working. The Code of Conduct defines how Cargotec behaves in relation to, for example, environmental issues, labour practices, human rights and anti-corruption. Practical implementation is ensured through topic area-specific policies, trainings and processes.

Management of non-financial matters

The Cargotec Board of Directors has the overall responsibility on non-financial matters. Board reviews non-financial related issues at least once a year as a separate topic and as part of strategy review. Cargotec Executive Board and the business area management teams review the non-financial matters according to specific reporting schedules set for each specific non-financial theme. The main functions supporting the target setting and implementation of the targets of non-financial issues are sustainability, environment and safety management, HR, ethics and compliance, legal, sourcing, R&D and strategy. More details on the management principles of non-financial matters can be found in the Corporate Governance Statement and in the Cargotec Annual Review 2018.

Reporting framework

Cargotec's disclosure on non-financial issues presents the most relevant information on environmental, social and employee matters, respect to human rights and anti-corruption necessary to understand the performance, development, position and impacts of Cargotec's activities in the value chain. The disclosure is based on the materiality principle and aims to give a fair and balanced view on non-financial matters in Cargotec's business. More detailed information on managing non-financial disclosure matters can be found in the Cargotec Annual Review 2018.

Environmental matters

The evaluation of the impacts of sustainability, climate change in particular, is a central part of Cargotec's refined strategy. Cargotec's environmental and health and safety (EHS) policy defines the principles for operational environmental management. In addition, business areas and sites may provide additional guidance to cover specific operational environmental management aspects in detail. Cargotec's supplier criteria and processes define environmental management practices for suppliers. Environmental risks relate mostly to the local environmental impacts of local operations or to the potential environmental liabilities during business acquisitions or divestments. Cargotec's assembly sites have specific quality and environmental management systems that ensure site-based environmental risk assessments and needed mitigation actions. During acquisition and divestment cases Cargotec conducts an environmental due diligence process to ensure that potential environmental risks are accounted for.

The biggest environmental impact and mitigation potential lies within the solutions Cargotec provides to its customers. The impact mitigations and preparations for climate change is one of the megatrends affecting the industry. At Cargotec, sustainability is perceived as a business opportunity. The Offering for eco-efficiency product portfolio accounted for 21 percent of Cargotec's total sales in 2018 (2017: 18%). For the next strategy period 2019-2021, the portfolio target is to create twice the sales growth compared to the sales growth of other products. Kalmar´s initiative to have its full offering available as electrically powered versions by 2021 supports this ambition.

Labour and employment matters

The Cargotec EHS policy defines safety management principles, while additional guidance is given in the business area or site-based safety instructions. Cargotec's HR policies define the principles for an equal and transparent HR practice. Health and safety related risks are identified at the operational sites, and safety programmes with clear KPIs have been developed to mitigate the risks. The management's leadership capabilities as well as engaged and motivated employees have been identified as the key employment- and labour-related factors to support the company's strategy implementation. Lack of leadership capabilities decreases employee motivation, which may slow down the strategy implementation and decrease the Code of Conduct compliance. Various leadership excellence programmes have been developed to support Cargotec leaders in their strategy implementation work and to further expand their management capabilities. The Cargotec Compass annual employee satisfaction survey gives information on specific employee management issues to evaluate and follow up and on any potential risks in labour-related issues.

Cargotec's assembly sites use safety management systems, wherein safety risks, safety compliance and related mitigation actions are defined. When monitoring safety issues, the industrial injury frequency trend (IIFR, number of injuries per million hours worked) is used as the main KPI. The assembly site IIFR target for 2018 was 5, and the rate achieved was 6,7 (2017: 6,1), while the non-assembly site IIFR rate was significantly higher at 9,5. Consequently, safety at service and frontline sites will be the focus area in 2019. The long-term target is to have the Cargotec IIFR at 4 by the year 2021.

The annual Compass Employee Engagement 2018 survey had a participation rate of 85% (2017: 86%). The leadership index in 2018 was 73% (2017: 71), while the team climate index was 77% (2017: 76) and the employee engagement index 67% (2017: 69) but we expect it to grow due to positive development of leadership indices. The positive score development results from the systematic leadership development. The target still is to use the Compass results in developing HR strategies and targets, and when planning actions to increase performance in areas that score below the average.

With the social responsibility index Cargotec gets insight on employees' views about social responsibility. The social responsibility index in 2018 was 80 (2017: 81).

Respect for human rights

Cargotec´s operations are systematically being monitored with safety and HR policies, processes and follow-up tools that aim to mitigate the risk of non-compliance in Cargotec´s own operations with regards to international human rights. Main policies and processes to support the respect for human rights in company's sphere of interest are sourcing criteria and processes as well as agent screening processes. Code of Conduct web courses are targeted to all Cargotec employees, and a specific human rights section is included in those courses.

Conducting a human rights risk gap analysis was set as a target for 2018. Cargotec carried out an analysis of the most important operational aspects related to human rights risks and measures to mitigate those risks. Most of the human rights risks occur in the Cargotec´s sphere of interest, as in supply chain and sales agents operations. In addition, mergers and acquisitions were identified as potential areas for human rights breaches. The supply chain function continued with its sourcing sustainability management programme from 2017, while 100 percent of strategic suppliers were invited to the sustainability self-assessment tool, target in 2018 being 100 %. The Supplier Code of Conduct is also part of supplier assessment. In 2019, Cargotec aims to audit 50 percent of suppliers which the self-assessment tool has helped to identify a potential risk.

The mergers and acquisition process was developed so that the human rights risks can be identified with better accuracy. The renewed human rights due diligence process will be taken into use in 2019 and will be implemented to all mergers and acquisition cases.

Ethics and Compliance

The Cargotec Code of Conduct, the Cargotec Anti-Corruption policy, Gift and Hospitality Instruction, Instruction for Engaging Agents, as well as the Instruction for Speak-Up and Non-Retaliation guide the work against possible unethical or corrupt business practices. The practical implementation of these policies, and related instructions, is guided by the Ethics and Compliance framework, which is based on the main principles to prevent, detect and respond to potential misconduct.

During the previous years the E&C team has focused heavily on training and awareness efforts. In particular face to face workshops with key risk groups have been prioritised. Based on input from these workshops, risk assessments and Code of Conduct cases the focus area for 2018 has been Conflict of Interest and Third Party management.

During 2018 a new Conflict of Interest instruction was launched and a formal process for declaring and disclosing possible conflict of interest risk was implemented in collaboration with the HR organisation. A new Third Party policy was also approved, the policy stipulate formal criteria for how to manage E&C risk relating to third parties involved in sales, supply chain, mergers and acquisitions as well as joint ventures. More detailed instructions are being drafted and a process for third party screening and risk assessments for sales intermediaries is being developed in Cargotec Business Services (CBS). The target is to replace the current Agent Instruction with updated instructions and process during 2019. Significant improvements has also been made to integrate E&C risk assessments into the M&A process.

The Code of Conduct related questions were updated and amended in the annual Compass Employee Engagement 2018 survey in order to further understand our employees' views on the company's ethical practices. 80% of total responses were favorable towards the questions asked.

Reporting on possible non-compliances around non-financial matters

The Cargotec SpeakUp line is an externally hosted reporting tool for reporting possible Code of Conduct violations. It enables anonymous reporting and can be accessed by both internal and external parties. In addition, the Ethics & Compliance team receive direct reporting from managers and the line organisation. All reported cases are evaluated confidentially and they are investigated according to the Code of Conduct response process. The Code of Conduct panel of Cargotec's Extended Executive Board reviews the need for possible disciplinary and remedial measures.

During 2018 55 cases were assessed by the Code of Conduct panel (2017: 57). A majority of these were related to labor issues or inappropriate management behavior. As a response to some cases, improvements to internal processes and controls were initiated. In addition, disciplinary actions such as warnings and dismissals were initiated for some. As a response to Code of Conduct concerns involving third parties, some discussions were held with third parties and some third party relationships were subsequently terminated.

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 operates separately from the operative organisation and reports to the Board's Audit and Risk Management Committee and, administratively, to the CEO. It 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's Audit and Risk Management Committee.

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. The 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's Audit and Risk Management Committee. 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 Audit and Risk Management Committee on a regular basis.

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

Executive Board

On 31 December 2018, 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; Soili Mäkinen, CIO (appointed to the Executive Board on 26 March 2018); Roland Sundén, Senior Vice President, Corporate Development; as well as business area presidents Antti Kaunonen (Kalmar), Scott Phillips (Hiab), and Michel van Roozendaal (MacGregor). Outi Aaltonen, Senior Vice President, General Counsel, acts as Secretary to the Executive Board.

Cargotec announced on 23 August 2018 that Scott Phillips was appointed President of Hiab business area and member of the Executive Board as of 1 October 2018. Roland Sundén, President of Hiab until 30 September 2018, took up a corporate development role in Cargotec as of 1 October, continuing to report to Mika Vehviläinen and as a member of the Cargotec Executive Board until the end of 2018, when he retired according to his contract.

Reporting segments

Kalmar

Kalmar's received in 2018 increased by 23 percent and totalled EUR 1,919 (1,555) million. In comparable foreign exchange rates, orders received increased by 27 percent. Kalmar's order book increased by 29 percent from the 2017 year-end, and at the end of 2018 it totalled EUR 1,012 (31 Dec 2017: 786) million.

Kalmar's sales in 2018 totalled EUR 1,618 (1,598) million. Service sales totalled EUR 449 (445) million, representing 28 (28) percent of sales. In comparable foreign exchange rates and excluding the impact of divested and acquired businesses, service sales increased by nine percent. Software sales decreased by four percent and amounted to EUR 147 (152) million. In comparable foreign exchange rates, software sales decreased by one percent.

Kalmar's operating profit for 2018 totalled EUR 138.1 (126.6) million. Operating profit includes EUR 5.4 (6.4) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 143.6 (133.1) million, representing 8.9 (8.3) percent of sales. Kalmar's operating profit increased due to productivity measures.

Hiab

Hiab's orders received in 2018 increased by 13 percent and totalled EUR 1,259 (1,116) million. Hiab's order book increased by 51% compared to the end of 2017 and totalled EUR 453 (31 Dec 2017: 300) million at the end of the year 2018.

In 2018, Hiab's sales increased by six percent and totalled EUR 1,149 (1,084) million. Service sales grew by six percent to EUR 274 (258) million, representing 24 (24) percent of sales.

Hiab's operating profit for 2018 decreased from the comparison period and totalled EUR 133.8 (157.0) million. Operating profit includes EUR 0.7 (0.2) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 134.5 (157.2) million, representing 11.7 (14.5) percent of sales. Hiab's operating profit declined due to the weakening of the US dollar compared to the euro as well as additional costs related to supply chain.

MacGregor

MacGregor's orders received in 2018 increased by 11 percent from the comparison period and totalled EUR 580 (521) million. MacGregor's order book grew by 10 percent from the 2017 year-end, totalling EUR 530 (31 Dec 2017: 481) million at the end of the year 2018. Around two thirds of the order book is merchant ship-related and one third is offshore vessel-related.

Sales in 2018 decreased by six percent from the comparison period to EUR 538 (571) million. The share of service sales was EUR 209 (205) million, or 39 (36) percent.

MacGregor's operating profit for 2018 totalled EUR -4.2 (-5.2) million. Operating profit includes EUR 4.3 (15.8) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 0.1 (10.6) million, representing 0.0 (1.9) percent of sales. MacGregor's operating profit excluding restructuring costs decreased, as cost savings did not fully compensate for the decline in sales and due to higher than expected project costs.

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM), held on 20 March 2018, adopted the financial statements of the parent company and consolidated financial statements of the year 2017. 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 2017. The AGM approved a dividend of EUR 1.04 to be paid for each class A share and a dividend of EUR 1.05 be paid for each class B share outstanding. The dividend was decided to be paid in two instalments, in March and September 2018. The first instalment was paid on 29 March 2018 and the second instalment on 27 September 2018.

The AGM authorised the Board to decide on the repurchase of Cargotec's shares with non-restricted equity. Altogether no more than 6,400,000 shares in the company may be purchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The authorisation shall remain in effect for a period of 18 months from the resolution by the general meeting and it will supersede the previous one. The number of the Board members was confirmed at ten. Kimmo Alkio, Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kemppi-

Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. The AGM elected accounting firm PricewaterhouseCoopers Oy and authorised public accountant Tomi Hyryläinen as auditors. The auditors' fees were decided to be paid according to invoice approved by the company.

Cargotec published stock exchange releases on the decisions taken at the AGM as well as the Board of Directors' organising meeting on 20 March 2018. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Organisation of the Board of Directors

On 20 March 2018, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected at its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. Outi Aaltonen, Senior Vice President, General Counsel, will continue as Secretary to the Board.

The Board of Directors elected among its members Ilkka Herlin, Kaisa Olkkonen and Teuvo Salminen as members of the Audit and Risk Committee. Teuvo Salminen was re-elected as Chairman of the Committee.

Board members Jorma Eloranta, Tapio Hakakari, Ilkka Herlin and Peter Immonen were elected to the Nomination and Compensation Committee. Ilkka Herlin was re-elected as Chairman of the Committee.

The Board of Directors decided to continue the practice that the members are to keep the Cargotec shares they have obtained in remuneration under their ownership for at least two years from the day they obtained them.

Board of Directors' authorisations

Cargotec Corporation's Annual General Meeting (AGM), held on 18 March 2014 in Helsinki, authorised the Board to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act as follows: The amount of shares to be issued based on this authorization shall not exceed 952 000 class A shares and 5 448 000 class B shares. The authorization covers both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights, on the condition that the distribution of shares is based on weighty financial grounds. The Board of Directors is authorised to decide on all the conditions of the issuance of shares and of special rights entitling to shares. The authorization remains in effect for a period of five years following the date of decision of the general meeting.

Cargotec Corporation's Annual General Meeting (AGM), held on 20 March 2018 in Helsinki, authorised the Board to decide on the repurchase of Cargotec's shares with non-restricted equity. Altogether no more than 6,400,000 shares in the company may be purchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The authorisation remains in effect for a period of 18 months from the resolution by the general meeting

Change of auditor

On 27 December 2018, Cargotec announced that the The Finnish Patent and Registration Office has on the same date designated Markku Katajisto, Authorised Public Accountant, as the company's auditor for the financial year 2018, with the role taking effect immediately.

Markku Katajisto replaces Tomi Hyryläinen as the company's auditor, as Tomi Hyryläinen has on 20 December 2018 announced his resignation from this position as he has moved to other assignments.

After the change, Cargotec's auditors are PricewaterhouseCoopers Oy, Authorised Public Accountants, who have announced that the responsible auditor is Mikko Nieminen, Authorised Public Accountant, and Markku Katajisto, Authorised Public Accountant.

Shares and trading

Share capital, own shares and share issue

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of 2018. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089.

On 20 March 2018, the Board of Directors of Cargotec Corporation decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to Cargotec's share-based incentive programme 2015, as well as 2017 allocation of restricted shares programme 2016–2018 under the share-based incentive programme 2016.

In the share issue, 138,787 own class B shares held by the company were transferred without consideration to the key employees participating in the share-based incentive programmes in accordance with the programme-specific terms and conditions. More detailed information about the launch and the terms and conditions of the programmes is available in stock exchange releases published on 10 February 2015 and on 10 February 2016.

The decision on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting on 18 March 2014. According to the authorisation, the Board of Directors can decide on a share issue amounting to a maximum of 952,000 class A shares and 5,448,000 class B shares. In accordance with the authorisation, previously 26,684 own class B shares were transferred on 31 March 2014, 28,030 shares on 31 March 2015, 27,601 shares on 31 March 2016 and 56,709 shares on 31 March 2017.

In July 2018, Cargotec repurchased a total of 150,000 class B shares based on the authorisation of the Annual General Meeting on 20 March 2018 for a total cost of EUR 6,082,462.20. In addition, based on the aforementioned authorisation, Cargotec repurchased a total of 160,000 class B shares in December 2018 for a total cost of EUR 4,391,164.00. 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 2019 at the earliest.

At the end of 2018, Cargotec held a total of 379,603 own class B shares, accounting for 0.59 percent of the total number of shares and 0.25 percent of the total number of votes. At the end of 2018, the number of outstanding class B shares totalled 54,802,476.

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

Share-based incentive programmes

In February 2018, The Board of Directors of Cargotec Corporation has resolved on the performance criteria for the share-based incentive programme for the year 2018. The performance share programme, approved by the Board of Directors in 2017, includes three performance periods, calendar years 2017–2018, 2018–2019 and 2019–2020. Each performance period includes two measuring periods, both lasting for one calendar year. For the measuring periods, the Board of Directors will annually resolve on the performance criteria for each measuring period.

For the performance period of 2017–2018 started in 2017, the potential reward of the measuring period 2018 will be based on the business areas' Return on Capital Employed (ROCE, excluding restructuring costs) for the key employees of the business areas Kalmar, Hiab and MacGregor, and for Navis software divisions' key employees, on Navis' sales and on sales of XVELA business. For Cargotec Corporate key employees, the performance criterion is Cargotec's Return on Capital Employed (ROCE, excluding restructuring costs). After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods 2017 and 2018, and potential rewards from the performance period 2017–2018 will be paid partly in Cargotec's class B shares and partly in cash in 2019. As a rule, no reward will be paid, if a key employee's employment or service ends before the reward payment. The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.

For the new performance period of 2018–2019, the programme is directed to approximately 150 key employees, including the members of the Executive Board. The incentive programme supports increasing growth of the service and software business according to Cargotec's strategy. For the key employees of the business areas Kalmar, Hiab and MacGregor, the potential reward of the measuring period 2018 will be based on the business areas' service gross profit, and for Navis software divisions' key employees, on Navis' sales and on sales excluding TOS-business. For the Cargotec Corporate key employees, the performance criterion is Cargotec's service gross profit. The rewards to be paid on the basis of the performance period 2018-2019 will amount up to an approximate maximum total of 180,000 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees. After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods 2018 and 2019, and potential rewards from the performance period 2018–2019 will be paid partly in Cargotec's class B shares and partly in cash in 2020. As a rule, no reward will be paid, if a key employee's employment or service ends before the reward payment. The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.

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

Market capitalisation and trading

At the end of 2018, the total market value of class B shares was EUR 1,464 (2,595) million, excluding own shares held by the company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 1,720 (3,047) million, excluding own shares held by the company.

The class B share closed at EUR 26.72 (47.20) on the last trading day of 2018 on Nasdaq Helsinki. The volume-weighted average share price in 2018 was EUR 41.28 (49.85), the highest quotation being EUR 51.30 (59.25) and the lowest EUR 26.46 (40.26). During the period, a total of 34 (33) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,382 (1,665) million. In addition, according to Fidessa, a total of 47 (48) million class B shares were traded in several alternative marketplaces, such as Cboe APA and Cboe BXE, corresponding to a turnover of EUR 1,945 (2,428) million.

Loans, liabilities and commitments to related parties

Cargotec had no loans, liabilities and commitments to related parties on 31 December 2018.

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. A slowdown in global economic growth could reduce the growth in container traffic. Furthermore, the consolidation of ship companies and container terminal operators as well as the relatively low penetration of automation technology could postpone the customers’ investment decisions regarding container handling automation. Project executions may face risks related to schedule, cost and delivery guarantees. Furthermore, potential bottlenecks in the supply chain could postpone deliveries and have a negative impact on sales and results. Uncertainty may be increased by risks stemming from political instability, volatility on the currency and raw material markets, or from the financing sector. In addition, a trade war could have an impact on global flow of goods and therefore on the demand of Cargotec's solutions. Hiab's demand is impacted by the development of the construction market. A significant share of Hiab's orders are from the United States. Even though the cash flows are hedged for the existing order book, the weakening of the US dollar in the longer term could weaken Hiab's results. Greater difficulty in obtaining financing would weaken customers' liquidity and investments.

MacGregor's market situation still involves uncertainties. It is anticipated that the oversupply in the merchant ship market will take longer to balance out, since capacity will continue to increase while demand is expected to grow very moderately. At the same time, the uncertainty regarding oil price 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.

Risks regarding Cargotec's acquisitions are related to, for example, the knowledge of the local markets, authority processes, customers, corporate culture, integration as well as key employees.

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

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

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2018 was EUR 1,213,139,061.71 of which net income for the period was EUR 13,813,850.04. The Board of Directors proposes to the Annual General Meeting convening on 19 March 2019 that of the distributable profit, a dividend of EUR 1.09 for each of the 9,526,089 class A shares and EUR 1.10 for each of the 54,802,476 outstanding class B shares be paid, totalling EUR 70,666,160.61. The remaining distributable equity, EUR 1,142,472,901.10, will be retained and carried forward.

The Board of Directors also proposes that the dividend shall be paid in two instalments, in March and in October 2019. The first instalment of EUR 0.55 per each of class A shares and EUR 0.55 per each of class B shares outstanding shall be paid to shareholders who on the record date for dividend distribution, 21 March 2019, are registered as shareholders in the company's shareholder register. The dividend payment date proposed by the Board of Directors is 28 March 2019.

The second instalment of EUR 0.54 per each of class A shares and EUR 0.55 per each of class B shares outstanding shall be paid in October 2019. The second instalment shall be paid to shareholders who are registered as shareholders in the company's shareholder register on the dividend record date, which, together with the payment date, shall be confirmed by the Board of Directors in its meeting scheduled for 1 October 2019. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would thus be 3 October 2019 and the dividend payment date 10 October 2019.

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

Outlook for 2019

Cargotec expects its comparable operating profit for 2019 to improve from 2018 (EUR 242.1 million).

New alternative performance measure – Comparable operating profit

Cargotec uses alternative performance measures (APMs) to better convey underlying business performance and to enhance comparability from period to period. Starting from 1 January 2019, Cargotec replaces the alternative performance measure of "operating profit excluding restructuring costs" with "comparable operating profit" for measuring business performance in the financial reporting. Comparable operating profit does not contain items significantly affecting comparability. In addition to restructuring costs, these items mainly include capital gains and losses, gains and losses related to business acquisitions and disposals, impairments of assets and reversals of impairments, insurance benefits, and expenses related to legal proceedings. Cargotec's comparable operating profit for 2018 is EUR 242.1 (2017: 258.6) million.

Annual General Meeting 2019

The Annual General Meeting of Cargotec Corporation will be held at the Marina Congress Center in Helsinki on Tuesday 19 March 2019 at 1.00 p.m. EET.

Helsinki, 7 February 2019
Cargotec Corporation
Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2018	%	1 Jan–31 Dec 2017, restated*	%
Sales	3, 4	**3,303.5**		**3,249.8**	
Cost of goods sold		-2,489.3		-2,397.7	
Gross profit		**814.2**	**24.6**	**852.1**	**26.2**
Other operating income	5	44.8		35.8	
Selling and marketing expenses		-234.4		-221.8	
Research and development expenses		-94.7		-98.2	
Administration expenses		-252.9		-273.6	
Restructuring costs	6	-53.8		-36.5	
Other operating expenses	5	-35.4		-36.7	
Share of associated companies' and joint ventures' net income	25	2.3		0.9	
Operating profit	3, 5, 6, 9, 23	**190.0**	**5.8**	**222.1**	**6.8**
Financing income	7	3.4		3.3	
Financing expenses	7	-32.2		-36.2	
Income before taxes		**161.1**	**4.9**	**189.2**	**5.8**
Income taxes	13	-53.1		-56.5	
Net income for the financial year		**108.0**	**3.3**	**132.7**	**4.1**
Net income for the financial year attributable to:					
Equity holders of the parent		107.0		132.4	
Non-controlling interest		1.1		0.2	
Total		**108.0**		**132.7**	
Earnings per share for profit attributable to the equity holders of the parent:	8				
Earnings per share, EUR		1.66		2.05	
Diluted earnings per share, EUR		1.65		2.05	

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017, restated*
Net income for the financial year		**108.0**	**132.7**
Other comprehensive income			
Items that cannot be reclassified to statement of income:			
Actuarial gains (+) / losses (-) from defined benefit plans	12	-2.1	-5.0
Taxes relating to items that cannot be reclassified to statement of income	13	-0.1	1.1
Items that can be reclassified to statement of income:			
Gains (+) / losses (-) on cash flow hedges		-31.2	50.2
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		11.5	-16.2
Gains (+) / losses (-) on net investment hedges		-	10.9
Translation differences		-13.0	-81.9
Taxes relating to items that can be reclassified to statement of income	13	4.0	-4.8
Other comprehensive income, net of tax		**-30.8**	**-45.7**
Comprehensive income for the financial year		**77.3**	**87.0**
Comprehensive income for the financial year attributable to:			
Equity holders of the parent		76.2	86.8
Non-controlling interest		1.0	0.2
Total		**77.3**	**87.0**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

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

Consolidated balance sheet

MEUR	Note	31 Dec 2018	31 Dec 2017, restated*	1 Jan 2017, restated*
ASSETS				
Non-current assets				
Goodwill	20	970.9	986.7	1,024.5
Other intangible assets	21	278.6	260.8	290.2
Property, plant and equipment	22	308.7	310.8	308.6
Investments in associated companies and joint ventures	25	99.8	109.8	123.4
Share investments	30	0.3	0.2	3.8
Loans receivable and other interest-bearing assets**	30	36.0	5.0	3.0
Deferred tax assets	14	137.3	150.0	185.0
Derivative assets	30, 31	-	6.1	16.9
Other non-interest-bearing assets	17, 30	9.5	8.5	7.9
Total non-current assets		**1,841.1**	**1,837.9**	**1,963.5**
Current assets				
Inventories	16	688.8	623.3	641.4
Loans receivable and other interest-bearing assets**	30	1.8	2.5	1.9
Income tax receivables		56.0	36.4	26.1
Derivative assets	30, 31	17.4	13.3	45.8
Accounts receivable and other non-interest-bearing assets	17, 30	822.5	746.8	788.3
Cash and cash equivalents**	28, 30	256.3	309.1	273.2
Total current assets		**1,842.8**	**1,731.4**	**1,776.7**
Total assets		**3,683.9**	**3,569.3**	**3,740.2**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

** Included in interest-bearing net debt.

*** Amounts due to customers from construction contracts and advance payments from service contracts and software business have been regrouped from “Accounts payable and other non-interest-bearing liabilities” to “Advances received”. On 31 Dec 2017, the restated amount was EUR 67.2 million and on 1 Jan 2017 EUR 82.2 million.

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

MEUR	Note	31 Dec 2018	31 Dec 2017, restated*	1 Jan 2017, restated*
EQUITY AND LIABILITIES				
Equity attributable to the equity holders of the parent				
Share capital		64.3	64.3	64.3
Share premium account		98.0	98.0	98.0
Translation differences		-44.2	-31.2	37.3
Fair value reserves		-13.5	2.1	-24.7
Reserve for invested non-restricted equity		58.5	69.0	69.0
Retained earnings		1,262.5	1,220.6	1,152.3
Total equity attributable to the equity holders of the parent	10, 32	**1,425.6**	**1,422.8**	**1,396.3**
Non-controlling interest		3.0	2.3	2.2
Total equity		**1,428.5**	**1,425.1**	**1,398.5**
Non-current liabilities				
Interest-bearing liabilities**	29, 30, 33	717.1	673.8	656.8
Deferred tax liabilities	14	28.1	12.7	73.6
Pension obligations	12	92.3	87.5	81.4
Provisions	19	10.7	17.1	37.6
Other non-interest-bearing liabilities	18, 30	58.6	61.5	49.4
Total non-current liabilities		**906.8**	**852.6**	**898.7**
Current liabilities				
Current portion of interest-bearing liabilities**	29, 30, 33	168.4	83.8	119.4
Other interest-bearing liabilities**	29, 30	44.5	37.6	45.8
Provisions	19	86.7	103.5	112.8
Advances received***		190.3	194.1	231.3
Income tax payables		39.6	49.1	32.0
Derivative liabilities	30, 31	5.8	6.4	34.1
Accounts payable and other non-interest-bearing liabilities***	18, 30	813.5	817.1	867.7
Total current liabilities		**1,348.6**	**1,291.7**	**1,443.0**
Total equity and liabilities		**3,683.9**	**3,569.3**	**3,740.2**

Consolidated statement of changes in equity

		Attributable to the equity holders of the parent								
MEUR	Note	Share capital	Share premium account	Translation differences	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2018		**64.3**	**98.0**	**-31.2**	**2.1**	**69.0**	**1,220.6**	**1,422.8**	**2.3**	**1,425.1**
+/- IFRS 9 transition effect*							-1.6	-1.6	-	-1.6
+/- IFRS 2 transition effect*							7.5	7.5	-	7.5
Restated equity 1 Jan 2018		**64.3**	**98.0**	**-31.2**	**2.1**	**69.0**	**1,226.5**	**1,428.7**	**2.3**	**1,431.0**
Net income for the financial year							107.0	107.0	1.1	108.0
Cash flow hedges					-15.6			-15.6	0.0	-15.6
Net investment hedges				-				-		-
Translation differences				-13.0				-13.0	0.0	-13.0
Actuarial gains (+) / losses (-) from defined benefit plans	12, 13						-2.2	-2.2		-2.2
Comprehensive income for the financial year**				**-13.0**	**-15.6**	**-**	**104.8**	**76.2**	**1.0**	**77.3**
Profit distribution	32						-67.6	-67.6	-0.4	-68.0
Treasury shares acquired						-10.5		-10.5		-10.5
Share-based payments**	10						-1.2	-1.2		-1.2
Transactions with owners of the company						**-10.5**	**-68.9**	**-79.4**	**-0.4**	**-79.8**
Transactions with non-controlling interests								-	0.0	0.0
Equity 31 Dec 2018		**64.3**	**98.0**	**-44.2**	**-13.5**	**58.5**	**1,262.5**	**1,425.6**	**3.0**	**1,428.5**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

** Net of tax.

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

		Attributable to the equity holders of the parent								
MEUR	Note	Share capital	Share premium account	Translation differences	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2017		**64.3**	**98.0**	**37.3**	**-24.7**	**69.0**	**1,151.1**	**1,395.0**	**2.2**	**1,397.3**
+/- IFRS 15 transition effect*							1.3	1.3	-	1.3
Restated equity 1 Jan 2017		**64.3**	**98.0**	**37.3**	**-24.7**	**69.0**	**1,152.3**	**1,396.3**	**2.2**	**1,398.5**
Net income for the financial year, restated*							132.4	132.4	0.2	132.7
Cash flow hedges					26.8			26.8		26.8
Net investment hedges				8.7				8.7		8.7
Translation differences				-77.3				-77.3	0.0	-77.3
Actuarial gains (+) / losses (-) from defined benefit plans	12, 13						-3.9	-3.9		-3.9
Comprehensive income for the financial year**				**-68.6**	**26.8**	**-**	**128.5**	**86.8**	**0.2**	**87.0**
Profit distribution	32						-61.1	-61.1	-1.0	-62.2
Treasury shares acquired						-		-		-
Share-based payments**	10						3.2	3.2		3.2
Transactions with owners of the company						**-**	**-58.0**	**-58.0**	**-1.0**	**-59.0**
Transactions with non-controlling interests							-2.3	-2.3	0.9	-1.4
Equity 31 Dec 2017		**64.3**	**98.0**	**-31.2**	**2.1**	**69.0**	**1,220.6**	**1,422.8**	**2.3**	**1,425.1**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

** 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 2018	1 Jan–31 Dec 2017, restated*
Cash flow from operations before financing items and taxes			
Net income for the financial year		108.0	132.7
Depreciation, amortisation and impairment	23	77.2	72.0
Financing items	7	28.9	32.9
Taxes	13	53.1	56.5
Change in receivables		-54.8	0.1
Change in payables		-49.6	-38.7
Change in inventories		-54.3	-4.9
Other adjustments		17.3	2.9
Cash flow from operations before financing items and taxes		**125.8**	**253.5**
Interest received		3.1	4.8
Interest paid		-18.6	-20.1
Dividends received		14.0	5.5
Other financing items		-23.0	14.6
Income taxes paid		-61.0	-77.5
Net cash flow from operating activities		**40.2**	**180.9**
Net cash flow from investing activities			
Acquisitions of businesses, net of cash acquired	24	-70.7	-14.4
Disposals of businesses, net of cash sold	24	-15.5	-1.2
Investments in associated companies and joint ventures	25	-0.5	-4.7
Investments in fixed assets	21, 22	-71.5	-84.3
Disposals of fixed assets	5, 21, 22	19.1	13.7
Cash flow from investing activities, other items		1.8	1.3
Net cash flow from investing activities		**-137.3**	**-89.7**

MEUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017, restated*
Net cash flow from financing activities			
Treasury shares acquired		-9.4	-
Acquisition of non-controlling interest		-	-0.4
Proceeds from long-term borrowings	29	199.5	253.2
Repayments of long-term borrowings	29	-83.7	-243.1
Proceeds from short-term borrowings	29	3.4	7.6
Repayments of short-term borrowings	29	-3.9	-17.7
Profit distribution	32	-68.0	-62.2
Net cash flow from financing activities		**37.7**	**-62.6**
Change in cash and cash equivalents		**-59.3**	**28.6**
Cash and cash equivalents, and bank overdrafts 1 Jan	28	284.7	260.8
Effect of exchange rate changes		0.1	-4.6
Cash and cash equivalents, and bank overdrafts 31 Dec		**225.5**	**284.7**
Bank overdrafts 31 Dec	28	30.8	24.4
Cash and cash equivalents 31 Dec		**256.3**	**309.1**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

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

Notes to the consolidated financial statements (IFRS)

CONTENTS

BASIS OF PREPARATION

1. Accounting principles for the consolidated financial statements

General information

Cargotec Corporation (1927402-8) 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 February 2019. 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 in 2018

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 2018 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 which may cause, for example, the sum of individual figures to deviate from the presented sum total.

Starting from 1 January 2018, Cargotec has adopted the following new standards and amendments:

IFRS 15, Revenue from contracts with customers, with additional clarifications, and associated amendments to various other standards. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue can be recognised. The standard was adopted retrospectively with the allowed transitional reliefs. The adoption of IFRS 15 resulted in changes in the timing of revenue recognition related to certain products. The retrospective adoption of these changes resulted in an increase of EUR 1.3 million in Cargotec's equity in the opening balance of 2017, and a reduction of EUR 3.7 million in the net income for the year 2017.

IFRS 15 changed revenue recognition mainly due to new guidance regarding over time revenue recognition. Cargotec's accounting was especially impacted by the new over time revenue recognition rule based on the product-level "alternative use" assessment, and the contract-level "right to margin" assessment based on which the timing of revenue recognition is determined. The alternative use assessment was determined for all Cargotec product types, and based on the analysis, the use of the over time revenue model increased at MacGregor. However, the final revenue model related to all products with no alternative use always depends on what the related contracts stipulate about Cargotec's right to a margin. In these situations, the overtime revenue model is applicable only when Cargotec has a right to margin at all times during the contract period.

In addition, the more detailed guidance regarding recognition of revenue separately to each distinct performance obligation affected revenue recognition in transactions where a combination of deliverables sold together do 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. This has an impact on revenue recognition of the MacGregor business area in situations where a product is delivered in several installments without an installation. The transfer from contract-level revenue recognition to performance obligation-level revenue recognition results that MacGregor recognises revenue from these contracts earlier than before.

IFRS 9, Financial Instruments, and amendments to IFRS 9. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, the new credit loss model based on expected credit losses for measuring impairment of financial assets, and renewed hedge accounting guidance. The standard was adopted prospectively by applying the transitional reliefs as allowed by the standard. The adoption of IFRS 9 resulted in an increase in the credit loss provision regarding the less than 90 days overdue receivables related to which Cargotec previously recognised no generic credit loss provision. In addition, certain loan receivables were impaired on the adoption of IFRS 9. These transitional adjustments resulted in a reduction of EUR 1.6 million in Cargotec's equity in the opening balance of 2018.

The new classification and measurement guidance has no significant impact on Cargotec's financial reporting. The new guidance for measuring the impairment of financial assets changes Cargotec's credit loss measurement from the current incurred credit loss model to the new expected credit loss model. As a result of this change, Cargotec adopted the simplified credit loss model for its customer receivables and the generic expected credit loss model for its other receivables. The new credit loss model for customer receivables consists of two credit loss components from which the first component is calculated based on quantitative rules-based ageing analysis of customer receivables in which the risk-weights are derived from historical credit losses. The second component involves a receivable level, or a receivable group level, forward-looking qualitative assessment based on which an additional impairment can be recognised to a receivable, or a group of receivables in excess of the level of the first credit loss component. Despite the requirement to analyse credit risk, and recognize credit losses in a more anticipatory manner, the overall increase in the credit loss allowance due to the new model was nevertheless modest.

The changes in the hedge accounting guidance did not affect Cargotec's current hedge accounting model. Cargotec applies the IFRS 9 hedge accounting guidance.

Amendments to IFRS 2 regarding the classification and measurement of share-based payment transactions were adopted prospectively. As a result of the amendments, the share-based payments that are settled net in shares after withholding taxes are accounted for in full as equity-settled arrangements despite the fact that Cargotec pays in cash the taxes related to the rewards on behalf of the participants. The adoption of the IFRS 2 amendments resulted in an increase of EUR 7.5 million in Cargotec's equity in the opening balance of 2018.

IFRIC 22, Foreign Currency Transactions and Advance Consideration. The interpretation provides guidance on the accounting of advance payments received in foreign currency by clarifying which transaction date's spot rate should be used when converting a 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. The interpretation had no material effect on Cargotec's reporting.

Additional information about the impact of the amendments is disclosed in note 36, Adoption of the new and amended IFRS standards, impact on the 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, and control is lost when this criteria is no longer met. Subsidiaries have been listed in note 26, 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. The difference, if any, between the consideration transferred and the fair value of net assets obtained is recognised as goodwill. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date the control is obtained, and divested subsidiaries until the date the control is lost. When control is lost, all assets and liabilities related to the disposed subsidiary are derecognised. Additionally, if relevant, the hedging result recognised in other comprehensive income by the disposed subsidiary and the translation differences related to the disposed subsidiary are reclassified to statement of income.

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 the statement of income. 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 on the balance sheet.

All intercompany transactions, receivables, liabilities, unrealised profits and distribution of profits within Cargotec are eliminated in the consolidated financial statements. The accounting principles of the 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 net assets purely based on the ownership interest held, are accounted for in the consolidated financial statements under the equity method. Investments in the associated companies and joint ventures are initially recognised on the balance sheet at the acquisition cost, which includes goodwill and intangible assets identified on acquisition as well as the costs for acquiring or establishing the associated company or joint venture, and, subsequently, the value of investment is adjusted in accordance with changes in the net assets of the investee in proportion to Cargotec's ownership, and in accordance with the amortizations of the intangible assets identified in the acquisition. Investment in an associated company or a joint venture is derecognised when Cargotec no longer has a significant influence or joint control over the investee.

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 accounted for with equity method 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 reported only if Cargotec is committed to fulfilling the obligations of the associated company or joint venture.

Business transactions between the group and the associated companies or joint ventures are recognised in the group's financial statements only to the extent of the unrelated investor's interest in the associated company or joint venture. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the transferred assets. The accounting principles of the associated companies 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 monetary 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 gains and losses related to foreign currency hedges designated as hedges of sales and purchases under hedge accounting are first recognised in the statement of comprehensive income, and finally in the statement of income as adjustments to sales and purchases simultaneously with the related transactions. 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

The stand-alone financial statements of subsidiaries are reported using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). In the consolidated financial statements, the statement of income and the cash flows of subsidiaries whose functional currency is other than the euro are translated into euros using the average exchange rate of the financial period, and the assets and liabilities on the 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. Intercompany loan agreements may form a part of net investment if 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 products 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 contract, unless multiple contracts effectively form a single transaction, and within contracts, revenue recognition is determined separately for each distinct product or service. A product or service is considered to be a distinct performance obligation if it is separable from other contractual promises to the customer, and if the customer can benefit from it on its own or together with other readily available resources. Therefore, a single agreement including multiple deliverable elements may include one or more distinct items of revenue. Cargotec has the main responsibility to fulfil the performance obligations, and, therefore, mainly acts as principal in its customer contracts, also when subcontractors are used.

The transaction price allocated to distinct promised goods or services is based on the amount Cargotec expects to receive from the sale by taking into account the agreed contractual transaction price and the assessment of impact of any related variable price elements, such as performance bonuses or late delivery penalties. Although the variable price elements are commonly used in contracts, the project outcomes are mostly reliably predictable and the impact of variable price elements in the overall revenue recognition of projects is not determinant. The transaction price is allocated to distinct products and services in accordance with their relative fair values that are based either on list prices or expected production costs and margins, depending on the product or service.

Revenue is recognised separately for each distinct product or service either over time or at a certain point in time, based on the fulfilment of the performance obligations and how the control of the product or service is transferred to the customer. The control is considered to be transferred over time if the benefit received from performance is produced and consumed simultaneously, or if the produced performance improves an asset controlled by the customer. In addition, control is considered to be transferred over time when delivering products with a highly customised design, if it is assessed that the product is not suitable as such or with minor modifications for another customer and if Cargotec has a contractual right to a payment regarding the produced output. In other situations, revenue is recognised at the point in time when the control of the product is transferred to the customer. The timing of the transfer is primarily determined based on the transfer of risks and rewards. Depending on the type of product, the applied delivery method and the contract terms, the risks and rewards are considered to be transferred either in accordance with the applied delivery term, when the installation of the product is ready, or when the customer accepts the product.

If a customer contract is expected to be loss-making, the costs arising from the contract are estimated with the same principles that are applied to provisions and the expected loss is recognised immediately in the statement of income.

Revenue from sales of machines and equipment that are either manufactured in large quantities or their manufacturing requires no significant amount of design work is recognised at a point in time when the significant risks and rewards have been transferred to the buyer and the company no longer has the authority or control over the goods. When these products are sold without a delivery or installation, the revenue is recognised when the product is handed over or otherwise made available to the customer. If standard products are sold with a delivery but without installation, the timing of revenue recognition is stipulated by the applied delivery clause (Incoterm). If standard products are sold together with an installation service, the timing of revenue recognition is determined based on the complexity of the installation work. Complex installation services are considered to be performance obligations closely related to the installed products, and, therefore, the revenue from both is recognised only after the installation is completed. On the contrary, the non-complex installation services that are typically of short duration and low in value do not determine the timing of the product's revenue recognition.

Revenue from sales of machines and equipment, the manufacturing of which requires a significant amount of design work, is recognised over time by using the percentage of completion method if it is assessed that the product is not suitable as such or with minor modifications for another customer, and if Cargotec has a contractual right to a payment regarding the produced output. Due to this two-tier rule, the timing of the revenue recognition of these products is in practice determined by the payment terms of the contract. The percentage of completion is determined either 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). If it is not possible to reliably estimate the outcome of a contract, costs are recognised as incurred and revenues only to an extent the corresponding costs are expected to be recovered.

Revenue from sales of ready-to-use software is recognised when the software is delivered or otherwise made available to the customer. Revenue is recognised at a point in time if the customer obtains a perpetual right to use it as it exists at the point in time at which the licence is granted. If the software sold with perpetual licence requires significant customer-specific customisation, the software licence and the customisation work are considered to be a combined performance obligation, and the related revenue is recognised by reference to the stage of completion based on the amount of work performed.). If it is not possible to reliably estimate the outcome of a contract, costs are recognised as incurred and revenues only to an extent the corresponding costs are expected to be recovered. If a software licence is sold for a defined period of time, or as a service, the related revenue is recognised over the licence or service period.

Revenue from sales related to service contracts is recognised in accordance with the percentage of completion method when the outcome of the project can be reliably estimated. 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). The percentage of completion related to long-term and small-value service contracts is not assessed at an individual contract level based on the costs incurred or amount of work performed, but it is based on an estimate of how the costs are generally incurred and services performed over a contract period with a similar length. When the services are delivered evenly over time, such as with software maintenance and support services and extended warranties, or require an undefined number of acts, the revenue is recognised on a straight-line basis over the contract period. If the outcome of a contract cannot be reliably estimated, the project costs are recognised in the statement of income during the period in which they are incurred and the revenue only to the extent that the corresponding costs are expected to be recovered. Expected contract losses are recognised as expenses immediately. Revenue from short-term service orders is recognised when the service has been rendered.

Cargotec offers customer finance services to certain customer segments and distribution channels. In these transactions, Cargotec is involved in arranging financing to the customer or dealer either directly by itself or in cooperation with a financing partner. It is typical that in these arrangements Cargotec continues to carry some level of residual value risk related to the sold product or credit risk related to the end customer. Depending on the type and level of risk retained, Cargotec accounts for its sales under customer finance arrangements as normal sales, operating or finance leases, or financing arrangements in accordance with the true nature of the transaction.

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

Income taxes in the statement of income include group companies’ taxes based on the taxable income, changes in deferred taxes and adjustments to taxes for previous periods. Income taxes based on the taxable income are calculated by using the local tax rates and laws enacted or substantively enacted at the end of the reporting period. Tax is recognised in the statement of income except to the extent that it relates to items recognised in the statement of other comprehensive income, in which case the tax is presented in the statement of other comprehensive income. Deferred taxes are calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on the unutilised tax losses. Deferred tax liabilities are recognised in full and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred taxes are measured with the tax rates and laws that are enacted or substantively enacted at the end of the reporting period and that are expected to apply when the asset is realised or liability settled.

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 fair value of 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. Goodwill is derecognised when subsidiaries are disposed of. The amount of disposed goodwill is determined in relation to the change in the value of the related reporting segment before and after the disposal, based on the value-in-use analysis.

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:
- Developed and acquired technologies 3–10 years
- Customer relationships and trademarks 3–15 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. The development costs that are once expensed are not subsequently capitalised. Capitalised development costs related to intangible assets are amortised on a straight-line basis over their estimated 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 2–10 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, when future economic benefits are expected from the renovations, and the cost of the renovation 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 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 of items of property, plant and equipment, intangible assets, and goodwill is the fair value less costs to sell, or the higher cash flow-based on 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 lives 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. The value-in-use is determined by calculating the present value of the estimated future net cash flows of the tested CGU. 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 not substantially all of the risks and rewards incidental to ownership are 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 on 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 on 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 on the 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.

Contract assets and liabilities

Contract assets relate to unbilled receivables from customer contracts in which revenue is recognised on an over time basis. Unbilled receivables represent the amount of revenue recognised relating to the work performed that exceeds the sum of invoicing and recognised losses. Contract assets are recognised as other non-interest-bearing receivables on balance sheet. Contract liabilities relate to advances received from customer contracts and represent the amount of prepayments received, or invoiced, in excess of the revenue recognised. Contract liabilities are recognised as advances received on balance sheet. Contract asset and liability balances are determined separately for each customer contract.

Financial assets

Financial assets are classified in accordance with the applied measurement principle as financial assets at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. 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 are measured at amortised cost if there is no intention to sell the asset and the expected contractual cash flow from it is based on interest and repayment of the principal amount. The loans and receivables measured at amortised cost mostly consist of accounts receivables and cash and cash equivalents. Loan receivables are measured initially at fair value plus transaction costs and less expected credit losses, and subsequently at amortised cost in accordance with the effective interest method. Changes in the amount of expected credit loss are reflected in the expected cash flows included in amortised cost.

Accounts receivables are initially recognised at fair value less expected credit losses and subsequently at amortised cost less expected credit losses. Expected credit losses include two components. The first component is calculated mechanically by using a provision matrix in which the impairment is determined based on risk weights derived from the historical credit losses and the ageing analysis of customer receivables. The second credit loss component is based on a qualitative forward-looking analysis based on which additional impairment exceeding the first credit loss component can be recognised to a receivable or group of receivables. Impairments and allowances are recognised in the statement of income under cost of goods sold. Bad debts are written off when an official announcement of liquidation or bankruptcy confirming that the receivable will not be collected is received.

Financial assets are measured at fair value through other comprehensive income if the asset can be sold before it matures and the contractual cash flow from it is based on interest and repayment of principal. The financial assets included in the class are measured initially at fair value plus transaction costs and less expected credit losses, and subsequently at fair value less expected credit losses. In addition, the effective portion of fair value changes related to derivatives under hedge accounting is measured in accordance with this category throughout the hedge relationship.

Financial assets measured at fair value through profit or loss are those financial assets that do not belong to the previous classes, including equity investments, derivative instruments to which no hedge accounting is applied, and financial assets held for trading, or from which the expected contractual cash flows on initial recognition are not solely based on interest and repayment of principal. 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.

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 the cash flows from the asset expire or are transferred so that the material risks and rewards related to the ownership of the asset are 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 fair value through profit or loss and as financial liabilities recognised at amortised cost. 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 accounts payable. 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. 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. Because the critical terms of the hedging instrument are set to match with the hedged item as closely as possible, there is typically no inefficiency.

Fair value changes of hedging instruments under effective cash flow hedge relationship are recognised through the statement of comprehensive income in the fair value reserve of equity, and under effective net investment hedges through the 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 through the statement of comprehensive income in fair value reserve or translation differences is recognised in the statement of income simultaneously with the hedged item. 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.

Guarantees

Cargotec grants and receives guarantees as part of its normal business and financing arrangements. The guarantees are normally granted on behalf of Cargotec companies and, therefore, do not give rise to additional credit risk. If and when guarantees are granted on behalf of external parties, the level of credit risk is estimated and recognised as a financial liability at fair value. The received external guarantees are hedging the credit risk related to Cargotec's projects. Received guarantees typically hedge the credit risk related to Cargotec's contractual right to receive a payment regarding the work performed. Therefore, guarantees received in the beginning of a project are typically not recognised initially as financial assets and, subsequently, if a default occurs, only to the extent that Cargotec has a right to reimbursement for an amount higher than the related assets on balance sheet.

Offsetting financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported on the 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 on 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 on 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 amended 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 or in cash. The benefits granted in accordance with the incentive plan are measured 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. Equity-settled incentives include benefits paid in shares and the portion of share benefits that is used to pay income taxes if Cargotec has an obligation to withhold them. 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 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 are 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.

New or amended IFRS standards and interpretations in 2019

In 2019, Cargotec will adopt the following new and amended standards and interpretations by the IASB:

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 of 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 the balance sheet, the change will result in more interest expenses paid for the leases, more amortisation related to right-of-use assets, and more financing cash flows in the statement of cash flows as a result of cash payments relating to a principal portion of the lease liability. For lessors, the standard will cause no changes in accounting as both the current operating lease and finance lease models remain unchanged.

The impact of IFRS 16 is expected to be significant. As disclosed in note 33, Leases, the gross amount of non-cancellable operating lease payables at the year-end amounted to EUR 203.2 million. Under IFRS 16 the gross liability applied as the basis of accounting is higher due to the fact that the lease accounting is not based on rents over the non-cancellable lease terms but expected lease terms that are reasonably certain. However, as the lease durations at Cargotec are typically several years, and the lease liability is recognised on balance sheet at its present value, the amount of lease liability to be recognised on date of transition will be significantly lower than the reported operating lease commitment. The initial values of the lease liability and lease asset are likely to be on the date of transition within the range of EUR 170–190 million and EUR 160–180 million respectively. These balances include existing capitalised finance lease liabilities of EUR 18.5 million, and finance lease assets of EUR 17.9 million.

Cargotec's gearing is expected to increase from the reporting date's 43.8 percent to 54–56 percent on the adoption of IFRS 16. The increase of gearing is not expected to have an impact on Cargotec's financing arrangements.

Cargotec is adopting IFRS 16 by applying the modified retrospective transition model in which the lease liability is measured on transition date at present value of the remaining rent obligations. The initial value of the right-of-use asset is determined by first measuring the present value of lease liability on the lease commencement date by using the incremental borrowing rate determined on transition date, and then assuming that on the lease commencement the values of lease liability and right of use asset were equal, and finally, by amortising the right of use asset from the lease commencement date to IFRS 16 transition date. The present values are determined by discounting the expected reasonably certain lease payments with an incremental borrowing rate that is determined separately in each currency in which Cargotec has leases contracts.

Amendments to IFRS 9, Prepayment Features with Negative Compensation* (effective from 1 January 2019). The amendment clarifies the classification and measurement of an asset with a prepayment feature allowing the borrower to prepay the instrument at a higher or lower amount than the unpaid amounts of principal and interest. The amendment clarifies that such an instrument can be measured at amortised cost or at fair value through other comprehensive income despite the fact that its cash flows may differ from pure principal and interest as long as the use of the prepayment option is within the discretion of one of the parties to the instrument. The amendment is not expected to have an impact on Cargotec.

Amendments to IAS 19, Plan Amendment, Curtailment or Settlement (effective from 1 January 2019). The amendment clarifies that on amendment, curtailment, or settlement of a defined benefit plan, an entity must calculate the current service cost and net interest for the remainder of the reporting period by using the update assumptions from the date of change. Any reduction in a surplus is recognized in profit or loss, and any changes in the asset ceiling are recognized in other comprehensive income. The amendment is not expected to have an impact on Cargotec.

Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures (effective from 1 January 2019). The amendment clarifies that long-term interests in an associate or joint venture such as preference shares or loans that, in substance, form part of the net investment in the entity are accounted for in accordance with IFRS 9 because equity accounting is not applied to these amounts. The amendment is not expected to have an impact on Cargotec.

IFRIC 23, Uncertainty over Income Tax Treatments (effective from 1 January 2019). The interpretation clarifies how to apply the recognition and measurement requirements of IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit, tax bases, unused tax losses, unused tax credits and tax rates determined in applying this interpretation. The impact assessment of the interpretation is ongoing.

Annual improvements to IFRS Standards 2015–2017 (effective from 1 January 2019) clarify that when a party to a joint arrangement obtains control of a business that is a joint operation, the change is accounted for as a business combination. It is also clarified that when an equity accounted investee becomes a joint operation or vice versa, the change is not accounted for as a business combination. Additionally, amendments provide guidance on tax consequences of dividends paid on financial instruments classified as equity, and capitalization of borrowing costs. These amendments are not expected to have an impact on Cargotec.

Amendment to IFRS 3, Business Combinations* (effective from 1 January 2020). The amendment includes an updated definition of business, and guidance including an optional simplified test to conclude if IFRS 3 should be applied in an acquisition or not. The amendment is not expected to impact the classifications of Cargotec's acquisitions.

* 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 as well as best knowledge about the events and other factors, such as expectations on future events, which can be considered reasonable. 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 2018, Cargotec had goodwill amounting to EUR 970.9 (31 Dec 2017: 986.7) million and other intangible assets with indefinite life totalling EUR 40.6 (31 Dec 2017: 40.8) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in note 20, Goodwill.

Income taxes

The determination of income taxes, deferred tax assets and liabilities, and the extent to which deferred tax assets can be recognised requires management judgement.

Cargotec is subject to income tax in numerous jurisdictions where the interpretation of tax legislation may require management judgment, and the applied interpretations may include uncertainty. Where required, Cargotec recognises liabilities for known uncertain tax positions if it is estimated likely that the tax authorities will challenge the taken position. The amount of liability is based on an estimate of the final tax expense. More information regarding taxes is presented in note 13, Income tax reconciliation and in note 14, 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 and returns (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 24, 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 12, Post-employment benefits.

Revenue recognition

Revenue recognition requires in many parts a use of judgment and estimates. Judgment is applied for example in identification of performance conditions, that are units of revenue, in a situation where treating the deliverable products and services together or separately is not unambiguous, as in situations, in which the deliverable products and services do not form a complete end-product. It is also customary that contracts with customers include variable price elements that require use of judgment in revenue recognition, especially in situations when there is no prior experience about the deliverable product, or entirety. However, a use of judgment in revenue recognition is needed the most in determining the timing of revenue recognition.

Revenue related to long-term service contracts and separately identified construction contracts is recognised on an over time basis in accordance with the percentage of completion. Application of the percentage of completion method is allowed if the delivered machine is estimated to have no alternative use for Cargotec, and at all times during the project Cargotec has a right to payment regarding the work already performed. Revenue recognised on reporting date in accordance with the over time model is based on the cumulative costs in relation to contract's estimated total costs, or an estimate of the construction contract's physical stage of completion. 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 2018, approximately 12.3 (2017: 12.4) percent of sales were recognised in accordance with the percentage of completion methods. Additional information is disclosed in note 4, Revenue recognition.

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 2018, provisions totalled EUR 97.4 (31 Dec 2017: 120.6) million, of which EUR 10.9 (31 Dec 2017: 30.3) million were restructuring provisions. Additional information about provisions is disclosed in note 19, 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 2018 totalled EUR 95.2 (31 Dec 2017: 93.6) million. Additional information about inventories is disclosed in note 16, 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 customer receivables at the end of the reporting period based on the expected credit losses. Expected credit loss is estimated based on systematic and continuous follow-up as part of the credit risk control that is based on both historical and forward-looking credit loss assessment. The amount of impairment in the balance sheet on 31 December 2018 totalled EUR 23.1 (31 Dec 2017: 20.7) million. Additional information regarding the impairment of accounts receivable is disclosed in note 17, 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 26, Subsidiaries. In these investments, it has been assessed that Cargotec has de facto control based on shareholder agreements. Note 25 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 investments, in which Cargotec's voting rights are normally less than 20 percent. Accounting for the investment as an associated company is based on Cargotec's significant influence in the investee, the determination of which, in addition to the voting rights, is affected by, for example, the ownership structure of the investee and Cargotec's representation in the board of directors, as well as Cargotec's significance as a customer.

FINANCIAL PERFORMANCE

3. Segment information

Cargotec has three operating segments: Kalmar, Hiab and MacGregor. The operating segments are based on the management reports prepared for the Board of Directors and the CEO. These reports are prepared in accordance with IFRS. Operating segments have not been aggregated to build the reportable segments. The management considers the business from a product perspective and assesses the performance of the segment based on operating profit. The transfer pricing between segments is based on market prices.

Kalmar offers cargo handling equipment and automated terminal solutions, software and services that are used in ports, terminals, distribution centres and various industries. Hiab is the global market leader in on-road load handling solutions with customers operating in the land transport and delivery industries. MacGregor provides engineering solutions and services for marine cargo and offshore load handling.

Operating segments

Segment results

Sales of the operating segments comprise equipment, service and software sales. Cargotec has aligned the definitions of the equipment, service and software businesses from the beginning of 2018 and the comparison figures of 2017 have been restated accordingly. The financial performance of the operating segments is measured through operating profit excluding restructuring costs and operating profit according to IFRS. Financing income and expenses, taxes and certain corporate administration cost are not allocated to the operating segments. During the financial year and the comparison period, Cargotec has had no individual significant customers as defined in IFRS 8.

1 Jan–31 Dec 2018 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Equipment	1,021.3	874.5	328.7	2,224.4	-	2,224.4
Services	449.2	273.9	209.3	932.4	-	932.4
Software	146.6	-	-	146.6	-	146.6
External sales total	1,617.1	1,148.4	537.9	3,303.5	-	3,303.5
Internal sales	1.1	0.4	0.2	1.6	-1.6	-
Total sales	**1,618.2**	**1,148.8**	**538.1**	**3,305.1**	**-1.6**	**3,303.5**
Depreciation and amortisation	44.4	10.1	13.9	68.4	7.0	75.3
Impairment charges	1.6	0.0	0.3	1.9	0.0	1.9
Share of associated companies' and joint ventures' net income	3.9	-2.1	-0.2	1.5	0.8	2.3
Operating profit excluding restructuring costs	**143.6**	**134.5**	**0.1**	**278.2**	**-34.4**	**243.8**
% of sales	8.9%	11.7%	0.0%	-	-	7.4%
Restructuring costs	5.4	0.7	4.3	10.5	43.3	53.8
Operating profit	**138.1**	**133.8**	**-4.2**	**267.7**	**-77.7**	**190.0**
% of sales	8.5%	11.6%	-0.8%	-	-	5.8%
Financing items	-	-	-	-	-	-28.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**161.1**

1 Jan–31 Dec 2017, restated* MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Equipment	999.6	824.9	365.7	2,190.2	-	2,190.2
Services	444.6	258.1	204.5	907.3	-	907.3
Software	152.3	-	-	152.3	-	152.3
External sales total	1,596.6	1,083.0	570.2	3,249.8	-	3,249.8
Internal sales	1.0	0.9	0.5	2.3	-2.3	-
Total sales	**1,597.6**	**1,083.9**	**570.7**	**3,252.1**	**-2.3**	**3,249.8**
Depreciation and amortisation	43.9	8.3	14.2	66.4	6.5	72.8
Impairment charges	0.1	0.3	0.0	0.4	-1.2	-0.8
Share of associated companies' and joint ventures' net income	1.8	-2.1	0.3	0.0	0.9	0.9
Operating profit excluding restructuring costs	**133.1**	**157.2**	**10.6**	**300.8**	**-42.2**	**258.6**
% of sales	8.3%	14.5%	1.9%	-	-	8.0%
Restructuring costs	6.4	0.2	15.8	22.4	14.1	36.5
Operating profit	**126.6**	**157.0**	**-5.2**	**278.4**	**-56.3**	**222.1**
% of sales	7.9%	14.5%	-0.9%	-	-	6.8%
Financing items	-	-	-	-	-	-32.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**189.2**

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

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, deferred considerations on disposals 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, deferred considerations on acquisitions, dividend liabilities and derivatives designated as hedges of future treasury transactions.

31 Dec 2018 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Goodwill	328.1	216.7	426.1	970.9	-	970.9
Other non-interest-bearing assets	1,031.6	554.2	459.6	2,045.4	69.2	2,114.6
Investments in associated companies and joint ventures	67.2	6.6	2.0	75.8	24.0	99.8
Unallocated assets, interest-bearing	-	-	-	-	294.1	294.1
Unallocated assets, non-interest-bearing	-	-	-	-	204.5	204.5
Total assets	**1,426.9**	**777.5**	**887.7**	**3,092.1**	**591.9**	**3,683.9**
Non-interest-bearing liabilities	633.9	283.2	286.0	1,203.0	52.5	1,255.6
Unallocated liabilities, interest-bearing**	-	-	-	-	919.6	919.6
Unallocated liabilities, non-interest-bearing	-	-	-	-	80.2	80.2
Total liabilities	**633.9**	**283.2**	**286.0**	**1,203.0**	**1,052.4**	**2,255.4**
Operative capital employed	793.0	494.3	601.7	1,889.0	40.6	1,929.7
Capital expenditure	61.2	9.9	2.3	73.4	6.9	80.3

31 Dec 2017, restated* MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Goodwill	365.4	203.4	417.9	986.7	-	986.7
Other non-interest-bearing assets	1,044.3	425.2	417.5	1,887.0	86.7	1,973.7
Investments in associated companies and joint ventures	44.8	9.4	1.6	55.9	54.0	109.8
Unallocated assets, interest-bearing	-	-	-	-	316.6	316.6
Unallocated assets, non-interest-bearing	-	-	-	-	182.4	182.4
Total assets	**1,454.6**	**638.0**	**837.0**	**2,929.5**	**639.7**	**3,569.3**
Non-interest-bearing liabilities	671.2	247.4	313.1	1,231.8	48.7	1,280.5
Unallocated liabilities, interest-bearing**	-	-	-	-	788.3	788.3
Unallocated liabilities, non-interest-bearing	-	-	-	-	75.4	75.4
Total liabilities	**671.2**	**247.4**	**313.1**	**1,231.8**	**912.5**	**2,144.2**
Operative capital employed	783.3	390.6	523.9	1,697.8	92.0	1,789.8
Capital expenditure	63.5	10.4	2.8	76.6	7.6	84.3

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

** The unallocated interest-bearing debt includes the hedging of cross-currency risk relating to the USD 85 (31 Dec 2017: 85) million Private Placement bond, totalling EUR -10.3 (31 Dec 2017: -6.9) million on 31 December 2018.

Orders

MEUR	Orders received 1 Jan–31 Dec 2018	Orders received 1 Jan–31 Dec 2017	Order book 31 Dec 2018	Order book 31 Dec 2017, restated*
Kalmar	1,918.8	1,554.6	1,012.4	786.2
Hiab	1,259.2	1,115.9	453.0	299.7
MacGregor	579.6	521.4	529.9	481.0
Eliminations	-1.4	-2.2	-0.6	-0.8
Total	**3,756.2**	**3,189.7**	**1,994.6**	**1,566.2**

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Number of employees

	Average 1 Jan–31 Dec 2018	Average 1 Jan–31 Dec 2017	At the end of year 31 Dec 2018	At the end of year 31 Dec 2017
Kalmar	5,685	5,740	5,737	5,819
Hiab	3,604	3,192	3,879	3,370
MacGregor	1,887	1,965	1,879	1,859
Corporate administration and support functions	413	232	492	203
Total	**11,589**	**11,128**	**11,987**	**11,251**

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 2018 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	39.1	30.4	4.9	74.4	-0.3	74.1
Other EMEA (Europe, Middle East, Africa)	749.8	567.1	219.8	1,536.8	-1.0	1,535.7
USA	433.1	366.7	58.5	858.2	0.0	858.2
Other Americas	105.9	67.0	7.6	180.5	-0.1	180.4
China	86.3	13.0	86.8	186.0	0.0	186.0
Other Asia-Pacific	204.0	104.7	160.5	469.2	-0.2	469.0
Total	**1,618.2**	**1,148.8**	**538.1**	**3,305.1**	**-1.6**	**3,303.5**

1 Jan–31 Dec 2017, restated* MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	39.5	30.9	4.4	74.7	0.0	74.7
Other EMEA (Europe, Middle East, Africa)	668.8	496.2	185.2	1,350.2	-1.7	1,348.5
USA	406.3	368.4	56.1	830.9	0.0	830.9
Other Americas	121.1	65.7	16.6	203.4	-0.2	203.2
China	100.8	11.0	124.4	236.1	0.0	236.1
Other Asia-Pacific	261.1	111.6	184.1	556.9	-0.4	556.5
Total	**1,597.6**	**1,083.9**	**570.7**	**3,252.1**	**-2.3**	**3,249.8**

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Non-current assets and goodwill*

MEUR	31 Dec 2018	31 Dec 2017
Finland	109.7	113.3
Other EMEA (Europe, Middle East, Africa)	443.4	421.3
Americas	79.2	96.8
Asia-Pacific	54.8	50.1
Goodwill	970.9	986.7
Total	**1,658.0**	**1,668.1**

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

Capital expenditure

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Finland	7.4	19.5
Other EMEA (Europe, Middle East, Africa)	59.2	50.6
Americas	5.9	8.0
Asia-Pacific	7.8	6.1
Total	**80.3**	**84.3**

Number of employees

	31 Dec 2018	31 Dec 2017
Finland	1,012	956
Other EMEA (Europe, Middle East, Africa)	7,096	6,249
Americas	1,510	1,644
Asia-Pacific	2,369	2,402
Total	**11,987**	**11,251**

4. Revenue recognition

1 Jan–31 Dec 2018 MEUR	Kalmar	Hiab	MacGregor	Internal sales	Cargotec total
Equipment sales	1,021.8	874.8	328.7	-0.8	2,224.5
Service sales	449.4	274.0	209.4	-0.4	932.4
Software sales	147.0	-	-	-0.4	146.6
Total sales	**1,618.2**	**1,148.8**	**538.1**	**-1.6**	**3,303.5**
Recognised at a point in time	1,377.4	1,139.4	382.3	-1.6	2,897.5
Recognised over time	240.8	9.4	155.8	0.0	406.0

1 Jan–31 Dec 2017, restated* MEUR	Kalmar	Hiab	MacGregor	Internal sales	Cargotec total
Equipment sales	999.6	825.6	365.7	-0.8	2,190.2
Service sales	444.8	258.2	205.0	-0.7	907.3
Software sales	153.2	-	-	-0.9	152.3
Total sales	**1,597.6**	**1,083.9**	**570.7**	**-2.3**	**3,249.8**
Recognised at a point in time	1,339.5	1,076.3	433.8	-2.3	2,847.3
Recognised over time	258.1	7.5	136.9	0.0	402.5

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Contract assets and liabilities

MEUR	2018	2017, restated*
Contract assets 1 Jan	51.7	122.9
Translation differences	-0.8	-5.7
Transfers to receivables (-)	-299.6	-181.9
Business combinations (+) and disposals (-)	6.4	-0.3
Change in provision for doubtful accounts and impairments +/-	-0.1	0.0
Progress, cost estimate and price adjustments +/-	320.6	116.8
Contract assets 31 Dec	**78.2**	**51.7**
Contract assets not expected to be invoiced within the next 12 months	0.0	0.5

MEUR	2018	2017, restated*
Contract liabilities 1 Jan	194.1	231.3
Translation differences	-0.7	-9.3
Revenue recognised from contract liability on 1 Jan (-)	-154.3	-150.6
Business combinations (+) and disposals (-)	1.4	0.1
Cash received/paid less revenue recognized +/-	149.8	122.6
Contract liabilities 31 Dec	**190.3**	**194.1**
Contract liabilities not expected to be recognised as revenue within the next 12 months	5.2	3.6
Adjustment to sales recognized during previous years	1.3	3.6

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

5. Other operating income and expenses

Other operating income

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Gain on disposal of intangible assets and property, plant and equipment	0.2	0.3
Customer finance related other income	27.3	26.7
Rental income	3.0	3.6
Income due to order cancellations	0.2	0.8
Other income	14.1	4.4
Total	**44.8**	**35.8**

Other operating expenses

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Loss on disposal of intangible assets and property, plant and equipment	0.4	0.4
Customer finance related other expenses	27.1	26.4
Expenses due to order cancellations	0.0	-
Business combinations related expenses	2.9	0.4
Other expenses	5.0	9.6
Total	**35.4**	**36.7**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR -11.5 (2017: 16.2) million, of which EUR -8.1 (2017: 22.6) million in sales and EUR -3.4 (2017: -6.4) million in cost of goods sold. The exchange rate differences related to the portion of ineffective hedges, which are booked in other operating income and expenses, had no effect on the operating profit (2017: no effect).

In addition, operating profit includes EUR -0.9 (2017: -1.3) 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.

Audit fees

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Annual audit	2.8	2.7
Tax advice	0.6	1.0
Other services	1.8	0.6
Total	**5.1**	**4.4**

The table above presents fees to PricewaterhouseCooper globally during the year. Non-audit fees for PricewaterhouseCoopers Oy were EUR 1.7 (2017: 0.5) million during year 2018, including fees for tax related services EUR 0.1 (2017: 0.2) million and for other services EUR 1.5 (2017: 0.3) million.

6. Restructuring costs

In May 2017, Cargotec announced it will target EUR 50 million annual cost savings from 2020 onwards by reducing indirect purchasing spend, streamlining processes and planning Cargotec Business Services operations. Cargotec Business Services operations started its activities during the autumn in Sofia, Bulgaria, and has expanded the operations during 2018. Start-up costs for the operations are reported as restructuring costs. Related to the savings targets, Cargotec agreed in autumn 2017 to enter into a partnership in IT Service Management and Solution Expertise Services with Tieto under which Tieto took over Cargotec's overall IT service management and a major part of Cargotec's solution expertise services. As part of the deal, a total of 50 employees from Cargotec in Finland, Sweden and USA transferred to Tieto.

In 2018 restucturing costs include an impairment loss of EUR 30.0 million related to the impairment testing of Cargotec's investment in the associated company Jiangsu Rainbow Heavy Industries Co., Ltd (RHI), that is listed on the Shenzhen stock exchange in China.

In May 2018, Kalmar entered into an agreement with JCE Invest AB to establish a joint venture, Bruks Siwertell Group ("BSG"), specialised in dry bulk handling. Siwertell AB, previously part of Kalmar, was transferred to the established joint venture. Kalmar accounted the transaction as a disposal of the subsidiary Siwertell AB and as a result of the transaction, Kalmar recognised a net profit of EUR 12.6 million that is included in the restructuring costs. In June 2018, Kalmar sold its rough terrain container handling business in the U.S. and it resulted in a net loss of EUR 4.1 million that is included in the restructuring costs. Kalmar's other restructuring in 2018 were mostly related to discontinuation of unprofitable product ranges. In 2017 Kalmar's restructuring costs were mostly related to transfer of the production of forklift trucks from Sweden to Poland and re-organisation of the operations of maritime software company INTERSCHALT that was acquired in 2016.

MacGregor announced in November 2017 planned measures to achieve annual cost savings of approximately EUR 13 million and began cooperation negotiations. The plans includeded the split of Smart Ocean Technology division into Cargo Handling division and Advanced Offshore Solutions division. The cooperation negotiations resulted in the restructuring of operations and the reduction of approximately 170 full-time equivalents globally. As part of the restructuring programme, MacGregor divested in April 2017 majority of its former subsidiary Woodfield Systems Ltd. to the company's management. The transaction resulted in an approximately EUR 5 million one-time cost. In 2018, MacGregor continued developing its operations.

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. A 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 2018 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Employment termination costs	2.5	0.1	0.7	-0.2	3.2
Impairment of non-current assets	1.6	-	0.6	30.0	32.2
Impairment of inventories	1.3	-	0.0	-	1.4
Disposal of businesses	-8.5	-	0.1	-	-8.4
Other restructuring costs*	8.6	0.6	2.8	13.5	25.5
Total	**5.4**	**0.7**	**4.3**	**43.3**	**53.8**

1 Jan–31 Dec 2017 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Employment termination costs	5.0	0.2	10.5	0.8	16.5
Impairment of non-current assets	-	-	-	-	-
Impairment of inventories	1.2	-	-	-	1.2
Disposal of businesses	-	-	4.7	-	4.7
Other restructuring costs*	0.2	-	0.6	13.3	14.1
Total	**6.4**	**0.2**	**15.8**	**14.1**	**36.5**

* Includes i.a. contract (other than employment contract) termination costs, costs arising from outsourcing or transferring operations to new locations, costs of vacant premises, gains and losses on sale of intangible assets and property, plant and equipment, as well as development costs of Cargotec Business Services operations.

7. Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Interest income on loans receivable and cash and cash equivalents	3.2	2.5
Other financing income	0.0	0.8
Total	**3.2**	**3.3**

Financing expenses

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Interest expenses on financial liabilities measured at amortised cost	19.5	18.6
Arrangement and commitment fees relating to interest-bearing loans	2.1	1.9
Forward contracts interest component	9.5	11.9
Other financing expenses	1.1	1.1
Exchange rate differences, net	-0.2	2.7
Total	**32.1**	**36.2**

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Exchange rate differences on interest-bearing loans and receivables	-5.5	-16.3
Exchange rate differences on derivative instruments	5.7	13.7
Total	**0.2**	**-2.7**

The positive result from the cross-currency and interest rate swap designated as a cash flow hedge, totalling EUR 1.1 (2017: 1.4) million, has been recorded as an adjustment to the interest expenses on financial liabilities at amortised cost.

8. Earnings per share

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 potential dilutive ordinary shares relate to equity-settled share-based incentive schemes. The shares granted under the incentive schemes are contingently issuable and, therefore, are considered like 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 share price of the reporting period. Further information on the share-based incentive programmes is available in note 10, Share-based payments.

	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017, restated*
Net income attributable to the equity holders of the company, MEUR	107.0	132.4
Weighted average number of shares during financial period, ('000)	64,546	64,491
Earnings per share, EUR	**1.66**	**2.05**

	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017, restated*
Net income attributable to the equity holders of the company, MEUR	107.0	132.4
Weighted average number of shares during financial period, ('000)	64,546	64,491
Effect of share-based incentive programmes, ('000)	143	237
Diluted weighted average number of shares during financial period, ('000)	64,689	64,727
Diluted earnings per share, EUR	**1.65**	**2.05**

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

EMPLOYEE BENEFITS

9. Personnel expenses

MEUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Wages and salaries		563.6	561.9
Equity-settled share-based payments	10	2.5	3.2
Cash-settled share-based payments	10	0.6	5.3
Pension costs	12	50.8	52.9
Other statutory employer costs		83.6	91.4
Total		**701.1**	**714.7**

Information on key management compensation is presented in note 11, Management remuneration. Number of employees is presented in note 3, Segment information.

10. Share-based payments

Share-based incentive programme 2017–2020

Incentive programme for the years 2017–2020 is targeted to the members of the executive board and other key persons. The programme consists of three annually granted incentive programme periods in which rewards are conditional on the fulfilment of a three-year service condition and performance conditions during the first two years that are tied to financial targets and separately set for each year. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The reward related to each incentive programme period is paid after two years based on fulfillment of the vesting criteria and is subject to approximately one-year lock-up period.

	2018	2017
First year earnings criteria	Service business gross profit	Service business gross profit, return on capital employed
Second year earnings criteria	-	Return on capital employed
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–15,040 shares plus cash for taxes	0–18,600 shares plus cash for taxes
Expected total cost of the programme on grant date, MEUR	7.8	8.5
Initial number of participants	146	100
Participants fullfilling the minimum earnings criteria on 31 Dec 2017	-	93
Participants fullfilling the minimum earnings criteria on 31 Dec 2018	139	64
Number of class B shares granted	184,880	183,200
Number of class B shares forfeited in 2017	-	8,600
Number of class B shares forfeited in 2018	5,630	77,151
Number of class B shares subject to vesting conditions on 31 Dec 2018	179,250	97,449

Share-based incentive programme 2014–2016

Incentive programme for the years 2014–2016 is targeted to the members of the executive board and other key persons. The programme consists of three annually granted incentive programme periods in which rewards are conditional on fulfilment of a three-year service condition and a performance condition for the first year that is tied to financial targets. The final payment is based on total shareholder return of Cargotec's class B share over the vesting period, and its estimated cost on grant date has been assessed by using the Black-Scholes option pricing model. The earned reward is determined in cash and settled in Cargotec class B shares after deducting taxes and tax-related expenses. Reward is paid in shares at the end of the vesting period.

	2016 incentive programme	2015 incentive programme
First phase earnings criteria	Operating result, orders received, return on capital employed	Operating result, orders received, return on capital employed
Second phase additional earnings criteria	Total shareholder return	Total shareholder return
Range of first phase reward in relation to participant's annual salary	0–120 %	0–120 %
Range of second phase earnings multiplier in relation to phase one reward	100–300 %	100–300 %
Expected total cost of the programme on grant date, MEUR	7.3	6.5
Final cost of the programme, MEUR	Ongoing	8.1
Initial number of participants	84	77
Participants fullfilling the minimum earnings criteria 31 Dec 2017	53	46
Participants fullfilling the minimum earnings criteria 31 Dec 2018	48	Ended

Restricted shares incentive programmes 2016–2018

Restricted incentive programmes are targeted to the members of the executive board and a few other key persons. They consist of annually granted programmes in which rewards are tied to one-year vesting periods. The vesting period of each programme includes a service condition and a perfomance condition that is mainly tied to financial performance targets. The earned reward is determined in cash and settled in Cargotec class B shares after deducting taxes and tax-related expenses. The paid rewards are subject to a one year lock-up period.

	2018	2017	2016
Range of reward in relation to participant's annual salary	0–100 %	0–100 %	0–100 %
Expected total cost of the programme at grant date, MEUR	1.1	1.0	1.8
Final cost of the programme, MEUR	Ongoing	1.0	1.2
Initial number of participants	10	10	9
Participants fullfilling the minimum earnings criteria 31 Dec 2017	-	10	Ended
Participants fullfilling the minimum earnings criteria 31 Dec 2018	10	Ended	Ended

Effect of share-based payment transactions in result and balance sheet

	Recognised as cost during the period		Recognised as provision on 31 Dec	
MEUR	**2018**	**2017**	**2018**	**2017**
Share-based incentive programme 2017–2020	0.4	1.8	1.1	1.1
Share-based incentive programme 2014–2016*	1.4	6.5	0.2	8.4
Restricted shares incentive programmes 2016-2018*	1.0	1.0	0.1	0.4
Total	**2.9**	**9.4**	**1.4**	**9.9**

* As a result of the IFRS 2 amendment, the arrangements have been treated entirely as equity-settled arrangements except for the social costs. The expected value of the tax component to be paid was at the end of 2018 EUR 1.4 million. Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

11. Management remuneration

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 2018	1 Jan–31 Dec 2017
Wages, salaries and other short-term employee benefits	5.3	4.3
Share-based payments	1.0	3.5
Post-employment benefits	0.5	0.5
Total	**6.8**	**8.3**

The composition of Cargotec's Executive Board has changed during 2018. The remuneration of the new Executive Board members is included in the key management compensation information from the appointment date.

The CEO and members of the Executive Board are participants in the share-based incentive programmes 2017–2020 (earning periods 2017–2020 and 2018–2021) and 2014–2016 (earning period 2016–2018). Based on the 2014–2016 programme's earning period 2015–2017, the CEO was rewarded in spring 2018 with 22,693 and seven other Executive Board members in total with 28,786 Cargotec class B shares. Based on the 2014–2016 programme's earning period 2014–2016, the CEO was rewarded in spring 2017 with 9,176 and three other Executive Board members in total with 7,491 Cargotec class B shares. Additionally, some of the Executive Board members participate to the restricted shares incentive programmes. Earning period 2017 of the 2016–2018 restricted share programme rewarded in spring 2018 Executive Board members with 4,906 Cargotec class B shares. Earning period 2016 of the 2014–2016 restricted share programme rewarded in spring 2017 the CEO with 2,971 Cargotec class B shares and other Executive Board members in total with 5,073 Cargotec class B shares.

Further information on the incentive programmes is presented in note 10, Share-based payments.

The CEO is entitled to a supplemental defined contribution pension benefit, for which a EUR 0.5 (2017: 0.5) million contribution has been paid in 2018 to the insurance company administering the benefit. According to the pension arrangement, the CEO is entitled to retire between the age of 60–65. Any additional contributions to the CEO's supplemental pension benefit are approved by the Board of Directors. Board of Directors also sets the performance criteria for payment of contributions. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 0.2 (2017: 0.2) million was recorded in year 2018. 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 in Finland. Hiab and MacGregor Business Area Presidents have supplemental defined contribution pension plans, following the local market practice. 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.

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's related party on 31 December 2018 or 31 December 2017.

Salaries and remunerations paid

1 000 EUR		1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Mika Vehviläinen	CEO*	2,862.7	2,338.3
Ilkka Herlin	Chairman of the Board	103.2	124.2
Tapio Hakakari	Vice Chairman of the Board	73.2	89.0
Kimmo Alkio	Member of the Board	53.0	64.0
Jorma Eloranta	Member of the Board	58.0	70.0
Peter Immonen	Member of the Board	58.0	70.0
Teresa Kemppi-Vasama	Member of the Board (since 21 March 2017)	54.0	54.0
Johanna Lamminen	Member of the Board (since 21 March 2017)	54.0	54.0
Kaisa Olkkonen	Member of the Board	59.0	69.0
Teuvo Salminen	Member of the Board	73.0	86.8
Heikki Soljama	Member of the Board	54.0	64.0

* Year 2018 includes, in addition to the base salary, fringe benefits and short-term incentive pay out, also taxable income from the share-based incentive programme 2015. Year 2017 includes, in addition to the base salary, fringe benefits and short-term incentive pay out, also taxable income from the restricted shares programme 2016 and share-based incentive programme 2014.

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

12. Post-employment benefits

Cargotec has various post-employment benefit plans throughout the world. Pension arrangements are made in accordance with local regulations and practices 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	2018	2017
Present value of unfunded obligations	83.6	79.5
Present value of funded obligations	40.3	44.2
Fair value of benefit plan assets	33.3	36.5
Net liability	**90.6**	**87.2**
Net liability on balance sheet	92.3	87.5
Net asset on balance sheet	1.7	0.3
Expense related to defined contribution plans	44.1	46.8
Expense related to defined benefit plans and other post-employment benefits	6.7	6.0
Expense in the statement of income	**50.8**	**52.9**
Remeasurement of defined pension benefits and other post-employment benefits	-2.1	-5.0
Remeasurement in the statement of comprehensive income	**-2.1**	**-5.0**

Expected contribution to defined benefit plans during the next reporting period is EUR 1.4 (31 Dec 2017: EUR 2.6) million. The weighted average duration of the defined benefit obligations was 15.9 (31 Dec 2017: 15.8) years.

Reconciliation of the net defined benefit obligation

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2018	123.6	-36.5	87.2
Current service cost	4.5	-	4.5
Interest expense (+) / income (-)	2.8	-0.8	2.0
Past service cost	0.3	-	0.3
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	1.2	1.2
Actuarial gain (-) / loss (+) from change in demographic assumptions	-1.0	-	-1.0
Actuarial gain (-) / loss (+) from change in financial assumptions	2.4	-	2.4
Experience adjustment gain (-) / loss (+)	-0.6	-	-0.6
Foreign exchange rate gains (-) / losses (+)	-1.3	0.2	-1.1
Contributions by employer	-	-1.6	-1.6
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-4.9	1.5	-3.3
Settlements	-2.5	2.6	0.1
Companies acquired and sold	0.5	0.0	0.5
31 Dec 2018	**123.9**	**-33.3**	**90.6**

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2017	119.1	-37.7	81.4
Current service cost	4.5	-	4.5
Interest expense (+) / income (-)	2.9	-1.0	1.9
Past service cost	0.2	-	0.2
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-0.4	-0.4
Actuarial gain (-) / loss (+) from change in demographic assumptions	0.0	-	0.0
Actuarial gain (-) / loss (+) from change in financial assumptions	3.6	-	3.6
Experience adjustment gain (-) / loss (+)	1.8	-	1.8
Foreign exchange rate gains (-) / losses (+)	-2.7	1.7	-1.0
Contributions by employer	-	-1.7	-1.7
Contributions by plan participants	0.2	0.0	0.2
Benefits paid	-5.2	2.0	-3.3
Settlements	-0.7	0.5	-0.1
Companies acquired and sold	-	-	-
31 Dec 2017	**123.6**	**-36.5**	**87.2**

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2018	81.7	18.2	6.0	18.0	123.9
2017	78.7	19.3	8.6	17.1	123.6
Fair value of plan assets:					
2018	5.6	19.8	4.1	3.9	33.3
2017	6.0	19.6	6.8	4.2	36.5

Allocation of plan assets

MEUR	2018	2017
Debt instruments	1.6	2.6
Investment funds	8.2	11.3
Qualifying insurance policies	4.5	4.9
Equity instruments	3.1	3.5
Other assets	16.0	14.2
Total plan assets	**33.3**	**36.5**

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 2018 (2017)	2.4 (2.6)	2.6 (2.4)	2.6 (2.3)	1.9 (1.7)
Expected rate of salary increases 2018 (2017)	2.3 (2.3)	2.9 (2.6)	2.7 (2.5)	3.8 (3.5)
Expected pension growth rate 2018 (2017)	2.0 (1.9)	3.4 (3.4)	0.8 (1.3)	1.5 (1.8)

* 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	2018	2017
Effect of a 0.5%-point increase in the principal assumption would impact the overall liability as follows:		
Discount rate	-8.3	-8.2
Expected rate of salary increases	2.8	2.6
Expected pension growth rate	5.4	5.5
Effect of a 0.5%-point decrease in the principal assumption would impact the overall liability as follows:		
Discount rate	9.5	9.4
Expected rate of salary increases	-2.5	-2.2
Expected pension growth rate	-4.8	-4.9
Effect of 1 year increase in the life expectancy	3.7	3.7
Effect of 1 year decrease in the life expectancy	-3.7	-3.7

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 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 sensitivity analysis covers 87 (31 Dec 2017: 89) percent of the net defined benefit liability recognised on the balance sheet.

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.

INCOME TAXES

13. Income tax reconciliation

Taxes in statement of income

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017, restated*
Current year tax expense	35.2	83.2
Change in current year's deferred tax assets and liabilities	18.3	-29.9
Tax expense for previous years	-0.4	3.2
Total	**53.1**	**56.5**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017, restated*
Income before taxes	161.1	189.2
Tax calculated at Finnish tax rate (20%)	32.2	37.8
Effect of different tax rates in foreign subsidiaries	7.2	9.2
Tax expense for previous years	-0.4	3.2
Tax-exempt income and non-deductible expenses	2.1	1.7
Realisability of deferred tax assets	5.8	7.8
Effect of changes in tax rates	4.6	-5.1
Other	1.5	1.9
Total taxes in statement of income	**53.1**	**56.5**
Effective tax rate, %	32.9	29.9

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2018			1 Jan–31 Dec 2017		
MEUR	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Cash flow hedges	-19.7	4.0	-15.6	34.0	-7.2	26.8
Net investment hedges and translation differences	-13.0	-	-13.0	-71.0	2.4	-68.6
Actuarial gains (+) / losses (-) from defined benefit plans	-2.1	-0.1	-2.2	-5.0	1.1	-3.9
Total other comprehensive income	**-34.7**	**4.0**	**-30.8**	**-42.0**	**-3.7**	**-45.7**

14. Deferred tax assets and liabilities

Deferred tax assets

MEUR	31 Dec 2018	31 Dec 2017, restated*
Goodwill and other intangibles	59.9	58.8
Property, plant and equipment	7.2	7.1
Inventories	20.2	24.6
Pension obligations	9.7	9.6
Provisions and accruals	21.2	27.3
Tax losses carried forward	29.1	35.7
Other temporary differences	31.2	37.2
Offset against deferred tax liabilities**	-41.0	-50.3
Total	**137.3**	**150.0**

Deferred tax liabilities

MEUR	31 Dec 2018	31 Dec 2017, restated*
Goodwill and other intangibles	56.7	45.2
Property, plant and equipment	1.2	2.6
Pension obligations	0.1	0.3
Provisions and accruals	6.0	6.0
Other temporary differences	5.2	9.0
Offset against deferred tax assets**	-41.0	-50.3
Total	**28.1**	**12.7**
Net deferred tax asset	**109.3**	**137.3**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

** Deferred tax assets and liabilities are offset for presentation purposes when there is a legally enforceable right to offset income tax receivables against income tax payables and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

Movement in the deferred tax asset and liability

MEUR	2018	2017, restated*
Net deferred tax asset 1 Jan	137.3	111.5
IFRS 9, transition effect	0.5	-
Recognised in statement of income	-23.1	29.4
Recognised in other comprehensive income	4.0	-5.8
Companies acquired and sold	-8.6	0.5
Translation differences	-0.9	1.7
Net deferred tax asset 31 Dec	**109.3**	**137.3**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

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, considering expiry dates, if any. Where there is a recent history of loss, Cargotec assesses if that loss arises from factors which are likely to recur. The recognition of deferred tax assets is supported by an offsetting deferred tax liabilites and where applicable an assessment of earnings history and profit projections in the relevant jurisdictions.

On 31 December 2018, Cargotec had EUR 127.8 (31 Dec 2017: 108.3) million of tax losses carried forward for which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses of EUR 16.3 (31 Dec 2017: 13.7) million will expire during the next five years and EUR 111.6 (31 Dec 2017: 94.6) 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 the earnings will be distributed in the foreseeable future. On 31 December 2018, Cargotec had EUR 745.4 (31 Dec 2017: 1,120.1) million of undistributed profits for which no deferred tax liabilities were recognised.

NET WORKING CAPITAL

15. Net working capital

MEUR	Note	31 Dec 2018	31 Dec 2017, restated*
Inventories	16	688.8	623.3
Operative derivative assets		9.2	18.8
Accounts receivable	17	626.3	587.7
Other operative non-interest-bearing assets		202.7	165.0
Provisions	19	-97.4	-120.6
Advances received	4	-190.3	-194.1
Operative derivative liabilities		-18.9	-12.0
Accounts payable	18	-424.2	-398.1
Pension obligations	12	-92.3	-87.5
Other operative non-interest-bearing liabilities		-432.5	-467.7
Total		**271.4**	**114.8**

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Assets and liabilities that are not allocated to business operations are not included in net working capital. Unallocated assets comprise loans and other interest-bearing receivables, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests, deferred considerations on disposals, 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, deferred considerations on acquisitions, dividend liabilities, and derivatives designated as hedges of future treasury transactions.

16. Inventories

MEUR	31 Dec 2018	31 Dec 2017, restated*
Raw materials and supplies	277.0	236.2
Work in progress	185.9	190.3
Finished goods	193.1	170.2
Advance payments paid for inventories	32.8	26.5
Total	**688.8**	**623.3**

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Obsolescence provision of inventories to net realisable value was EUR 95.2 (31 Dec 2017: 93.6) million at the end of period.

Impairment of inventories included in restructuring costs is presented in note 6, Restructuring costs.

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

MEUR	Note	31 Dec 2018	31 Dec 2017, restated*
Non-current			
Non-current non-interest-bearing assets	30	9.5	8.5
Current			
Accounts receivable	30	626.3	587.7
Unbilled receivables from customer contracts	30	78.1	51.7
VAT receivable		71.7	61.6
Deferred interests	30	1.6	1.6
Other deferred assets		44.7	44.2
Total current		822.5	746.8
Total accounts receivable and other non-interest-bearing receivables		**832.0**	**755.2**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Expected credit losses from trade receivables and contract assets

	Expected credit losses in accordance with IFRS 9				
31 Dec 2018 **MEUR**	**Gross value**	**Based on historical risk assessment**	**Based on forward-looking risk assessment**	**Average rate of allowance**	**Net value on balance sheet**
Unbilled receivables and accounts receivable not due	517.4	-0.4	0.0	0 %	517.0
1–90 days overdue	149.6	-1.1	-0.1	-1 %	148.3
91–360 days overdue	40.1	-4.7	-1.5	-15 %	34.0
Over 360 days overdue	20.4	-9.0	-6.1	-74 %	5.2
Total	**727.5**	**-15.3**	**-7.8**	**-3 %**	**704.4**

	Incurred credit losses in accordance with IAS 39			
31 Dec 2017 **MEUR**	**Gross value**	**Based on realisation and estimated realisation**	**Average rate of allowance**	**Net value on balance sheet**
Unbilled receivables and accounts receivable not due	497.2		0%	497.2
1–90 days overdue	116.3	-0.6	-1%	115.6
91–360 days overdue	25.4	-7.0	-28%	18.4
Over 360 days overdue	21.2	-13.1	-62%	8.2
Total	**660.1**	**-20.7**	**-3%**	**639.4**

Movement in the loss allowance for trade receivables and contract assets during the period

	Credit loss allowance	
MEUR	**2018**	**2017**
Allowance 1 Jan (calculated under IAS 39)	20.7	20.0
Adjustment through retained earnings (calculated under IFRS 9)	1.5	-
Companies acquired and sold	0.9	-0.4
Increase of allowance	14.2	14.7
Use of allowance	-1.7	-1.4
Reversed allowance	-12.3	-11.3
Other changes	-0.3	-0.9
Balance 31 Dec	**23.1**	**20.7**

Credit losses recognised in the statement of income

	Credit loss allowance	
MEUR	**2018**	**2017**
Movement in the loss allowance during the period	1.9	3.6
Directly recognised credit losses	1.6	1.1
Total	**3.5**	**4.7**

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

MEUR	Note	31 Dec 2018	31 Dec 2017, restated*
Non-current			
Buy-back obligations from customer finance arrangements	30	54.8	54.6
Other non-interest-bearing liabilities	30	3.8	6.9
Total non-current		**58.6**	**61.5**
Current			
Accounts payable	30	424.2	398.1
Accrued salaries, wages and employment costs		55.2	53.2
Late cost reservations		48.1	92.2
Cost accruals related to construction contracts		42.2	20.3
Prepaid rents from customer finance arrangements		49.5	53.9
Accrued interests	30	13.1	12.3
Liabilities related to business combinations	30	0.9	0.3
Other accrued expenses		180.2	186.8
Total current**		**813.5**	**817.1**
Total accounts payable and other non-interest-bearing liabilities		**872.1**	**878.7**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

** In 2017, amounts due to customers from construction contracts as well as advance payments from service contracts and software business have been regrouped from "Accounts payable and other non-interest-bearing liabilities" to "Advances received" on the balance sheet and removed from this note accordingly. On 31 Dec 2017, the restated amount was EUR 67.2 million.

19. Provisions

2018 MEUR	Warranties	Product claims	Restructuring	Onerous contracts	Others	Total
Provisions 1 Jan	75.9	6.8	30.3	5.7	1.9	120.6
Translation differences	-0.1	0.1	-0.3	-0.1	0.0	-0.4
Increases	23.5	3.7	8.5	10.0	0.5	46.1
Companies acquired and sold	0.4	-	-	0.5	0.2	1.0
Provisions used	-14.8	-0.4	-25.6	-2.6	-0.2	-43.6
Reversals of provisions	-13.8	-6.6	-2.0	-3.5	-0.3	-26.2
Provisions 31 Dec	**70.9**	**3.6**	**10.9**	**9.9**	**2.1**	**97.4**

2017, restated* MEUR	Warranties	Product claims	Restructuring	Onerous contracts	Others	Total
Provisions 1 Jan	80.9	8.3	38.1	20.3	2.9	150.4
Translation differences	-1.5	-0.9	-1.1	-0.4	-0.1	-4.0
Increases	29.1	2.6	12.6	6.9	0.9	52.1
Companies acquired and sold	-0.1	-	-	-	-	-0.1
Provisions used	-19.8	-1.1	-16.8	-15.9	-0.5	-54.1
Reversals of provisions	-12.7	-2.1	-2.4	-5.2	-1.3	-23.8
Provisions 31 Dec	**75.9**	**6.8**	**30.3**	**5.7**	**1.9**	**120.6**

MEUR	31 Dec 2018	31 Dec 2017, restated*
Non-current provisions	10.7	17.1
Current provisions	86.7	103.5
Total	**97.4**	**120.6**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

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 6, Restructuring costs.

Provisions for onerous 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 onerous contracts in general realise within 1–2 years.

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

INTANGIBLE AND TANGIBLE ASSETS

20. Goodwill

MEUR	2018	2017
Book value 1 Jan	986.7	1,024.5
Translation differences	-6.5	-47.3
Companies acquired	28.4	9.3
Companies sold	-37.8	-
Other changes	0.0	0.2
Book value 31 Dec	**970.9**	**986.7**

Impairment testing of goodwill

	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Kalmar	328.1	365.4
Hiab	216.7	203.4
MacGregor	426.1	417.9
Total	**970.9**	**986.7**

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 five 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 two 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 relative share of service business from total revenue has also significance due to its lower cyclicality and better than average 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 been 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 the 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 2017. The pre-tax discount rate (WACC) used for Kalmar was 11.9 (2017: 10.3) percent, for Hiab 10.4 (2017: 9.1) percent and for MacGregor 10.3 (2017: 9.5) percent. Discount rates have risen from previous year mainly because of the increases in the credit spread, and risk-free rates derived from government bond yields.

As a result of the impairment tests performed no impairment loss has been recognised in 2018 or in 2017.

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 10 percent decrease 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 in 2018 indicated no risk of impairment for the Hiab and Kalmar segments but the sensitivity analysis performed for the MacGregor segment, in which all three key variables changed simultaneously, decreased the fair value of the segment below the carrying value. In 2018, the recoverable amount of the MacGregor segment exceeded the carrying value by approximately EUR 370 (2017: 500) million. However, the recoverable amount would have been less than the carrying value if there had been a combined effect of a 10.0 percent decrease in the sales forecast, a 1.1 percentage point decrease in the expected operating profit margin, and a 2.0 percentage point increase in the applied discount rate. In 2017, the recoverable amount of the MacGregor segment would have been less than the carrying value if there had been a combined effect of a 10.0 percent decrease in the sales forecast, a 1.9 percentage point decrease in the expected operating profit margin, and a 2.0 percentage point increase in the applied discount rate.

21. Other intangible assets

2018 MEUR	Developed technology	Acquired technology	Customer relationships and trademarks	Others*	Total
Acquisition cost 1 Jan	109.0	78.3	245.8	20.0	453.1
Translation differences	-0.2	0.0	2.6	0.0	2.4
Additions	0.2	0.6	0.4	6.5	7.7
Disposals	0.0	-0.3	0.1	-0.1	-0.2
Reclassifications	13.2	3.6	-1.5	-14.8	0.5
Companies acquired and sold	-	8.9	36.7	-	45.6
Acquisition cost 31 Dec	**122.2**	**91.2**	**284.1**	**11.6**	**509.0**
Accumulated amortisation and impairment 1 Jan	-63.4	-54.8	-70.0	-4.1	-192.3
Translation differences	0.0	-0.1	-1.1	0.0	-1.2
Amortisation during the financial period	-10.4	-5.6	-13.2	-0.2	-29.4
Impairment charges	-	-	-	-1.6	-1.6
Disposals	-	0.2	-0.1	0.1	0.1
Reclassifications	-0.2	-0.6	-	0.6	-0.2
Companies acquired and sold	-	-5.8	-0.2	-	-6.0
Accumulated amortisation and impairment 31 Dec	**-74.0**	**-66.6**	**-84.6**	**-5.3**	**-230.4**
Book value 31 Dec	48.2	24.6	199.5	6.4	278.6

* Includes mainly intangible assets under construction.

2017 MEUR	Developed technology	Acquired technology	Customer relationships and trademarks	Others*	Total
Acquisition cost 1 Jan	74.3	81.9	251.3	86.2	493.8
Translation differences	-2.7	-3.4	-16.0	-0.7	-22.8
Additions	0.0	2.0	0.2	6.7	9.0
Disposals	-4.5	-4.6	-	-21.9	-31.0
Reclassifications	41.8	2.7	5.7	-50.3	-0.1
Companies acquired and sold	-	-0.4	4.5	-	4.2
Acquisition cost 31 Dec	**109.0**	**78.3**	**245.8**	**20.0**	**453.1**
Accumulated amortisation and impairment 1 Jan	-43.2	-53.6	-57.9	-48.9	-203.6
Translation differences	1.1	1.7	5.3	0.4	8.6
Amortisation during the financial period	-6.6	-5.2	-12.3	-4.7	-28.8
Impairment charges	-	-	-	-	-
Disposals	4.6	4.6	-	21.7	31.0
Reclassifications	-19.3	-2.5	-5.6	27.4	-0.1
Companies acquired and sold	-	0.2	0.5	-	0.7
Accumulated amortisation and impairment 31 Dec	**-63.4**	**-54.8**	**-70.0**	**-4.1**	**-192.3**
Book value 31 Dec	45.6	23.5	175.8	15.9	260.8

* Includes mainly intangible assets under construction.

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 trademark. 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 1930s 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 20, Goodwill. On 31 December 2018, the book value of the intangible assets with indefinite useful life amounted to EUR 40.6 (31 Dec 2017: 40.8) million.

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

22. Property, plant and equipment

2018 **MEUR**	**Land and buildings**	**Machinery and equipment**	**Equipment leased to others**	**Others***	**Total**
Acquisition cost 1 Jan	231.4	298.3	168.0	4.9	702.5
Translation differences	0.0	-2.3	-0.7	0.1	-2.9
Additions	15.4	12.5	33.9	10.8	72.6
Disposals	-2.8	-12.9	-36.5	-0.3	-52.5
Reclassifications	4.9	5.4	0.8	-10.8	0.3
Companies acquired and sold	-13.3	4.4	-	0.8	-8.1
Acquisition cost 31 Dec	**235.7**	**305.3**	**165.4**	**5.5**	**712.0**
Accumulated depreciation and impairment 1 Jan	-91.2	-237.1	-63.4	0.0	-391.7
Translation differences	-0.6	1.8	0.3	0.0	1.5
Depreciation during the financial period	-6.6	-18.0	-21.3	-	-45.9
Impairment charges	-0.1	-0.2	-	-	-0.3
Disposals	1.3	12.1	19.8	-	33.2
Reclassifications	-0.5	1.2	-0.1	-	0.6
Companies acquired and sold	2.8	-3.3	-	-	-0.5
Accumulated depreciation and impairment 31 Dec	**-95.0**	**-243.6**	**-64.7**	**0.0**	**-403.3**
Book value 31 Dec	140.8	61.7	100.8	5.4	308.7
Including assets leased under finance leases 31 Dec	17.0	0.9	-	-	17.9

* Includes mainly assets under construction and advance payments.

2017 MEUR	Land and buildings	Machinery and equipment	Equipment leased to others	Others*	Total
Acquisition cost 1 Jan	271.4	319.5	156.7	10.0	757.6
Translation differences	-7.2	-14.6	-1.6	-0.1	-23.5
Additions	2.5	13.6	37.1	22.2	75.3
Disposals	-35.0	-25.5	-24.3	-1.2	-86.1
Reclassifications	24.3	4.2	0.1	-26.0	2.6
Companies acquired and sold	-24.6	1.2	-	0.0	-23.4
Acquisition cost 31 Dec	**231.4**	**298.3**	**168.0**	**4.9**	**702.5**
Accumulated depreciation and impairment 1 Jan	-131.7	-258.9	-58.3	0.0	-448.9
Translation differences	4.3	12.9	0.8	0.0	18.0
Depreciation during the financial period	-6.7	-18.0	-19.3	0.0	-44.0
Impairment charges	1.1	-0.3	-	-	0.8
Disposals	34.0	23.9	13.6	-	71.5
Reclassifications	-1.1	1.9	-0.1	-	0.7
Companies acquired and sold	9.0	1.3	-	-	10.3
Accumulated depreciation and impairment 31 Dec	**-91.2**	**-237.1**	**-63.4**	**0.0**	**-391.7**
Book value 31 Dec	140.2	61.2	104.6	4.9	310.8
Including assets leased under finance leases 31 Dec	8.8	1.8	-	-	10.6

* Includes mainly assets under construction and advance payments.

23. Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cost of goods sold	36.5	33.4
Sales and marketing	13.8	13.3
Research and development	10.7	11.7
Administration	14.0	14.6
Restructuring	2.2	0.0
Other	0.0	-0.9
Total	**77.2**	**72.0**

Depreciation, amortisation and impairment charges by asset type are disclosed in notes 20, Goodwill, 21, Other intangible assets, and 22, Property, plant and equipment.

24. Acquisitions and disposals

Acquisitions in 2018

On 6 November 2018, Hiab acquired the share capital of Effer S.p.A ("Effer") located in Italy at the price of EUR 45.5 million. Effer was a privately owned company that is renowned knuckle-boom crane manufacturer. Effer's product range includes truck loader cranes, special application truck cranes, and marine cranes. Acquisition complements Hiab's product portfolio especially in heavy cranes, and Effer's global dealer network strengthens Hiab's sales network. Additionally, acquisition strengthens Hiab's product development, and increases the sales and efficiency of Hiab's service business. Effer's all operations are located in Italy. As a result of the acquisition, 400 employees were transferred to Cargotec. The result of Effer has been consolidated into Hiab segment from the beginning of November 2018. In 2018, Effer has contributed EUR 16.1 million and EUR 0.8 million to Cargotec's sales and operating profit, respectively. Had Effer been acquired on 1 January 2018, it would have increased Cargotec's full year sales by approximately EUR 96.6 million and operating profit by approximately EUR 5.1 million.

Consolidation of the acquired businesses is provisional as of 31 December 2018. Fair value measurement of the acquired assets and liabilities is preliminary and subject to adjustments until the valuation is finalised. In the preliminary valuation, customer relationships, trademarks and technology have been identified as the acquired intangible assets. According to the preliminary valuation, the acquisition will generate goodwill, which will not be tax-deductible. Goodwill is primarily based on personnel and expected synergy benefits.

Acquired net assets and goodwill, MEUR	
Intangible assets	34.4
Property, plant and equipment	3.8
Inventories	12.1
Accounts receivable and other non-interest-bearing assets	16.2
Cash and cash equivalents	5.1
Deferred tax assets	1.0
Accounts payable and other non-interest-bearing liabilities	-19.9
Interest-bearing liabilities	-12.2
Deferred tax liabilities	-9.5
Net assets	**30.9**
Purchase price, payable in cash	45.5
Total consideration	**45.5**
Goodwill	**14.6**
Purchase price, paid in cash	43.5
Cash and cash equivalents acquired	6.3
Cash flow impact	**49.8**

On 5 February 2018, MacGregor acquired the share capital of Rapp Marine Group AS ("RMG") at the price of EUR 8.5 million. The final purchase price may still decrease as a result of the agreed purchase price mechanism related to acquired working capital. RMG was a privately owned company and it is specialised in providing winches and related equipment to fishery and research vessels. The acquisition supports MacGregor's growth strategy by enabling a strong position in the product areas related to fishery and research vessels, completing the product offering of winches and related control systems, and increasing service sales. RMG's main locations are in Norway, the United States and the United Kingdom. As a result of the acquisition, 135 employees were transferred to Cargotec. The result of RMG has been consolidated into MacGregor segment from the beginning of February 2018. In 2018, RMG has contributed EUR 49.2 million and EUR 0.1 million to Cargotec's sales and operating profit, respectively. Had RMG been acquired on 1 January 2018, it would have increased Cargotec's full year sales by approximately EUR 53.7 million and operating profit by approximately EUR 0.1 million.

Consolidation of the acquired businesses is provisional as of 31 December 2018. Fair value measurement of the acquired assets and liabilities is preliminary and subject to adjustments until the valuation is finalised. In the preliminary valuation, customer relationships, trademarks and technology have been identified as the acquired intangible assets. According to the preliminary valuation, the acquisition will generate goodwill, which will not be tax-deductible. Goodwill is primarily based on personnel and expected synergy benefits.

Acquired net assets and goodwill, MEUR	
Intangible assets	6.1
Property, plant and equipment	1.0
Inventories	15.3
Accounts receivable and other non-interest-bearing assets	23.1
Interest-bearing receivables	0.0
Cash and cash equivalents	0.9
Deferred tax assets	0.4
Accounts payable and other non-interest-bearing liabilities	-37.5
Interest-bearing liabilities	-11.9
Deferred tax liabilities	-1.2
Net assets	**-3.7**
Purchase price, payable in cash	8.5
Total consideration	**8.5**
Non-controlling interest	0.0
Goodwill	**12.2**
Purchase price, paid in cash	8.5
Cash and cash equivalents acquired	10.7
Cash flow impact	**19.2**

Hiab acquired the service business of Londonderry Garage Limited in the UK on 8 October 2018 for a consideration of EUR 1.1 million, the sales and service business of Logan Inglis Limited in Scotland on 10 August 2018 for a consideration of EUR 0.6 million, and the service business of Berendsen & Merz in Germany on 1 June 2018 for a consideration of EUR 0.4 million. These acquisitions had no material impact on reported figures. The combined cash flow impact of these acquisitions was EUR 1.4 million.

Disposals in 2018

On 29 June 2018, Kalmar sold its rough terrain container handling business in the U.S. for a consideration of EUR 8.0 million, of which EUR 1.3 million was agreed to be paid during the next 18 months. The transaction follows Kalmar's strategy to focus on container ports, heavy industry and distribution segments, and it resulted in a net loss of EUR 4.1 million that is included in the restructuring costs in the statement of income. The disposal reduced Cargotec's personnel by 71 employees. During 2018, the rough terrain container handling business contributed EUR 8.2 million and EUR -0.9 million to Cargotec's sales and operating profit respectively.

On 9 May 2018, Kalmar entered into an agreement with JCE Invest AB to establish a joint venture, Bruks Siwertell Group ("BSG"), specialised in dry bulk handling. The joint venture consists of the businesses of Siwertell AB and BRUKS Holding AB contributed by Kalmar and JCE Invest AB respectively. Kalmar accounts for the transaction as a disposal of the subsidiary Siwertell AB, and the new 48 percent ownership in the BSG is consolidated as an associated company. As a result of the transaction, Kalmar recognised an investment of EUR 18.9 million in the associated company, and a vendor note receivable of EUR 33.0 million from BSG that will be redeemed in annual instalments. The transaction follows Kalmar's strategy to focus on container ports, heavy industry and distribution segments, and it resulted in a net profit of EUR 12.6 million that is included in the restructuring costs in the statement of income. The disposal reduced Cargotec's personnel by 111 employees. In 2018, Siwertell contributed EUR 8.7 million and EUR -0.3 million to Cargotec's sales and operating profit, respectively.

On 15 June 2018, Hiab disposed of its 40 percent ownership in the associated company Hymetal S.A. at a price of EUR 0.9 million. The transaction had no material impact on reported figures.

Acquisitions in 2017

On 29 December 2017, Kalmar acquired the share capital of Inver Port Services Pty Ltd ("Inver") in Australia. The purchase price of EUR 5.2 million was fully paid on closing of the deal. Inver was a privately owned company and it is specialised in providing repairs, maintenance and crane refurbishment projects for major terminal operators across Australia, New Zealand and the Pacific. The company's sales account for approximately EUR 5 million and it employs 23 people. The acquisition supports Kalmar’s strategic aim to grow in services while strengthening and broadening the existing service capabilities throughout Australia, New Zealand and the Pacific. The result of Inver has been consolidated into Kalmar segment from the beginning of January 2018.

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

Fair value measurements of the acquired assets and liabilities are final, and there were no material differences to the values reported earlier during 2018. In the final valuation, customer relationships, trademarks and technology have been identified as the acquired intangible assets. The goodwill generated in the acquisition is not tax-deductible. Goodwill is primarily based on personnel and expected synergy benefits.

Acquired net assets and goodwill, Argos and Inver, MEUR	
Intangible assets	3.7
Property, plant and equipment	2.7
Inventories	0.8
Accounts receivable and other non-interest-bearing assets	0.0
Accounts payable and other non-interest-bearing liabilities	-0.1
Deferred tax liabilities	-1.1
Net assets	**5.9**
Purchase price, payable in cash	15.4
Total consideration	**15.4**
Goodwill	**9.4**
Purchase price, paid in cash	12.5
Cash flow impact	**12.5**

The final allocation of goodwill arising from the acquisition is EUR 6.0 million to Hiab segment and EUR 3.4 million to Kalmar segment.

Disposals in 2017

In April, as part of the reorganising programme, MacGregor sold the majority of its ownership in the British subsidiary Woodfield Systems Ltd to the company's management at a gross consideration of EUR 4.3 million including EUR 2.3 million of deferred consideration. The remaining 10 percent investment is accounted for as an associated company based on the level of influence retained by MacGregor. The transaction resulted in one-time costs of approximately EUR 5 million.

25. Joint ventures and associated companies

MEUR	Joint ventures 2018	Joint ventures 2017	Associated companies 2018	Associated companies 2017	Total 2018	Total 2017
Book value 1 Jan	54.5	64.9	55.3	58.6	109.8	123.4
Translation differences	-0.5	-3.7	-0.8	-4.1	-1.3	-7.8
Share of net income*	-1.4	0.0	3.7	0.9	2.3	0.9
Impairment	0.1	-1.3	-30.0	-	-29.9	-1.3
Dividend income	-	-5.4	0.0	-0.1	0.0	-5.5
Additions	0.5	-	19.1	0.2	19.6	0.2
Disposals and liquidations	-	-	-0.8	0.0	-0.8	0.0
Book value 31 Dec	**53.4**	**54.5**	**46.4**	**55.3**	**99.8**	**109.8**

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

Equity-accounted investments in other entities

31 Dec 2018 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Shareholding (%) Group
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	5.2	0.7	4.3	0.3	-	25.0
Rainbow-Cargotec Industries Co., Ltd.	China	Joint venture	153.3	62.5	79.3	1.4	49.0	49.0
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	20.2	9.4	6.9	-4.3	50.0	50.0
CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd	China	Joint venture	1.0	0.0	-	-0.1	-	49.0
Jiangsu Rainbow Heavy Industries Co., Ltd.	China	Associated company	553.2	235.6	227.0	9.5	-	7.9
Bruks Siwertell Group AB	Sweden	Associated company	121.9	74.1	102.9	6.1	-	48.0
Other equity-accounted investments			7.3	5.7	7.3	-0.1		

31 Dec 2017 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Shareholding (%) Group
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	5.0	0.8	4.2	-0.5	-	25.0
Rainbow-Cargotec Industries Co., Ltd.	China	Joint venture	157.0	66.8	90.5	4.3	49.0	49.0
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	21.8	7.4	4.3	-4.2	50.0	50.0
Jiangsu Rainbow Heavy Industries Co., Ltd.	China	Associated company	561.1	246.2	290.3	10.7	-	7.9
Hymetal S.A.	France	Associated company	6.4	4.6	13.0	0.0	-	40.0
Other equity-accounted investments			9.9	4.9	8.5	-0.2		

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

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. Cargotec has issued corporate guarantees worth EUR 37.8 (2017: 28.3) million to RCI in order to secure long-term financing.

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. Cargotec has issued corporate guarantees worth EUR 3.8 million to Sinotruk in order to secure long-term financing.

MacGregor established 23 March 2018 together with China State Shipbuilding Corporation’s (CSSC) Nanjing Luzhou Machine Co., Ltd. a joint venture CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd. LMC owns 51 percent and MacGregor 49 percent of the new joint venture specialized in marine air compressor technology into which MacGregor is committed to invest RMB 3.9 million (EUR 0.5 million). On reporting date the amount has been invested in full, and the company is still in the start-up phase.

Cargotec owns 7.9 (31 Dec 2017: 7.9) 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. In June 2018, the carrying value of the share investment was written down by EUR 30 million based on the impairment testing. The impairment loss is included in the restructuring costs in the income statement.

Cargotec established on 9 May 2018 together with JCE Invest AB a new company Bruks Siwertell Group to which Cargotec sold the share capital of Siwertell AB that belonged to Kalmar segment, and JCE invest transferred its subsidiary Bruks Holding AB. Both companies are specialized in bulk cargo handling equipment. Cargotec obtained 48 percent ownership in Bruks Siwertell Group that is classified as an associated company based on Cargotec's significant influence in the company. In addition, Cargotec recognised as part of the transaction, an interest-bearing loan receivable of SEK 341 million (EUR 33 million) that the associated company repays annually based on its result.

Hymetal S.A. was sold on 15 Jun 2018. The transaction does not have a material effect on Cargotec result.

Investments in the entities Jiangsu Rainbow Heavy Industries Co., Ltd., Rainbow-Cargotec Industries Co., Ltd, and Bruks Siwertell Group AB 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.

Summarised financial information about material joint ventures and associated companies

Summarised balance sheets at 31 Dec	Rainbow-Cargotec Industries Co., Ltd.		Sinotruk Hiab (Shandong) Equipment Co., Ltd.		Jiangsu Rainbow Heavy Industries Co., Ltd.		Bruks Siwertell Group AB
MEUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Non-current assets	75.8	76.5	11.7	14.5	289.0	276.7	65.5
Cash and cash equivalents	15.9	14.0	0.3	0.6	39.4	55.5	18.4
Other current assets	61.6	66.5	8.2	6.7	224.8	228.9	37.9
Total assets	**153.3**	**157.0**	**20.2**	**21.8**	**553.2**	**561.1**	**121.9**
Non-current financial liabilities	-	-	-	-	15.7	16.7	33.3
Other non-current liabilities	0.1	0.1	-	-	92.5	83.1	11.6
Current financial liabilities	7.0	2.0	6.3	3.8	26.8	26.4	0.9
Other current liabilities*	55.5	64.8	3.1	3.6	100.6	120.0	28.3
Total liabilities	**62.5**	**66.8**	**9.4**	**7.4**	**235.6**	**246.2**	**74.1**
Net assets	**90.8**	**90.2**	**10.8**	**14.3**	**317.6**	**314.9**	**47.8**

* Accounts payable are included in other current liabilities.

Summarised statements of income	Rainbow-Cargotec Industries Co., Ltd.		Sinotruk Hiab (Shandong) Equipment Co., Ltd.		Jiangsu Rainbow Heavy Industries Co., Ltd.		Bruks Siwertell Group AB
MEUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Sales	79.3	90.5	6.9	4.3	227.0	290.3	102.9
Depreciation, amortisation and impairments*	3.6	3.4	1.2	1.2		-	1.8
Financing income*	-	-	-	-		-	0.0
Financing expenses*	0.0	1.6	0.3	0.2		-	0.9
Income before taxes	1.7	5.0	-4.3	-4.2	13.2	16.5	8.1
Income taxes	0.2	0.8	-	-	3.7	5.8	2.0
Net income for the period**	**1.4**	**4.3**	**-4.3**	**-4.2**	**9.5**	**10.7**	**6.1**
Dividends received	**-**	**5.4**	**-**	**-**	**-**	**0.1**	**-**

* Information not required for associated companies.
** Entities have no items recognised via other comprehensive income.

Reconciliation of summarised information

	Rainbow-Cargotec Industries Co., Ltd.		Sinotruk Hiab (Shandong) Equipment Co., Ltd.		Jiangsu Rainbow Heavy Industries Co., Ltd.		Bruks Siwertell Group AB
MEUR	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**
Net assets 1 Jan	90.2	102.6	14.3	15.1	314.9	330.3	-
Net income for the period	1.4	4.3	-4.3	-4.2	9.5	10.7	6.1
Additions/disposals	-	-	0.9	4.7	0.4	-	41.0
Dividends	-	-10.5	-	-	-4.2	-5.5	-
Translation differences	-0.8	-6.2	-0.2	-1.2	-2.9	-20.6	0.6
Net assets 31 Dec	**90.8**	**90.2**	**10.8**	**14.3**	**317.6**	**314.9**	**47.8**
Cargotec's share of net assets	44.5	44.2	5.4	7.2	25.0	24.8	22.9
Goodwill	0.6	0.6	1.2	1.5	-1.0	29.2	-0.9
Book value	45.1	44.8	6.6	8.7	24.0	54.0	22.0

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 2018 was EUR 24.5 (31 Dec 2017: 37.0) million. In the year 2018 Cargotec recognized an impairment loss of EUR 30.0 million related to impairment testing of investment in the associated company Jiangsu Rainbow Heavy Industries Co., Ltd (RHI).

26. Subsidiaries

31 Dec 2018	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
Inver Port Services Pty. Ltd.	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
MacGregor Australia Pty Ltd	Australia		100
Hiab Austria 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 Ltda	Brazil		100
Hiab Brasil Guindastes e Servicos Ltda	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Cargotec Bulgaria EOOD	Bulgaria		100
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Triplex Chile Ltda.	Chile		95
Cargotec (Shanghai) Trading Company Limited	China		100
Cargotec Asia Limited	China		100
Cargotec Industries (China) Co., Ltd	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
Kalmar Colombia S.A.S.	Colombia		100

31 Dec 2018	Country	Shareholding (%) Parent company	Shareholding (%) Group
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
MacGregor Denmark A/S	Denmark		100
Zepro Danmark A/S	Denmark		100
Cargotec Estonia AS	Estonia	100	100
MacGREGOR BLRT Baltic OÜ	Estonia		51
Cargotec Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
MacGregor Finland Oy	Finland		100
Hiab France SAS	France	100	100
Kalmar France SAS	France		100
MacGregor France S.A.S.	France		100
SRMP - Société Réunionaise de Maintenance Portuaire	France		51
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
Hiab Germany GmbH	Germany		100
Kalmar Germany GmbH	Germany		100
MacGregor Germany GmbH et Co. KG	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
Hiab Italia S.r.l.	Italy		100
Kalmar Italia S.r.l.	Italy		100
MacGregor Italy S.r.l.	Italy		100
Effer S.p.A.	Italy		100

31 Dec 2018	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Japan Ltd	Japan		100
MacGregor Japan Ltd	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		100
Hiab Sdn Bhd	Malaysia		100
MacGregor Malaysia Sdn. Bhd.	Malaysia		100
Kalmar Mexico Equipos S.A. de C.V.	Mexico		100
Kalmar Maghreb S.A.	Morocco		100
Cargotec Holding Netherlands B.V.	Netherlands	100	100
Hiab Benelux B.V.	Netherlands		100
Kalmar Netherlands B.V.	Netherlands		100
MacGregor Netherlands B.V.	Netherlands		100
MacGregor Netherlands Holding B.V.	Netherlands		100
Hiab Norway AS	Norway		100
Kalmar Norway AS	Norway	100	100
MacGregor Norway AS	Norway	50	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
Hiab RUS LLC	Russia		100
Rapp Marine Mechanical Design doo Kragujevac	Serbia		100
Cargotec CHS Pte. Ltd.	Singapore		100
HATLAPA Asia Pacific Pte Ltd	Singapore		100
ISMS Services Pte. Ltd.	Singapore		100
MacGREGOR (SGP) Pte Ltd	Singapore		100
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore		100
MacGREGOR Plimsoll Pte Ltd	Singapore		100

31 Dec 2018	Country	Shareholding (%) Parent company	Shareholding (%) Group
MacGregor Pte Ltd	Singapore	100	100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Hiab (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Korea Limited	South Korea		100
MacGregor Korea Ltd	South Korea		100
Hiab Cranes, S.L. Unipersonal	Spain		100
Hiab Iberia, S.L. Unipersonal	Spain		100
Kalmar Spain Cargo Handling Solutions S.A.	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
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Cargotec (Thailand) Co., Ltd.	Thailand		100
Kalmar Turkey Yuk Tasima Sistemleri Anonim Şirketi	Turkey		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*
Del Equipment (U.K.) Limited	United Kingdom		100
Flintstone Technology Limited	United Kingdom		51
Hiab Limited	United Kingdom	100	100

31 Dec 2018	Country	Shareholding (%) Parent company	Shareholding (%) Group
Kalmar Limited	United Kingdom	100	100
MacGregor (GBR) Limited	United Kingdom		100
Player and Cornish Marine Limited	United Kingdom		100
Rapp Marine UK Ltd	United Kingdom		100
109 Cibolo Drive LLC	USA		100
Cargotec Crane and Electrical Services Inc.	USA		100
Cargotec Holding, Inc.	USA	100	100
Hiab USA Inc.	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Inc.	USA		100
MacGregor USA Inc.	USA		100
Navis LLC	USA		100
Rapp Marine AK LLC	USA		100
Rapp Marine NW LLC	USA		100
Rapp Marine U.S. Inc.	USA		100
Rapp Paymaster 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.

CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

27. 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 function. Detailed guidelines for financing functions in accordance with Treasury Policy are defined in Treasury Instructions, approved by the Treasury Committee.

The objectives of the treasury function 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, counterparty and operational risks) and to regularly 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 the 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 the fair value change related to a change in the 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 the 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 the cash flows of the USD 85.0 (2017: 85.0) million Private Placement corporate bond, funded in February 2007 and maturing in 2019. The cash flows of the bond are converted into euro flows through a cross-currency swap. As a result of the hedging, Cargotec effectively holds a EUR 64.0 (2017: 64.0) million 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 items, and the net exposure illustrates the total outstanding foreign currency risk as defined and monitored by Cargotec Treasury.

31 Dec 2018 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-81.6	54.3	-1.8	40.0	-17.2	-8.3	14.4
Hedges	206.6	-388.5	41.9	22.7	75.6	70.0	-28.3
Balance sheet exposure	**125.1**	**-334.2**	**40.2**	**62.7**	**58.4**	**61.8**	**-13.9**
Order book and purchases	-149.4	360.5	-45.4	-72.8	-59.6	-57.5	24.1
Net exposure	**-24.3**	**26.3**	**-5.3**	**-10.1**	**-1.1**	**4.3**	**10.2**

31 Dec 2017 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-36.5	65.1	-27.5	9.5	-23.8	-2.9	16.2
Hedges	138.4	-347.5	117.6	11.5	72.9	27.1	-20.1
Balance sheet exposure	**101.9**	**-282.4**	**90.2**	**21.0**	**49.0**	**24.1**	**-3.8**
Order book and purchases	-98.7	298.7	-97.3	-40.7	-49.2	-25.6	12.9
Net exposure	**3.2**	**16.2**	**-7.1**	**-19.7**	**-0.2**	**-1.5**	**9.1**

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

Cargotec's subsidiaries constantly monitor their foreign currency exposures and report them on a monthly basis to Cargotec Treasury which 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.

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 subsidiaries' balance sheets, 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. The majority of the hedges mature and the hedged cash flows realise within the next year.

If the US dollar had strengthened/weakened 10 percent against the euro, the effect on income before taxes would have been EUR 1.6 million negative/positive (31 Dec 2017: 0.2 million negative/positive), and on other comprehensive income EUR 20.5 million negative/positive (31 Dec 2017: 11.8 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 0.8 million positive/negative (31 Dec 2017: 0.4 million positive/negative), and on other comprehensive income EUR 1.6 million positive/negative (31 Dec 2017: 0.7 million negative/positive).

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 negative/positive (31 Dec 2017: 0.9 million negative/positive), and on other comprehensive income EUR 2.2 million positive/negative (31 Dec 2017: 8.8 million positive/negative).

Net investments in non-euro area subsidiaries cause translation differences, recognised in the consolidated equity (translation risk). Translation risk is mitigated by managing the capital structure so that the effect of foreign exchange rate fluctuations on debt and equity are in balance. Cargotec regularly monitors the translation exposure and evaluates the materiality of the risk position. The impact of the translation risk from currencies to Cargotec's gearing is not significant and hedging the translation risk has not been considered necessary. Cargotec has changed the definition of translation exposure during the year and the figures have been restated for the comparison period.

31 Dec 2018 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	425.1	166.5	295.4	73.7	90.1
Translation risk	**425.1**	**166.5**	**295.4**	**73.7**	**90.1**

31 Dec 2017 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	395.8	157.4	307.8	77.1	129.6
Translation risk	**395.8**	**157.4**	**307.8**	**77.1**	**129.6**

Until May 2017, Cargotec held intercompany loans accounted for as net investments, and the exchange rate gains and losses arising from these loans were recorded as translation differences. In May 2017, Cargotec made a decision to change the accounting treatment of these loans and started to treat them as normal intercompany loans.

Interest rate risk

Fluctuations in market interest rates have an effect on consolidated interest outflows and the fair values of interest-bearing loans, receivables 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 2018, Cargotec's consolidated interest-bearing debt totalled EUR 929.9 (31 Dec 2017: 795.2) million, of which EUR 473.1 (31 Dec 2017: 469.3) million were fixed rate corporate bonds, EUR 1.5 (31 Dec 2017: 2.5) million were other long-term fixed rate loans, EUR 18.5 (31 Dec 2017: 10.9) million were finance lease liabilities and the rest, EUR 436.8 (31 Dec 2017: 312.5) million consisted of fixed and floating rate loans, short term loans, bank overdrafts and other interest-bearing liabilities. On 31 December 2018, the average interest duration of interest-bearing debt, including hedges of loans, was 22 (31 Dec 2017: 27) months.

The EUR 294.1 (31 Dec 2017: 316.6) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 37.3 (31 Dec 2017: 6.5) million and customer finance related finance lease receivables EUR 0.6 (31 Dec 2017: 0.9) million. The average interest duration of the interest bearing assets was less than one month (31 Dec 2017: less than one month).

Based on the sensitivity analysis, a one percentage point increase/decrease in the interest rates would have increased/decreased net interest cost by EUR 0.8 (31 Dec 2017: decreased/increased 1.9) million. The sensitivity in the statement of income is affected by variable rate loans, short term loans, loans receivable, deposits, bank accounts and bank overdrafts. The sensitivity is calculated as an annual effect assuming that the group's balance sheet structure 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, the changes in short-term market rates may affect financial result also via currency hedging contracts. If the interest rate difference between the euro and the US dollar had widened/narrowed one percentage point, financial net cost would have increased/decreased by EUR 4.5 (2017: increased/decreased by EUR 4.1) million. Effects from other currency pairs are deemed insignificant assuming that the current currency position remains the same and there is a similar change in all currency pairs.

In addition, Cargotec held a cross-currency and interest rate swap with a nominal value of EUR 74.2 (31 Dec 2017: 70.9) million under which fixed interest is paid for both currencies and thus a similar change in the interest rate levels of EUR and USD has no impact on income before taxes or on other comprehensive income with respect to this instrument.

Interest fixing periods

31 Dec 2018 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	260.4	0.4	33.3	-	-	294.1
Non-current loans from financial institutions	-150.7	-	-	-	-149.6	-300.2
Corporate bonds	-74.2	-	-149.8	-	-249.1	-473.1
Finance lease liabilities	-0.6	-0.6	-1.2	-1.0	-15.1	-18.5
Current interest-bearing liabilities and other interest-bearing liabilities**	-134.6	-3.5	-	-	-	-138.1
Net	**-99.7**	**-3.7**	**-117.6**	**-1.0**	**-413.7**	**-635.7**

* Including cash and cash equivalents
** Including bank overdrafts

31 Dec 2017 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	315.4	1.1	-	-	-	316.5
Non-current loans from financial institutions	-192.7	-	-	-	-	-192.7
Corporate bonds	-	-	-70.9	-149.6	-248.9	-469.3
Finance lease liabilities	-0.4	-0.4	-0.9	-0.5	-8.7	-10.9
Current interest-bearing liabilities and other interest-bearing liabilities**	-117.0	-5.3	-	-	-	-122.3
Net	**5.3**	**-4.7**	**-71.8**	**-150.1**	**-257.5**	**-478.7**

* Including cash and cash equivalents
** Including bank overdrafts

On 31 December 2018, the interest fixing period for corporate bonds ranged between 2 and 6 years.

Other market risks

In addition to financial risks managed by 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 2018, the liquidity reserves, including cash and cash equivalents and long-term undrawn credit facilities, totalled EUR 556.3 (31 Dec 2017: 609.1) 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 2018, repayments of short- and long-term interest-bearing liabilities due within the following 12 months totalled EUR 212.8 (31 Dec 2017: 121.4) million.

On 31 December 2018, Cargotec held undrawn EUR 300.0 (31 Dec 2017: 300.0) million long-term Revolving Credit Facility, which was refinanced in June 2017 and will mature in June 2023. The facility has a one-year extension option. According to the facility agreement, Cargotec has a right to withdraw funds on three business days' notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short-term bank overdraft facilities of EUR 98.7 (31 Dec 2017: 119.5) million and a EUR 150.0 (31 Dec 2017: 150.0) million domestic Commercial Paper facility which on 31 December 2018 was unused (31 Dec 2017: unused). Cargotec's total liquidity position includes EUR 59.6 (31 Dec 2017: 64.0) million of cash and cash equivalents in different currencies subject to currency-related or other regulatory restrictions, and, therefore, these balances may not be utilized outside these countries within a short period of time. Nevertheless, these restricted balances are typically available for immediate use locally in these countries and therefore these balances are included in cash and cash equivalents.

MEUR	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	256.3	309.1
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities during next 12 months	-212.8	-121.4
Total liquidity	**343.5**	**487.7**

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. Some of Cargotec's 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 2018, gearing was 43.8 (31 Dec 2017: 33.1) percent. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

The following tables represent 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.

Maturities of financial liabilities

31 Dec 2018 MEUR	2019	2020	2021	2022	2023	Later	Total
Derivatives							
Currency forward contracts, outflow	-2,259.8	-	-	-	-	-	-2,259.8
Currency forward contracts, inflow	2,259.4	-	-	-	-	-	2,259.4
Cross-currency and interest rate swaps, outflow	-67.0	-	-	-	-	-	-67.0
Cross-currency and interest rate swaps, inflow	76.3	-	-	-	-	-	76.3
Derivatives, net	**8.9**	**-**	**-**	**-**	**-**	**-**	**8.9**
Interest-bearing liabilities							
Repayments of loans from financial institutions	-136.6	-42.1	-92.0	-16.5	-124.6	-24.9	-436.8
Repayments of corporate bonds	-74.2	-149.8	-	-149.6	-	-99.5	-473.1
Repayments of other interest-bearing liabilities	-2.0	-1.9	-1.0	-0.9	-0.7	-13.5	-20.0
Total interest charges	-15.8	-10.2	-8.2	-5.5	-4.5	-5.2	-49.3
Accounts payable and other non-interest bearing liabilities	-438.6	-23.1	-13.8	-8.8	-8.6	-4.0	-496.9
Total	**-658.3**	**-227.1**	**-115.1**	**-181.2**	**-138.4**	**-147.1**	**-1,467.1**

31 Dec 2017 MEUR	2018	2019	2020	2021	2022	Later	Total
Derivatives							
Currency forward contracts, outflow	-1,976.8	-	-	-	-	-	-1,976.8
Currency forward contracts, inflow	1,983.1	-	-	-	-	-	1,983.1
Cross-currency and interest rate swaps, outflow	-3.0	-67.0	-	-	-	-	-70.0
Cross-currency and interest rate swaps, inflow	4.0	72.9	-	-	-	-	76.9
Derivatives, net	**7.3**	**5.9**	**-**	**-**	**-**	**-**	**13.2**
Interest-bearing liabilities							
Repayments of loans from financial institutions	-119.7	-92.2	-42.2	-42.1	-16.3	-	-312.4
Repayments of corporate bonds	-	-70.9	-149.6	-	-149.5	-99.4	-469.3
Repayments of other interest-bearing liabilities	-1.7	-1.8	-1.3	-0.2	-0.1	-8.4	-13.4
Total interest charges	-16.7	-13.5	-10.8	-5.3	-4.9	-4.6	-55.8
Accounts payable and other non-interest bearing liabilities	-410.7	-26.2	-12.0	-12.7	-7.1	-3.2	-472.2
Total	**-541.5**	**-198.7**	**-215.9**	**-60.4**	**-177.9**	**-115.5**	**-1,310.0**

Corporate bonds have maturities ranging from 2019 to 2024 and loans from financial institutions have maturities ranging from 2019 to 2025.

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 17, Accounts receivable and other non-interest-bearing receivables.

The Treasury Committee sets financial 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 a high credit rating are accepted as counterparties. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee.

Cargotec's total credit risk exposure on 31 December 2018 including credit risk related to both on-balance sheet and off-balance sheet items amounted to EUR 1,124.3 million. From the total exposure, EUR 13.2 million relates to financial assets measured at fair value through profit or loss.

2018		Credit risk			
MEUR	Note	Low	Increased	High	Total
On-balance sheet credit risk from customer contracts					
Accounts receivable		587.2	34.0	5.2	626.3
Unbilled receivables		78.1	-	-	78.1
Total		**665.2**	**34.0**	**5.2**	**704.4**
On-balance sheet credit risk from other financial assets					
Loans receivable and other interest-bearing assets	30	33.3	4.2	0.4	37.9
Derivative assets (risk after ISDA netting)	31	12.8	-	-	12.8
Other non-interest-bearing receivables	17	11.1	-	-	11.1
Cash and cash equivalents	28	256.3	-	-	256.3
Total		**313.5**	**4.2**	**0.4**	**318.1**
Off-balance sheet credit risk from contracts with customers					
Customer financing	34	26.7	-	-	26.7
Operating lease receivables	33	75.1	-	-	75.1
Total		**101.8**	**-**	**-**	**101.8**
Total credit risk exposure		**1,080.6**	**38.1**	**5.6**	**1,124.3**

The credit risk classification of customer receivables is based on how long they are overdue. Credit risk related to less than 90 days overdue receivables is considered to be low, and increased if receivables are 90-360 days overdue. Over 360 days overdue customer receivables are classified as high risk. Regarding the other financial assets, the classification to increased or high credit risk is based on an asset-specific credit risk assessment.

The credit losses recognised in the statement of income amounted to EUR 5.6 (2017: 4.7) million of which EUR 3.5 (2017: 4.7) million relates to credit losses from customer receivables disclosed in note 17, Accounts receivable and other non-interest-bearing receivables. Additionally, in total EUR 2.0 million of credit losses was recognised in equity on transition to IFRS 9. Additional information about IFRS 9 transition is given in note 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Cargotec holds no significant amounts of external loan receivables except for the EUR 33 million vendor note from the associated company Bruks Siwertell Group. Additional information about the vendor note is disclosed in note 24, Acquisitions and disposals, and note 25, Joint ventures and associated companies.

The derivative assets and liabilities are presented at their gross fair values as the IFRS offsetting criteria are not met. Cargotec has derivative positions with several banks, and related transactions are effected under the ISDA agreement that allows for settling on a net basis all outstanding items within the scope of the agreement, such as in the event of bankruptcy. At the reporting date, the remaining counterparty risk after net settlement, as allowed by ISDA, was EUR 12.8 (31 Dec 2017: 13.9) million for Cargotec and EUR 1.1 (31 Dec 2017: 0.9) million for the counterparties.

The maximum credit risk relating to cash and cash equivalents corresponds to their carrying amount. According to management assessment, no significant credit losses are anticipated on the investments of liquidity reserves. The off-balance sheet customer finance and operating lease receivables are collateralised, and, therefore, the related credit risk is considered to be low.

Operational risks of the treasury function

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 it 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 2018	31 Dec 2017, restated*
Interest-bearing liabilities**	929.9	795.2
Loans receivable and other interest-bearing assets	-37.9	-7.4
Cash and cash equivalents	-256.3	-309.1
Interest-bearing net debt in balance sheet	**635.8**	**478.7**
Foreign currency hedge of corporate bonds**	-10.3	-6.9
Interest-bearing net debt	**625.5**	**471.7**
Equity	1,428.5	1,425.1
Gearing	**43.8%**	**33.1%**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

** Cash flow hedge accounting is applied to the cash flows of the USD 85 (2016: 85) million Private Placement corporate bond. The cash flows of the bond are converted into euro flows through a cross-currency swap. As a result of the hedging, Cargotec effectively holds a EUR 64 (31 Dec 2017: 64) million fixed rate debt.

28. Cash and cash equivalents

MEUR	31 Dec 2018	31 Dec 2017
Cash at bank and on hand	251.9	300.2
Short-term deposits	4.3	9.0
Total	**256.3**	**309.1**

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	256.3	309.1
Bank overdrafts used	-30.8	-24.4
Cash and cash equivalents in the statement of cash flows	**225.5**	**284.7**

29. Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	Note	31 Dec 2018	31 Dec 2017
Non-current			
Loans from financial institutions		300.2	192.7
Corporate bonds		398.8	469.3
Finance lease liabilities	33	17.3	10.1
Other interest-bearing liabilities		0.8	1.7
Total		**717.1**	**673.8**
Current			
Loans from financial institutions		105.8	95.3
Corporate bonds		74.2	-
Finance lease liabilities	33	1.2	0.8
Other interest-bearing liabilities		0.8	0.8
Bank overdrafts used		30.8	24.4
Total		**212.8**	**121.4**
Total interest-bearing liabilities		**929.9**	**795.2**

On 31 December 2018, 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 2017: 2.3) percent. The average interest rate of short-term loans was 2.9 (31 Dec 2017: 2.0) 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

				Fair value, MEUR		Book value, MEUR	
Loan period	Coupon rate, %	Nominal value		31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
2007–2019	Fixed 5.68	85.0	MUSD	74.4	73.2	74.2	70.9
2014–2020	Fixed 3.38	150.0	MEUR	156.0	159.7	149.8	149.6
2017–2022	Fixed 1.75	150.0	MEUR	152.8	153.7	149.6	149.4
2017–2024	Fixed 2.38	100.0	MEUR	103.2	102.3	99.5	99.4

The USD denominated Private Placement corporate bond is hedged through a cross-currency and interest rate swap defined as a cash flow hedge. Considering the hedge, Cargotec has no material amounts of interest-bearing debt in foreign currencies.

Reconciliation of interest-bearing liabilities

MEUR	Note	Non-current interest-bearing liabilities including repayments	Finance lease liabilities and current interest-bearing liabilities	Bank overdrafts used	Total interest-bearing liabilities
1 Jan 2018		746.7	24.0	24.5	795.2
Cash flows		115.7	-1.0	-16.3	98.5
New lease agreements		-	9.3	-	9.3
Companies acquired and sold	24	0.9	0.3	23.0	24.1
Translation differences		3.1	-0.5	-0.4	2.3
Effective yield adjustment		0.5	-	-	0.5
31 Dec 2018		**866.9**	**32.2**	**30.8**	**929.9**
1 Jan 2017		772.9	36.6	12.4	821.9
Cash flows		-12.7	-10.2	13.1	-9.7
New lease agreements		-	-	-	-
Companies acquired and sold	24	-3.9	-	-	-3.9
Translation differences		-10.1	-	-	-10.1
Effective yield adjustment		0.5	-2.4	-1.0	-2.9
31 Dec 2017		**746.7**	**24.0**	**24.5**	**795.2**

30. Financial instruments by measurement category

IFRS 9 31 Dec 2018 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
Share investments		-	-	0.3	0.3
Loans receivable and other interest-bearing assets		37.5	-	0.4	37.9
Derivative assets	31	-	12.9	4.6	17.4
Accounts receivable and other non-interest-bearing receivables	17	715.6	-	-	715.6
Cash and cash equivalents	28	256.3	-	-	256.3
Total financial assets		**1,009.3**	**12.9**	**5.2**	**1,027.4**
Interest-bearing liabilities	29	929.9	-	-	929.9
Derivative liabilities	31	-	0.5	5.2	5.8
Accounts payable and other non-interest-bearing liabilities	18	496.9	-	-	496.9
Total financial liabilities		**1,426.8**	**0.5**	**5.2**	**1,432.5**

IFRS 9 transition 1 Jan 2018 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
Share investments		-	-	0.2	0.2
Loans receivable and other interest-bearing assets		5.8	-	1.1	6.9
Derivative assets	31	-	12.1	7.3	19.4
Accounts receivable and other non-interest-bearing receivables	17	652.0	-	-	652.0
Cash and cash equivalents	28	309.1	-	-	309.1
Total financial assets		**967.0**	**12.1**	**8.6**	**987.7**
Interest-bearing liabilities	29	795.2	-	-	795.2
Derivative liabilities	31	-	0.3	6.1	6.4
Accounts payable and other non-interest-bearing liabilities	18	472.2	-	-	472.2
Total financial liabilities		**1,267.4**	**0.3**	**6.1**	**1,273.8**

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31 Dec 2017, restated* 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		0.2	-	-	0.2
Loans receivable and other interest-bearing assets		7.4	-	-	7.4
Derivative assets	31	-	12.1	7.3	19.4
Accounts receivable and other non-interest-bearing receivables	17	649.4	-	-	649.4
Cash and cash equivalents	28	309.1	-	-	309.1
Total financial assets		**966.2**	**12.1**	**7.3**	**985.6**
Interest-bearing liabilities	29	795.2	-	-	795.2
Derivative liabilities	31	-	0.3	6.1	6.4
Accounts payable and other non-interest-bearing liabilities	18	472.2	-	-	472.2
Total financial liabilities		**1,267.4**	**0.3**	**6.1**	**1,273.8**

* Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Cargotec has applied IFRS 9 from the beginning of 2018. On transition, certain financial assets were reclassified to fair value through profit or loss category due to changed classification criteria. In addition to mandatory changes, Cargotec has not used the possibility to voluntarily classify other financial assets at fair value through profit or loss.

Financial assets and liabilities measured at fair value through profit and loss includes also currency forwards and the cross-currency and interest rate swap 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 related to sales transaction ceases, and to value of inventory when hedge accounting related to purchase transaction ceases. The recurring measurement of derivative instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables based on which these measurements are categorised in the fair value hierarchy as level 2 fair values. The fair values of other instruments measured at fair value through profit or loss are partly based on non-market vased variables, and, therefore, these measurements are categorised in the fair value hierarchy as level 3 fair values. Other items are recognised on balance sheet 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.

Loans receivable and other interest-bearing assets mainly consist of deferred considerations from sold of businesses. The balance has increased in 2018 mainly due to the EUR 33.0 million vendor note received as part of the sale of Siwertell AB. Loan accrues annual 3.75% interest until end of 2020, and 4.25% as a minimum afterwards. The repayment of the loan is tied to annual result of Bruks Siwertell Group, and its maximum length is 10 years. Additional information regarding the Siwertell AB sales transaction is disclosed in note 24, Acquisitions and disposals, and regarding the new associated company investment in the Bruks Siwertell Group in note 25, Joint ventures and associated companies. The carrying value of the Loans receivable and other interest-bearing asset includes a credit loss-related write-downs of EUR 3.6 (31 Dec 2017: 1.2).

31. Derivatives

31 Dec 2018 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Cross-currency and interest rate swaps	-	-	-	-
Total	**-**	**-**	**-**	**-**
Current				
Currency forwards, cash flow hedge accounting	1,265.8	2.7	0.5	2.2
Currency forwards, other	994.8	4.6	5.2	-0.7
Cross-currency and interest rate swaps	74.2	10.1	-	10.1
Total	**2,334.9**	**17.4**	**5.8**	**11.7**
Total derivatives	**2,334.9**	**17.4**	**5.8**	**11.7**

31 Dec 2017 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Cross-currency and interest rate swaps	70.9	6.1	-	6.1
Total	**70.9**	**6.1**	**-**	**6.1**
Current				
Currency forwards, cash flow hedge accounting	1,104.5	6.0	0.3	5.7
Currency forwards, other	875.8	7.3	6.1	1.2
Cross-currency and interest rate swaps	-	-	-	-
Total	**1,980.3**	**13.3**	**6.4**	**6.9**
Total derivatives	**2,051.1**	**19.4**	**6.4**	**13.0**

A cross-currency and interest rate swap hedges the US Private Placement corporate bond which was issued in February 2007 and will mature in 2019. Cash flow hedge accounting is applied to this instrument. The majority of the highly probable cash flows hedged by the currency forward contracts will realise within one year.

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 occurence of credit events, but not in a normal situation. The group has not given or received collateral related to derivatives from the counterparties.

32. 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 2018	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2018	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2018	-	-379,603	-379,603
Number of shares outstanding 31 Dec 2018	**9,526,089**	**54,802,476**	**64,328,565**
Number of shares 1 Jan 2017	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2017	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2017	-	-208,390	-208,390
Number of shares outstanding 31 Dec 2017	**9,526,089**	**54,973,689**	**64,499,778**

Dividend distribution

After 31 December 2018, the following dividends were proposed by the Board of Directors to be paid: EUR 1.09 per each class A share and EUR 1.10 per outstanding class B share, a total of EUR 70,666,160.61.

33. Leases

Cargotec as lessee

MEUR	31 Dec 2018	31 Dec 2017
Non-cancellable operating lease payables		
Less than one year	47.1	37.3
One to five years	99.2	87.3
Over five years	56.9	64.8
Total	**203.2**	**189.4**
Non-cancellable finance lease payables		
Less than one year	1.9	1.0
One to five years	5.9	2.0
Over five years	17.3	8.4
Total	**25.0**	**11.3**
Present value of non-cancellable finance lease payables		
Less than one year	1.2	0.8
One to five years	3.7	1.7
Over five years	13.5	8.4
Total	**18.5**	**10.9**
Future finance charges	6.5	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 totalled EUR 45.0 (2017: 40.1) million.

Cargotec as lessor

MEUR	31 Dec 2018	31 Dec 2017, restated*
Non-cancellable operating lease receivables		
Less than one year	28.9	26.3
One to five years	44.6	43.8
Over five years	1.5	2.3
Total	**75.1**	**72.4**
Non-cancellable finance lease receivables		
Less than one year	0.3	0.4
One to five years	0.5	0.6
Over five years	-	-
Total	**0.7**	**1.1**
Present value of non-cancellable finance lease receivables		
Less than one year	0.2	0.4
One to five years	0.4	0.6
Over five years	-	-
Total	**0.6**	**0.9**
Future finance income	0.1	0.2

*Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

Cargotec's operating lease receivables mainly relate to container handling and industrial application equipment leased out under contracts with varying duration and conditions. The operating lease receivables also include rent income from premises owned or subleased by Cargotec.

Cargotec has customer finance contracts in which the equipment is sold to a financier but the conditions for immediate revenue recognition are not met. Before adoption of IFRS 15, with respect to these transactions, the values of sold equipment were presented in property, plant and equipment, and the payments received in non-interest-bearing liabilities. On adoption of IFRS 15, these transactions were reclassified as lease arrangements, and, as a result, the accounting treatment of these transactions remained unchanged, but the amount of deferred revenue EUR 53.7 (2017: 51.2) million is included in operating lease receivables.

Rental income recognised in sales from operating leases was EUR 30.9 (2017: 24.4) million and rental income recognised in other operating income from operating leases was EUR 3.0 (2017: 3.6) million.

34. Commitments

MEUR	31 Dec 2018	31 Dec 2017
Guarantees given on behalf of associated companies and joint ventures	41.5	28.3
Guarantees given on behalf of others	-	0.2
Customer financing	26.7	18.4
Operating leases	203.2	189.4
Other contingent liabilities	0.5	0.6
Total	**271.9**	**236.8**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 31 December 2018 was EUR 460.8 (31 Dec 2017: 461.2) million.

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

Information regarding operating leases is disclosed in note 33, Leases.

In addition, Cargotec has commitments related to its investments in joint ventures. These commitments are disclosed in note 25, Joint ventures and associated companies.

Contingent liabilities

Cargotec received in October 2016 a USD 13 million verdict in a local jury trial in Hempstead, USA. The verdict was related to business acquisition negotiations Cargotec USA had in 2010 and 2011. The negotiations were closed without results. The claim was based on Cargotec having breached confidentiality obligations related to the negotiations. In December 2018, Cargotec won its appeal to dispute the verdict of damages. The opponent may still appeal the judgment.

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.

35. Related-party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties include also the members of the Board of Directors and the Executive Board, including the CEO. Wipunen varainhallinta oy, Mariatorp Oy and Pivosto Oy exercise through ownership in Cargotec significant influence over the company.

Transactions with associated companies and joint ventures

1 Jan–31 Dec 2018 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	4.4	2.6	7.0
Purchase of products and services	18.1	61.1	79.2

1 Jan–31 Dec 2017 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	7.0	5.1	12.0
Purchase of products and services	19.6	78.0	97.6

Balances with associated companies and joint ventures

31 Dec 2018 MEUR	Associated companies	Joint ventures	Total
Loans receivable	34.7	-	34.7
Accounts receivable	1.0	0.5	1.5
Accounts payable	2.0	2.0	4.0

31 Dec 2017 MEUR	Associated companies	Joint ventures	Total
Loans receivable	1.7	-	1.7
Accounts receivable	2.2	3.7	5.9
Accounts payable	1.5	4.7	6.2

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

Key management remuneration is presented in note 11, Management remuneration.

36. Adoption of the new and amended IFRS standards, impact on the financial statements

The following tables summarise the impacts of adoption of IFRS 15, Revenue from contracts with customers, IFRS 9, Financial instruments, and amendments to IFRS 2, Share-based Payment, on Cargotec's consolidated balance sheet and statement of income. More detailed information of the content of the new standards as well as the impacts on Cargotec's accounting principles can be found on note 1, Accounting principles for the consolidated financial statements.

Consolidated balance sheet

MEUR	31 Dec 2016, original	IFRS 15	1 Jan 2017, restated	31 Dec 2017, original	IFRS 15	31 Dec 2017, restated	IFRS 2	IFRS 9	1 Jan 2018, restated
ASSETS									
Non-current assets									
Goodwill	1,024.5		1,024.5	986.7		986.7			986.7
Other intangible assets	290.2		290.2	260.8		260.8			260.8
Property, plant and equipment	308.6		308.6	310.8		310.8			310.8
Investments in associated companies and joint ventures	123.4		123.4	109.8		109.8			109.8
Available-for-sale investments	3.8		3.8	0.2		0.2		-0.2	-
Share investments	-		-	-		-		0.2	0.2
Loans receivable and other interest-bearing assets	3.0		3.0	5.0		5.0		-0.3	4.7
Deferred tax assets	185.0	0.1	185.0	149.9	0.1	150.0		0.5	150.5
Derivative assets	16.9		16.9	6.1		6.1			6.1
Other non-interest-bearing assets	7.9		7.9	8.5		8.5			8.5
Total non-current assets	**1,963.4**	**0.1**	**1,963.5**	**1,837.8**	**0.1**	**1,837.9**	**0.0**	**0.2**	**1,838.1**
Current assets									
Inventories	647.0	-5.6	641.4	607.0	16.3	623.3			623.3
Loans receivable and other interest-bearing assets	1.9		1.9	2.5		2.5		-0.3	2.2
Income tax receivables	26.1		26.1	36.4		36.4			36.4
Derivative assets	45.8		45.8	13.3		13.3			13.3
Accounts receivable and other non-interest-bearing assets	778.9	9.4	788.3	751.3	-4.5	746.8		-1.5	745.3
Cash and cash equivalents	273.2		273.2	309.1		309.1			309.1
Total current assets	**1,773.0**	**3.8**	**1,776.7**	**1,719.6**	**11.8**	**1,731.4**	**0.0**	**-1.8**	**1,729.6**
Total assets	**3,736.3**	**3.9**	**3,740.2**	**3,557.5**	**11.9**	**3,569.3**	**0.0**	**-1.6**	**3,567.8**

MEUR	31 Dec 2016, original	IFRS 15	1 Jan 2017, restated	31 Dec 2017, original	IFRS 15	31 Dec 2017, restated	IFRS 2	IFRS 9	1 Jan 2018, restated
EQUITY AND LIABILITIES									
Equity attributable to the equity holders of the parent									
Share capital	64.3		64.3	64.3		64.3			64.3
Share premium account	98.0		98.0	98.0		98.0			98.0
Translation differences	37.3		37.3	-31.2		-31.2			-31.2
Fair value reserves	-24.7		-24.7	2.1		2.1			2.1
Reserve for invested non-restricted equity	69.0		69.0	69.0		69.0			69.0
Retained earnings	1,151.1	1.3	1,152.3	1,223.0	-2.4	1,220.6	7.5	-1.6	1,226.5
Total equity attributable to the equity holders of the parent	**1,395.0**	**1.3**	**1,396.3**	**1,425.2**	**-2.4**	**1,422.8**	**7.5**	**-1.6**	**1,428.7**
Non-controlling interest	2.2		2.2	2.3		2.3			2.3
Total equity	**1,397.2**	**1.3**	**1,398.5**	**1,427.5**	**-2.4**	**1,425.1**	**7.5**	**-1.6**	**1,431.0**
Non-current liabilities									
Interest-bearing liabilities	656.8		656.8	673.8		673.8			673.8
Deferred tax liabilities	73.1	0.5	73.6	13.2	-0.5	12.7			12.7
Pension obligations	81.4		81.4	87.5		87.5			87.5
Provisions	37.6	0.0	37.6	17.1	0.0	17.1			17.1
Other non-interest-bearing liabilities	49.4		49.4	61.5		61.5	-7.5		54.0
Total non-current liabilities	**898.2**	**0.5**	**898.7**	**853.1**	**-0.5**	**852.6**	**-7.5**	**0.0**	**845.1**
Current liabilities									
Current portion of interest-bearing liabilities	119.4		119.4	83.8		83.8			83.8
Other interest-bearing liabilities	45.8		45.8	37.6		37.6			37.6
Provisions	112.8		112.8	103.5		103.5			103.5
Advances received	209.3	21.9	231.3	155.0	39.1	194.1			194.1
Income tax payables	32.0		32.0	49.1		49.1			49.1
Derivative liabilities	34.1		34.1	6.4		6.4			6.4
Accounts payable and other non-interest-bearing liabilities	887.5	-19.8	867.7	841.5	-24.3	817.1			817.1
Total current liabilities	**1,440.8**	**2.1**	**1,443.0**	**1,276.9**	**14.8**	**1,291.7**	**0.0**	**0.0**	**1,291.7**
Total equity and liabilities	**3,736.3**	**3.9**	**3,740.2**	**3,557.5**	**11.9**	**3,569.3**	**0.0**	**-1.6**	**3,567.8**

Consolidated statement of income

MEUR	1 Jan–31 Dec 2017, original	IFRS 15	1 Jan–31 Dec 2017, restated
Sales	**3,280.1**	**-30.3**	**3,249.8**
Cost of goods sold	-2,423.4	25.7	-2,397.7
Gross profit	**856.7**	**-4.6**	**852.1**
Other operating income	35.8		35.8
Selling and marketing expenses	-221.8		-221.8
Research and development expenses	-98.2		-98.2
Administration expenses	-273.6		-273.6
Restructuring costs	-36.5		-36.5
Other operating expenses	-36.7		-36.7
Share of associated companies' and joint ventures' net income	0.9		0.9
Operating profit	**226.7**	**-4.6**	**222.1**
Financing income	3.3		3.3
Financing expenses	-36.2		-36.2
Income before taxes	**193.8**	**-4.6**	**189.2**
Income taxes	-57.5	1.0	-56.5
Net income for the financial year	**136.3**	**-3.7**	**132.7**
Net income for the financial year attributable to:			
Equity holders of the parent	136.1	-3.7	132.4
Non-controlling interest	0.2		0.2
Total	**136.3**	**-3.7**	**132.7**
Earnings per share for profit attributable to the equity holders of the parent:			
Basic earnings per share, EUR	2.11	-0.06	2.05
Diluted earnings per share, EUR	2.10	-0.06	2.05

Consolidated statement of comprehensive income

MEUR	1 Jan–31 Dec 2017, original	IFRS 15	1 Jan–31 Dec 2017, restated
Net income for the financial year	136.3	-3.7	132.7
Other comprehensive income			
Items that cannot be reclassified to statement of income:			
Actuarial gains (+) / losses (-) from defined benefit plans	-5.0		-5.0
Taxes relating to items that cannot be reclassified to statement of income	1.1		1.1
Items that can be reclassified to statement of income:			
Voitot (+) / tappiot (-) rahavirran suojauksista	50.2		50.2
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	-16.2		-16.2
Gains (+) / losses (-) on net investment hedges	10.9		10.9
Translation differences	-81.9		-81.9
Taxes relating to items that can be reclassified to statement of income	-4.8		-4.8
Other comprehensive income, net of tax	**-45.7**	**0.0**	**-45.7**
Comprehensive income for the financial year	**90.6**	**-3.7**	**87.0**
Comprehensive income for the financial year attributable to:			
Equity holders of the parent	90.4	-3.7	86.8
Non-controlling interest	0.2		0.2
Total	**90.6**	**-3.7**	**87.0**

KEY FIGURES

Key financial figures

Consolidated statement of income		2018	2017, restated[1]	2016	2015	2014
Sales	MEUR	3,304	3,250	3,514	3,729	3,358
Exports from and sales outside Finland	MEUR	3,229	3,175	3,451	3,673	3,307
Operating profit	MEUR	190	222	198	213	127
% of sales	%	5.8%	6.8%	5.6%	5.7%	3.8%
Operating profit excluding restructuring costs	MEUR	244	259	250	231	149
% of sales	%	7.4%	8.0%	7.1%	6.2%	4.4%
Income before taxes	MEUR	161	189	169	186	98
% of sales	%	4.9%	5.8%	4.8%	5.0%	2.9%
Net income for the financial period	MEUR	108	133	125	143	72
% of sales	%	3.3%	4.1%	3.6%	3.8%	2.1%
Depreciation, amortisation and impairment	MEUR	77	72	85	77	81
Wages and salaries	MEUR	567	570	571	538	506

Consolidated balance sheet and investments		2018	2017, restated[1]	2016	2015	2014
Equity	MEUR	1,429	1,425	1,397	1,342	1,214
Total assets	MEUR	3,684	3,569	3,736	3,571	3,652
Interest-bearing net debt[2]	MEUR	625	472	503	622	719
Net working capital	MEUR	271	115	57	151	186
Capital expenditure in intangible assets and property, plant and equipment	MEUR	46	47	40	38	38
Capital expenditure in customer financing	MEUR	34	37	40	41	42
Capital expenditure, total % of sales	%	2.4%	2.6%	2.3%	2.1%	2.4%

1 Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.
2 Amounts due to customers from construction contracts as well as advance payments from service contracts and software business have been regrouped from “Accounts payable and other non-interest-bearing liabilities” to “Advances received” on the balance sheet. As a result, the total equity / total assets ratio increased by 0.8 percentage points in 2017, 0.5 percentage points in 2016, 0.5 percentage points in 2015, and 0.3 percentage points in 2014.

Other key figures		2018	2017, restated[1]	2016	2015	2014
Return on equity	%	7.6%	9.4%	9.1%	11.2%	5.9%
Return on capital employed	%	8.0%	9.6%	8.8%	9.8%	6.2%
Total equity / total assets[2]	%	40.9%	42.2%	39.6%	40.3%	36.2%
Gearing[3]	%	43.8%	33.1%	36.0%	46.4%	59.2%
Interest-bearing net debt / EBITDA		2.3	1.6	1.8	2.1	3.5
Orders received	MEUR	3,756	3,190	3,283	3,557	3,599
Order book	MEUR	1,995	1,566	1,783	2,064	2,200
Cash flow from operations before financing items and taxes	MEUR	126	253	373	315	204
Research and development costs	MEUR	89	92	91	83	67
% of sales	%	2.7%	2.8%	2.6%	2.2%	2.0%
of which capitalised	MEUR	0.5	0.5	2.4	4.3	5.0
Average number of employees		11,589	11,128	11,193	10,772	10,838
Number of employees 31 Dec		11,987	11,251	11,184	10,837	10,703

1 Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.

2 Amounts due to customers from construction contracts as well as advance payments from service contracts and software business have been regrouped from “Accounts payable and other non-interest-bearing liabilities” to “Advances received” on the balance sheet. As a result, the total equity / total assets ratio increased by 0.8 percentage points in 2017, 0.5 percentage points in 2016, 0.5 percentage points in 2015, and 0.3 percentage points in 2014.

3 Including cross-currency hedging of the 85 (31 Dec 2014–31 Dec 2016: 205 and 31 Dec 2017: 85) million USD Private Placement corporate bond.
Additional information is disclosed in Capital structure management section under note 27, Financial risk management.

Share-related key figures

		2018	2017, restated[1]	2016	2015	2014
Earnings per share	EUR	1.66	2.05	1.95	2.21	1.11
Diluted earnings per share	EUR	1.65	2.05	1.94	2.21	1.11
Equity per share	EUR	22.16	22.06	21.65	20.73	18.76
Dividend per class B share	EUR	1.10[5]	1.05	0.95	0.80	0.55
Dividend per class A share	EUR	1.09[5]	1.04	0.94	0.79	0.54
Total dividends	MEUR	71[5]	68	61	52	35
Dividend per earnings, class B share	%	66.4%[5]	51.1%	48.7%	36.1%	49.6%
Dividend per earnings, class A share	%	65.9%[5]	50.8%	48.3%	35.7%	48.7%
Effective dividend yield, class B share	%	4.1%[5]	2.2%	2.2%	2.3%	2.2%
Price per earnings, class B share		16.1	23.0	22.0	15.6	23.0
Development of share price, class B share						
Average share price	EUR	41.28	49.85	34.31	31.58	27.65
Highest share price	EUR	51.30	59.25	43.35	37.37	34.67
Lowest share price	EUR	26.46	40.26	24.30	23.70	20.57
Closing price at the end of period	EUR	26.72	47.20	42.89	34.50	25.55
Market capitalisation 31 Dec[2]	MEUR	1,720	3,047	2,762	2,228	1,647
Market capitalisation of class B shares 31 Dec[3]	MEUR	1,464	2,595	2,355	1,900	1,403
Trading volume, number of class B shares traded	('000)	33,493	33,407	42,653	58,340	53,641
Trading volume, number of class B shares traded	%	60.1%	60.0%	73.9%	104.5%	96.0%
Weighted average number of class A shares4	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares 31 Dec[4]	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares[3]	('000)	55,020	54,965	55,076	55,042	54,861
Number of class B shares 31 Dec[3]	('000)	54,802	54,974	54,917	55,072	54,911
Diluted weighted average number of class B shares[3]	('000)	55,163	55,227	55,246	55,072	54,949

Trading information is based on Nasdaq Helsinki Ltd statistics.

1 Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.
2 Including class A and B shares, excluding treasury shares.
3 Excluding treasury shares.
4 No dilution on class A shares.
5 Board's proposal.

Calculation of key figures

Return on equity (ROE) (%)	=	100 x	Net income for financial year / Total equity (average for financial year)
Return on capital employed (ROCE) (%)	=	100 x	Income before taxes + interest and other financing expenses / Total assets - non-interest-bearing debt (average for financial year)
Total equity / total assets (%)	=	100 x	Total equity / Total assets - advances received
Gearing (%)	=	100 x	Interest-bearing liabilities - loans receivable and other interest-bearing assets +/- foreign currency hedge of corporate bonds / Total equity
Earnings per share (EUR)	=		Net income attributable to the equity holders of the parent / Average number of shares outstanding during financial year
Diluted earnings per share (EUR)	=		Net income attributable to the equity holders of the parent / Average number of diluted shares outstanding during financial year
Equity / share (EUR)	=		Total equity attributable to the equity holders of the parent / Number of shares outstanding at the end of financial year
Dividend / share (EUR)	=		Dividend for financial year / Number of shares outstanding at the end of financial year
Dividend / earnings (%)	=	100 x	Dividend for financial year / share / Earnings per share
Effective dividend yield (%)	=	100 x	Dividend / share / Closing price for the class B share at the end of financial year
Price / earnings (P/E)	=		Closing price for the class B share at the end of financial year / Earnings per share
Average share price (EUR)	=		EUR amount traded during financial year for the class B share / Number of class B shares traded during financial year
Market capitalisation at the end of financial year	=		Number of class B shares outstanding at the end of financial year x closing price for the class B share at the end of financial year + Number of class A shares outstanding at the end of financial year x closing day average price for the class B share
Trading volume	=		Number of class B shares traded during financial year
Trading volume (%)	=	100 x	Number of class B shares traded during financial year / Average weighted number of class B shares during financial year

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

The alternative performance measures used by Cargotec are:

Operating profit excluding restructuring costs (MEUR and % of sales)	=	Operating profit + restructuring costs
Interest-bearing net debt (MEUR)	=	Interest-bearing liabilities - loans receivable and other interest-bearing assets +/- foreign currency hedge of corporate bonds
Interest-bearing net debt / EBITDA	=	Interest-bearing net debt / EBITDA (earnings before interests, taxes, depreciation and amortisation)
Operative capital employed	=	Net working capital + goodwill + other intangible assets + property, plant and equipment + investments in associated companies and joint ventures + share investments

Items included in net working capital are presented in note 15, Net working capital, in the consolidated financial statements.

Starting from 1 January 2019, Cargotec uses in its financial reporting the alternative performance measure "comparable operating profit" for measuring business performance.

Comparable operating profit (MEUR and % of sales)	=	Operating profit excluding items significantly affecting comparability

Items significantly affecting comparability include, in addition to restructuring costs, mainly capital gains and losses, gains and losses related to business acquisitions and disposals, impairments of assets and reversals of impairments, insurance benefits, and expenses related to legal proceedings.

Key exchange rates for the euro

Closing rate	31 Dec 2018	31 Dec 2017
SEK	10.255	9.844
USD	1.145	1.199

Average rate	1–12/2018	1–12/2017
SEK	10.259	9.639
USD	1.181	1.131

FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Sales		**182.4**	**155.2**
Administration expenses	3, 4, 5	-194.7	-166.8
Other operating income		0.0	0.0
Operating loss		**-12.2**	**-11.6**
Financing income and expenses	6	0.3	95.3
Profit/loss before appropriations and taxes		**-11.8**	**83.7**
Group contributions		28.0	-
Income taxes	7	-2.3	-0.2
Profit for the period		**13.8**	**83.5**

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

Parent company balance sheet

MEUR	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	8	36.9	37.3
Tangible assets	9	0.1	0.1
Investments			
Investments in subsidiaries	10	3,627.8	4,187.5
Investments in joint ventures	10	37.9	50.5
Other investments	10	3.8	3.8
Total non-current assets		**3,706.5**	**4,279.2**
Current assets			
Non-current receivables	11, 13	158.0	408.1
Current receivables	12, 13	520.4	336.3
Cash and cash equivalents		147.7	198.7
Total current assets		**826.2**	**943.1**
Total assets		**4,532.8**	**5,222.3**

MEUR	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Fair value reserves		-0.1	-0.7
Reserve for invested non-restricted equity		69.9	74.3
Retained earnings		1,129.5	1,113.5
Net income for the period		13.8	83.5
Total equity	14	**1,375.3**	**1,433.1**
Provisions		**0.1**	**0.6**
Liabilities			
Non-current liabilities	13, 15	699.0	662.0
Current liabilities	13, 16	2,458.4	3,126.6
Total liabilities		**3,157.4**	**3,788.7**
Total equity and liabilities		**4,532.8**	**5,222.3**

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

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Operating loss	-12.2	-11.6
Adjustments to the operating loss for the period	6.4	5.5
Change in working capital:		
Change in non-interest-bearing receivables	-6.8	8.1
Change in non-interest-bearing payables	-4.6	1.8
Interest paid	-26.0	-20.2
Interest received	12.8	18.3
Dividends received	554.7	134.4
Income taxes paid	-	0.0
Derivatives	-24.5	57.3
Cash flow from operating activities	**499.8**	**193.7**
Investments to tangible and intangible assets	-6.1	-7.1
Investments to subsidiaries and other companies	-6.7	-1,501.5
Proceeds from sales of group companies	28.9	51.7
Cash flow from investing activities	**16.1**	**-1,456.9**
Received and paid group contributions	-	-8.9
Acquisition of treasury shares	-9.4	-
Proceeds from sale of treasury shares	2.2	1.2
Increase in loans receivable	-218.1	-98.2
Disbursement of loans receivable	337.5	449.7
Proceeds from short-term borrowings	96.9	1,484.5
Repayments of short-term borrowings	-825.7	-504.6
Proceeds from long-term borrowings	199.5	249.8
Repayments of long-term borrowings	-82.1	-241.4
Profit distribution	-67.6	-61.1
Cash flow from financing activities	**-566.8**	**1,271.0**
Change in cash and cash equivalents	-50.9	7.7
Cash and cash equivalents 1 Jan	198.7	191.0
Cash and cash equivalents 31 Dec	**147.7**	**198.7**

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

Notes to the parent company financial statements

Contents

1. Accounting principles for the parent company financial statements

Basis of preparation

Cargotec Corporation's (1927402-8) 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 taxation are calculated using the future period's enacted tax rate at the closing date. Total deferred tax liability is included on 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 include 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 the 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 in the income statement by applying the effective interest rate.

Derivative instruments

Derivative instruments are initially recognised on 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.

Parent company applies hedge accounting only to hedges of cash flows associated with foreign currency-denominated loans, in which interest rate swap is used as a hedging instrument. 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 (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.

Statutory 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 statement of income 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 2018 was, in absolute terms, EUR 19.3 (31 Dec 2017: 8.6) million.

Until May 2017, the parent company hedged a part of the Swedish krona related translation risk with derivatives and applied hedge accounting for these hedges with the aim to reduce the impact of Swedish krona related translation risk to Cargotec's gearing. After changing the accounting treatment of the SEK intercompany net investment loans, Cargotec decided to unwind the hedges in May 2017. These derivatives had no impact to the parent company's financing income over the period (2017: 10.9 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 accounts receivable 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 2018 were EUR 1.0 (31 Dec 2017: 2.1) million, and cash and equivalents EUR 147.7 (31 Dec 2017: 198.7) million. The parent company's cash and equivalents are held in banks that have a solid credit rating and are approved by the Treasury Committee. More information about the credit risk related to derivatives is disclosed in the note 30, Financial instruments by measurement category, in the consolidated financial statements.

Operational risks of the treasury function

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 2018	1 Jan–31 Dec 2017
Wages and salaries	17.9	20.4
Pension costs	3.0	3.3
Other statutory employer costs	0.4	0.5
Total	**21.3**	**24.2**

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

Average number of employees

	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Administrative employees	181	195

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 0.6 (2017: 0.7) 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 incentive programme 2017 and share-based incentive programme 2015 (2017: restricted shares incentive programme 2016 and share-based incentive programme 2014), totalled EUR 2.9 (2017: 2.3) million. The CEO is entitled to a supplemental defined contribution pension benefit, for which a EUR 0.5 (2017: 0.5) million contribution has been paid in 2018 to the insurance company administering the benefit. According to the pension arrangement, the CEO is entitled to retire between the age of 60–65. Any additional contributions to the CEO's supplemental pension benefit are approved by the Board of Directors. Board of Directors also sets the performance criteria for payment of contributions. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 0.2 (2017: 0.2) million was recorded in year 2018.

The key management's compensation is described in more detail in note 11, Management remuneration, in the consolidated financial statements.

4. Depreciation, amortisation and impairment charges

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Planned depreciation and amortisation		
Intangible rights	5.9	0.8
Goodwill	0.4	0.4
Other capitalised expenditure	0.1	4.3
Machinery and equipment	0.0	0.1
Total	**6.5**	**5.6**

5. Audit fees

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Annual audit	0.6	0.6
Tax advice	0.1	0.2
Other services	0.9	0.0
Total	**1.6**	**0.8**

6. Financing income and expenses

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Interest income		
From group companies	10.5	14.2
From third parties	0.6	0.5
Total	**11.1**	**14.7**
Other financing income		
From group companies	24.7	34.1
Dividends from group companies	554.7	129.0
Dividends from joint ventures	-	5.4
Exchange rate differences	0.0	10.7
Total	**579.4**	**179.1**
Interest expenses		
To group companies	-7.7	-4.4
To third parties	-15.8	-15.7
Total	**-23.5**	**-20.1**
Other financing expenses		
To group companies	-2.8	-13.5
To third parties	-12.5	-14.3
Total	**-15.3**	**-27.8**
Reversals of impairments of investments in subsidiaries	-	59.7
Impairments of investments in subsidiaries	-538.7	-110.3
Impairments of investments in joint ventures	-12.6	-
Total financing income and expenses	**0.3**	**95.3**

Positive result from cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 1.1 (2017: 1.4) million, has been recorded as adjustment to interest expenses on financial liabilities at amortised cost.

7. Income taxes

MEUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Current year tax expense	-2.3	-1.1
Change in deferred tax asset	-0.1	1.0
Total	**-2.3**	**-0.2**

8. Intangible assets

MEUR	Intangible rights	Goodwill	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2018	8.2	2.2	53.7	11.4	75.5
Additions	0.7	-	0.0	5.3	6.0
Transfer between groups	53.8	-	-42.0	-11.7	-
Acquisition cost 31 Dec 2018	**62.7**	**2.2**	**11.7**	**5.0**	**81.5**
Accumulated amortisation 1 Jan 2018	-6.0	-1.7	-30.5	-	-38.2
Amortisation during the period	-5.9	-0.4	-0.1	-	-6.4
Transfer between groups	-19.1	-	19.1	-	-
Accumulated amortisation and impairments 31 Dec 2018	**-31.0**	**-2.2**	**-11.4**	**-**	**-44.6**
Book value on 31 Dec 2018	**31.7**	**-**	**0.2**	**5.0**	**36.9**
Acquisition cost 1 Jan 2017	7.0	2.2	52.8	6.5	68.4
Additions	1.3	-	0.2	5.6	7.1
Transfer between groups	-	-	0.7	-0.7	-
Acquisition cost 31 Dec 2017	**8.2**	**2.2**	**53.7**	**11.4**	**75.5**
Accumulated amortisation 1 Jan 2017	-5.2	-1.3	-26.2	-	-32.7
Amortisation during the period	-0.8	-0.4	-4.3	-	-5.5
Accumulated amortisation 31 Dec 2017	**-6.0**	**-1.7**	**-30.5**	**-**	**-38.2**
Book value 31 Dec 2017	**2.3**	**0.4**	**23.2**	**11.4**	**37.3**

MEUR	2018	2017
Capitalised interest expense	0.1	0.1

The capitalised interest expense relates to an ERP project and is included in other capitalised expenditure. Capitalised interest is amortised according to the amortisation plan for other capitalised expenditure.

9. Tangible assets

MEUR	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan 2018	1.3	0.1	1.4
Additions	0.0	-	0.0
Acquisition cost on 31 Dec 2018	**1.3**	**0.1**	**1.4**
Accumulated depreciation on 1 Jan 2018	-1.2	-0.1	-1.2
Depreciation during the period	0.0	-	0.0
Accumulated depreciation on 31 Dec 2018	**-1.2**	**-0.1**	**-1.3**
Book value on 31 Dec 2018	**0.1**	**0.0**	**0.1**
Acquisition cost on 1 Jan 2017	1.2	0.1	1.3
Additions	0.1	0.0	0.1
Acquisition cost on 31 Dec 2017	**1.3**	**0.1**	**1.4**
Accumulated depreciation on 1 Jan 2017	-1.1	-0.1	-1.2
Depreciation during the period	-0.1	-	-0.1
Accumulated depreciation on 31 Dec 2017	**-1.2**	**-0.1**	**-1.2**
Book value on 31 Dec 2017	**0.1**	**0.0**	**0.1**

10. Investments

MEUR	2018	2017
Investments in subsidiaries		
Acquisition cost 1 Jan	4,352.7	2,920.5
Accumulated impairments 1 Jan	-165.2	-122.1
Additions	7.9	1,496.9
Disposals	-28.9	-64.7
Reversals of impairments / impairments*	-538.7	-43.2
Book value 31 Dec	**3,627.8**	**4,187.5**

MEUR	2018	2017
Investments in joint ventures		
Acquisition cost 1 Jan	50.5	50.5
Reversals of impairments / impairments	-12.6	-
Book value 31 Dec	**37.9**	**50.5**

MEUR	2018	2017
Other investments		
Acquisition cost 1 Jan	3.8	3.8
Book value 31 Dec	**3.8**	**3.8**

* The impairment booked in 2018 is related to EUR 450 million dividend received from a subsidiary.

Subsidiary companies' full name, country of domicile and parent company's shareholding are disclosed in note 26, Subsidiaries, in the consolidated financial statements.

11. Non-current receivables

MEUR	31 Dec 2018	31 Dec 2017
Loans receivable from group companies	156.1	398.2
Loans receivable from others	0.4	2.1
Deferred tax asset	1.6	1.7
Derivative assets	-	6.1
Total	**158.0**	**408.1**

12. Current receivables

MEUR	31 Dec 2018	31 Dec 2017
From group companies		
Loans receivable	403.9	274.6
Accounts receivable	22.2	16.1
Derivative assets	36.1	19.5
Deferred assets	29.8	2.7
Total	**491.9**	**312.9**
From third parties		
Loans receivable	0.6	-
Accounts receivable	0.1	0.1
Derivative assets	17.4	13.1
Deferred assets	10.4	10.3
Total	**28.6**	**23.4**
Total current receivables	**520.4**	**336.3**

13. Derivatives

Fair values of derivative financial instruments

31 Dec 2018 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	36.1	9.7	26.3
Other currency forward contracts	7.1	5.3	1.8
Cross-currency and interest rate swaps	10.1	-	10.1
Total	**53.3**	**15.1**	**38.2**

31 Dec 2017 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	19.5	33.8	-14.3
Other currency forward contracts	13.0	6.3	6.7
Cross-currency and interest rate swaps	6.1	-	6.1
Total	**38.5**	**40.1**	**-1.6**

Nominal values of derivative financial instruments

MEUR	31 Dec 2018	31 Dec 2017
Intra-group currency forward contracts	2,221.8	2,836.8
Other currency forward contracts	2,252.4	1,980.3
Cross-currency and interest rate swaps	74.2	70.9
Total	**4,548.4**	**4,887.9**

A cross-currency and interest rate swap hedges the US Private Placement corporate bond which was issued in February 2007 and will mature in 2019. Cash flow hedge accounting is applied to this instrument. The majority of the highly probable cash flows hedged by the currency forward contracts will realise within one year.

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

14. Equity

MEUR	2018	2017
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	-0.6	0.2
Cash flow hedges	0.7	-1.1
Change in deferred taxes	-0.1	0.2
Fair value reserve 31 Dec	**-0.1**	**-0.6**
Total restricted equity	**162.2**	**161.6**

MEUR	2018	2017
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	74.3	71.7
Acquisition of treasury shares	-10.5	-
Proceeds from sale of treasury shares	6.0	2.6
Reserve for invested non-restricted equity 31 Dec	**69.9**	**74.3**
Retained earnings 1 Jan	1,197.1	1,174.7
Profit distribution	-67.6	-61.1
Retained earnings 31 Dec	**1,129.5**	**1,113.5**
Profit for the period	13.8	83.5
Total non-restricted equity	**1,213.1**	**1,271.4**
Total equity	**1,375.3**	**1,433.1**
Distributable equity	**1,213.1**	**1,271.4**

15. Non-current liabilities

MEUR	31 Dec 2018	31 Dec 2017
Corporate bonds	398.8	469.3
Loans from financial institutions	300.2	192.7
Total non-current liabilities	**699.0**	**662.0**

Maturity after 5 years

MEUR	31 Dec 2018	31 Dec 2017
Loans from financial institutions	124.4	100.0
Total	**124.4**	**100.0**

Corporate bonds

				Book value, MEUR	
Loan period	**Interest**	**Coupon rate, %**	**Nominal value**	**31 Dec 2018**	**31 Dec 2017**
2007–2019	Fixed	5.68	85.0 MUSD	74.2	70.9
2014–2020	Fixed	3.38	150.0 MEUR	149.8	149.6
2017–2022	Fixed	1.75	150.0 MEUR	149.6	149.5
2017–2024	Fixed	2.38	100.0 MEUR	99.5	99.4

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

16. Current liabilities

MEUR	31 Dec 2018	31 Dec 2017
To group companies		
Loans from group companies	2,206.7	2,942.3
Accounts payable	14.8	1.1
Derivative liabilities	9.7	33.8
Accruals	16.9	24.4
Total	**2,248.1**	**3,001.6**
To third parties		
Corporate bonds	74.2	32.1
Loans from financial institutions	92.1	50.0
Bank overdrafts used	0.6	0.1
Accounts payable	10.1	12.5
Derivative liabilities	5.3	6.4
Accruals	27.9	23.9
Total	**210.3**	**125.0**
Total current liabilities	**2,458.4**	**3,126.6**

Accruals

MEUR	31 Dec 2018	31 Dec 2017
Accrued salaries, wages and employment costs	4.4	3.5
Accrued interests	12.4	12.2
Other accruals	27.9	32.6
Total	**44.7**	**48.3**

17. Commitments

MEUR	31 Dec 2018	31 Dec 2017
Security for guarantees		
Guarantees given on behalf of group companies	460.8	461.2
Guarantees given on behalf of associated companies and joint ventures	41.5	28.3
Leasing commitments		
Maturity within the next financial period	1.2	1.5
Maturity after next financial period	5.3	7.8
Total	**508.8**	**498.8**

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 2014–2018, EUR

	2018	2017, restated[1]	2016	2015	2014
Earnings per share	1.66	2.05	1.95	2.21	1.11
Equity per share	22.16	22.06	21.65	20.73	18.76
Dividend per class B share	1.10[2]	1.05	0.95	0.80	0.55
Dividend per class A share	1.09[2]	1.04	0.94	0.79	0.54
Effective dividend yield, class B share, %	4.1%[2]	2.2%	2.2%	2.3%	2.2%
Price per earnings, class B share	16.1	23.0	22.0	15.6	23.0
Development of share price, class B share					
Average share price	41.28	49.85	34.31	31.58	27.65
Highest share price	51.30	59.25	43.35	37.37	34.67
Lowest share price	26.46	40.26	24.30	23.70	20.57
Closing price at the end of period	26.72	47.20	42.89	34.50	25.55

1 Additional information is disclosed in notes 1, Accounting principles for the consolidated financial statements, and 36, Adoption of the new and amended IFRS standards, impact on the financial statements.
2 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 15,041,445 at the end of 2018.

There were no changes in Cargotec Corporation's share capital in 2018. On 31 December 2018, 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.

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 1.09 for each class A share and EUR 1.10 for each class B share outstanding be paid for the financial year 2018. The Board also proposes that the dividend shall be paid in two instalments, in March and October 2019. The dividend for class A shares would be paid in EUR 0.55 and EUR 0.54 instalments. The dividend for outstanding class B shares would be paid in two EUR 0.55 instalments.

Own shares and share issue

On 20 March 2018, the Board of Directors of Cargotec Corporation decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to Cargotec's share-based incentive programme 2015, as well as 2017 allocation of restricted shares programme 2016–2018 under the share-based incentive programme 2016.

In the share issue, 138,787 own class B shares held by the company have been transferred without consideration to the key employees participating in the share-based incentive programmes in accordance with the programme-specific terms and conditions. The decision on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting on 18 March 2014. According to the authorisation, the Board of Directors can decide on a share issue amounting to a maximum of 952,000 class A shares and 5,448,000 class B shares.

In July 2018, Cargotec repurchased a total of 150,000 class B shares based on the authorisation of the Annual General Meeting on 20 March 2018 for a total cost of EUR 6,082,462.20. In addition, based on the aforementioned authorisation, Cargotec repurchased a total of 160,000 class B shares in December 2018 for a total cost of EUR 4,391,164.00. 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 in March 2019 at the earliest.

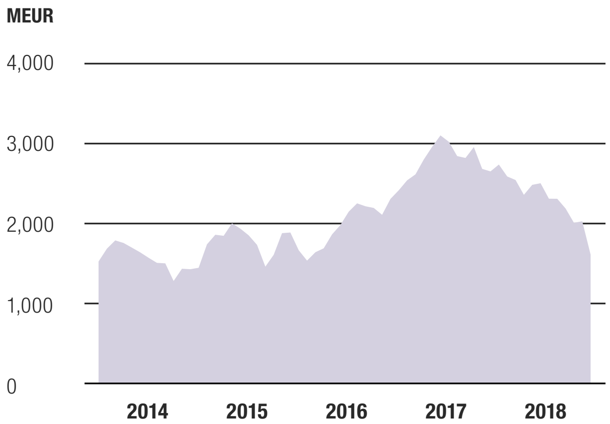
At the end of 2018, Cargotec held a total of 379,603 own class B shares, accounting for 0.59 percent of the total number of shares and 0.25 percent of the total number of votes. At the end of 2018, the number of outstanding class B shares totalled 54,802,476.

Share price development and trading

In 2018, Cargotec's class B share price declined 43 percent, from EUR 47.20 to EUR 26.72. Over the same period, the OMX Helsinki Benchmark Cap Index declined 8 percent.

At the end of 2018, 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 1,464 (31 Dec 2017: 2,595) 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 1,720 (3,047) million, excluding own shares held by the company.

Market capitalisation, class B shares



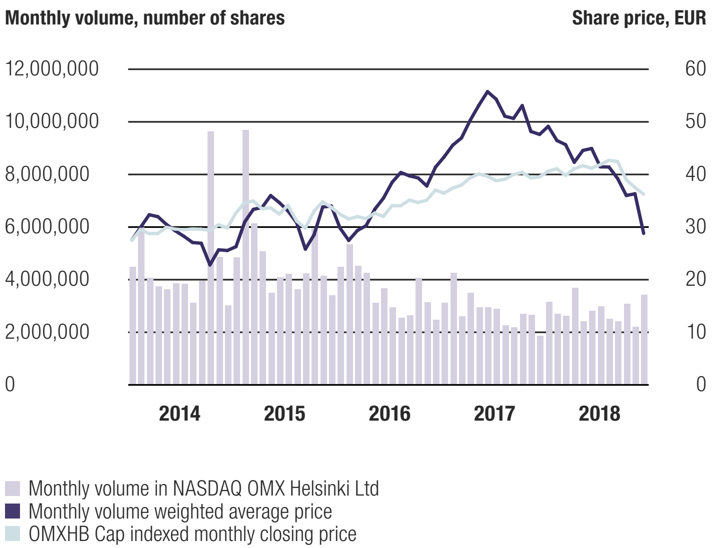
The class B share closed at EUR 26.72 (47.20) on the last trading day of 2018. The highest quotation for 2018 was EUR 51.30 (59.25) and the lowest EUR 26.46 (40.26). The volume weighted average price for the financial period was EUR 41.28 (49.85).

In 2018, a total of 34 (33) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,382 (1,665) million. The average daily trading volume of class B shares was 134,025 (133,094) shares or EUR 6 (7) million.

In addition, according to Fidessa, a total of 47 (48) million class B shares were traded in several alternative marketplaces, such as Cboe APA and Cboe BXE, corresponding to a turnover of EUR 1,945 (2,428) million.

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

Share price and volume



Shareholders

At the end of 2018, Cargotec had 22,510 (21,520) 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 17,888,693 (19,794,824) nominee-registered shares, representing 27.65 (30.59) percent of the total number of shares, which corresponds to 11.89 (13.16) percent of all votes.

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

Major shareholders on 31 December 2018

	Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1	Wipunen varainhallinta oy	2,940,067	6,200,000	9,140,067	14.13	3,560,067	23.67
2	Mariatorp Oy	2,940,067	5,000,000	7,940,067	12.27	3,440,067	22.87
3	Pivosto Oy	2,940,067	3,900,000	6,840,067	10.57	3,330,067	22.14
4	KONE Foundation	705,888	1,232,454	1,938,342	3.00	829,133	5.51
5	Varma Mutual Pension Insurance Company		1,695,144	1,695,144	2.62	169,514	1.13
6	Ilmarinen Mutual Pension Insurance Company		986,933	986,933	1.53	98,693	0.66
7	The State Pension Fund		850,000	850,000	1.31	85,000	0.57
8	Herlin Heikki Juho Kustaa		400,000	400,000	0.62	40,000	0.27
9	Cargotec Oyj		379,603	379,603	0.59	37,960	0.25
10	Sigrid Jusélius Foundation		367,600	367,600	0.57	36,760	0.24
11	Mandatum Life Insurance Company Ltd.		344,132	344,132	0.53	34,413	0.23
12	Veritas Pension Insurance Company Ltd.		322,918	322,918	0.50	32,291	0.21
13	Elo Mutual Pension Insurance Company		320,000	320,000	0.49	32,000	0.21
14	Nurminen Hanna Kirsti		270,268	270,268	0.42	27,026	0.18
15	Evli Finnish Small Cap Fund		242,000	242,000	0.37	24,200	0.16
16	OP-Finland		230,303	230,303	0.36	23,030	0.15
17	Nordea Pro Finland Fund		217,257	217,257	0.34	21,725	0.14
18	SEB Gyllenberg Finlandia Fund		198,372	198,372	0.31	19,837	0.13
19	OP-Finland Small Firms Fund		196,797	196,797	0.30	19,679	0.13
20	Blåberg Anna Karolina		182,745	182,745	0.28	18,274	0.12
	Total	**9,526,089**	**23,536,526**	**33,062,615**	**51.09**	**11,879,736**	**78.99**

	Nominee registered	17,888,693
	Other owners	13,756,860
	Total number of shares issued on 31 Dec 2018	**64,708,168**

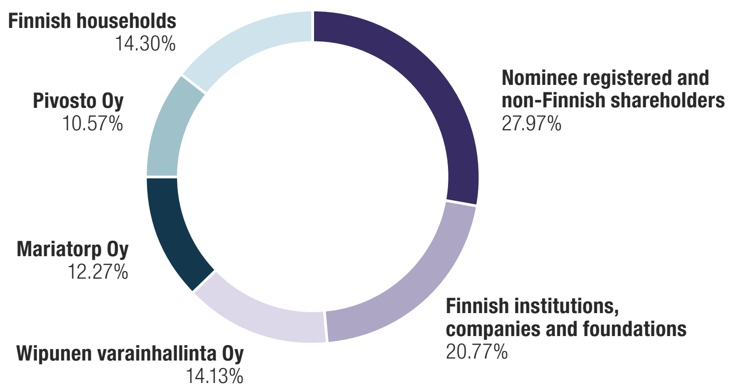
Based on ownership records of Euroclear Finland Ltd.

Breakdown of share ownership on 31 December 2018

Number of shares	Number of share-holders	% of share-holders	Total shares	% of total number of shares
1–100	11,284	50.13	560,268	0.87
101–500	7,718	34.29	1,966,256	3.04
501–1,000	1,737	7.72	1,327,689	2.05
1,001–10,000	1,592	7.07	4,304,530	6.65
10,001–100,000	143	0.64	4,195,230	6.48
100,001–1,000,000	28	0.12	7,005,342	10.83
over 1,000,000	7	0.03	44,963,958	69.49
Total	**22,509**	**100.00**	**64,323,273**	**99.41**
of which nominee registered			17,888,693	27.65
In the joint book-entry account			5,292	0.01
Number of outstanding shares on 31 Dec 2018			**64,328,565**	**99.41**
Own shares on 31 Dec 2018	1		379,603	0.59
Total number of shares on 31 Dec 2018			**64,708,168**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

Breakdown by shareholder category on 31 December 2018



Based on ownership records of the Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2018, the aggregate shareholding of the Board of Directors, the CEO and the companies in which they have a controlling interest was 2,940,067 (2,940,067) class A shares and 6,527,220 (6,500,873) class B shares, which corresponds to 14.63 (14.59) percent of the total number of all shares and 23.89 (23.87) percent of all votes.

The CEO Mika Vehviläinen is covered by the share-based incentive programmes 2016, 2017 and 2018.

Additional information:

Corporate Governance statement 2018 (cargotec.com)
Remuneration statement 2018 (cargotec.com)
CVs of Board members (cargotec.com)
CVs of Executive Board members (cargotec.com)

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 7. February 2019

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board

Kimmo Alkio
Member of the Board

Jorma Eloranta
Member of the Board

Peter Immonen
Member of the Board

Teresa Kemppi-Vasama
Member of the Board

Johanna Lamminen
Member of the Boardn

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 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

Markku Katajisto
Authorised Public Accountant

AUDITOR'S REPORT

(TRANSLATION OF 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 group's financial position and financial performance and cash flows 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.

Our opinion is consistent with the additional report to the Audit and Risk Management Committee.

What we have audited

We have audited the financial statements of Cargotec Oyj (business identity code 1927402-8) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

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.

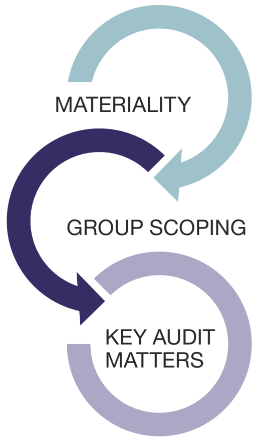
Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 5 to the consolidated financial statements.

Our Audit Approach

Overview



Materiality

- We have applied an overall group materiality of EUR 14.2 million (previous year EUR 14.2 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

- Over time revenue recognition
- 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 14.2 million (previous year EUR 14.2 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 bench-mark 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	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Over time revenue recognition Refer to notes 1, 2, and 4 in the consolidated financial statements. The group has significant long-term construction contracts in Kalmar and MacGregor segments. These long-term construction contracts are recognised on an over time basis in accordance with the percentage of completion if the delivered machine or solution is estimated to have no alternative use for the company and at all times during the project the company has a right to payment regarding the work already performed. Percentage of completion is determined either by reference to costs incurred to date as a percentage of the estimated total costs of the project or by completion of a certain physical milestone. Over time revenue recognition 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. Over time revenue recognition is a key audit matter in the audit due to the level of management judgement included in the estimates.	Our revenue testing included both testing of the company's controls, as well as substantive audit procedures for selected projects. Our testing of the company's controls, focused on the IT systems used by the group, as well as process level controls covering project forecasting and revenue recognition. Our substantive testing focused particularly on estimates applied by management in the accounting. Our procedures for the selected projects included, among others things, the following: • We ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement; • We agreed the total project revenue estimates to sales agreements, including amendments as appropriate; • We tested the accuracy of the cost estimate by taking a sample of cost components and traced those to supporting documentation; and • We recalculated the completion stage of the projects to ensure that the amount of revenue being recognised 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 20 in the consolidated financial statements. At 31 December 2018 the Group's goodwill balance amounted to EUR 970.9 million and is recognized in three reporting segments: Kalmar EUR 328.1 million, Hiab EUR 216.7 million and MacGregor EUR 426.1 million. The company tests goodwill for potential impairment at least 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 key audit matter in the audit due to the significant 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 to the forecasts included in the prior year impairment model to consider whether the forecasts included assumptions that, with hindsight, had been optimistic; • We assessed the appropriateness of the sensitivity analysis performed by the management; and • The discount rates applied within the impairment analysis were assessed by PwC business valuation specialist, including comparison of the components of the discount rate used by the company to generally accepted external sources of information as appropriate. We also considered the appropriateness of the related disclosures provided in note 20 in the consolidated financial statements.
Accounting for restructuring provisions and costs Refer to notes 1, 2, 6 and 19 in the consolidated financial statements. Restructuring provision amounts to EUR 10.9 million at 2018 year-end, with an annual restructuring costs of EUR 53.8 million recognised in the profit and loss statement. These costs primarily consisted of employment termination costs, costs for contract terminations, relocation and outsourcing costs, gains and losses from sale of assets, gains and losses from sale of business and asset impairments. The accounting for restructuring provisions and costs requires judgement to estimate the value and timing of net economic outflows and the extent to which the company 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. Accounting for restructuring provisions and costs is a key audit matter in the audit due to level of management judgement included in the estimates.	Our audit procedures were designed to test that the costs incurred were accurately recorded, capturing both amounts paid during the financial 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 the group accounting policies.
Valuation of inventories Refer to notes 1, 2 and 16 in the consolidated financial statements. Net inventories amount to EUR 688.8 million, including a provision of EUR 95.2 million at the end of 2018. 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 countings of the group companies selected in our audit scope to obtain audit evidence regarding existence and condition of the inventory. During the inventory counting we assessed the appropriateness of the counting procedures 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 accounting; • 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.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of 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 parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is 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 with 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 so that the financial statements give a true and fair view.
- 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

Appointment

The auditors who have signed the audit report have been acting as the auditors of Cargotec Oyj as follows:

PricewaterhouseCoopers Oy has, without interruption, been acting as the auditor appointed by the annual general meeting of Cargotec Oyj since 1 June 2005 for 14 years during which we have nominated an authorised public accountant (KHT) to be the auditor with principal responsibility.

Authorised public accountant (KHT) Markku Katajisto, designated by the Finnish Patent and Registration Office, has been acting as the auditor since 27 December 2018.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have 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 that date.

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 the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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 laws and regulations.

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 February 2019
PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant (KHT)

Markku Katajisto
Authorised Public Accountant (KHT)

INVESTOR RELATIONS AT CARGOTEC

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 at Cargotec, and all investor requests are processed centrally through Cargotec's Investor Relations.

The investor relations function prepares Cargotec's financial statements and quarterly reviews, develops the investor website and writes stock exchange releases. It also organises roadshows, investor meetings and events, seminars, news conferences of result publications, as well as site visits and annual general meetings.

Investor Relations also manages the arrangements for the Capital Markets Day events for investors and analysts and gathers and analyses market information and 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 2018

Cargotec's Investor Relations actively organised various events for investors and analysts in 2018. In addition to Investor Relations, Cargotec's CEO, CFO, business area presidents and Director, Sustainability participated in investor meetings and events.

In May, Cargotec Investor Relations arranged an event where Michel van Roozendaal, president of MacGregor, as well as Karoliina Loikkanen, director in Sustainability gave their presentations. During his part of the event, van Roozendaal presented the current state of MacGregor's business, strategy and future prospects, and there was a possibility to ask questions. According to Loikkanen, sustainability is a significant business opportunity for Cargotec due to the inefficiencies in the industry.

In October, Investor Relations organised an event in Singapore, featuring presentations by Peter Cederholm, president of Kalmar's division Bromma, as well as MacGregor's president Michel van Roozendaal. In addition, there was a visit to PSA Singapore, the second largest container port in the world. The visit in Singapore was part of Finnish Industrial Days which was carried out in cooperation with two other Finnish industrial companies KONE and Kemira.

During the year, two lunch events targeting Finnish investing bloggers and social media influencers were organized, where Cargotec was introduced as an investment.

Visit to PSA Singapore, the second largest port in the world, was arranged as part of Finnish Industrial Days in October

In May's investor event Karoliina Loikkanen, director, Sustainability, explained that the objective with Cargotec sustainability management is to control risks and support Cargotec's growth.

In 2018, Investor Relations organised roadshows in the United Kingdom, France, Denmark, Switzerland, Italy, Germany, Norway, the United States, Sweden, Canada, the Netherlands, Singapore, Hong Kong and Japan. We also participated in several conferences and seminars, for example in SEB industrial and technology seminar in Stockholm and Oddo Environment forum in Paris. In addition to the aforementioned, Cargotec attended several events targeted to private investors, such as Inderes' event about Engineering Works companies. There were also frequent meetings both at Cargotec headquarters in Helsinki as well as other venues.

The publication dates for Cargotec's Financial Statements Review, Half-Year Report and Interim Reports in 2018 were 8 February, 24 April, 19 July and 26 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 the 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.

Cargotec was rewarded for investor communications on several occasions

Investor Relations continued to develop new forms of communication to improve the transparency of its operations. For example, prior to each silent period, a quarterly newsletter with important materials and announced orders was sent out, which was also published on Cargotec's website. We also published blog posts, videos, and other company-related materials. In addition to event videos, we produced a new "Why invest in Cargotec" video during the year.

After years of hard work, Cargotec was rewarded on several occasions during the year. According to the Institutional Investor All-Europe Executive Team 2018 survey, Cargotec has the second best investor webpage and the third best analyst days in the category of small & mid-cap capital goods. At IR Magazine Awards in June, Cargotec ranked second in Europe in the category "Best use of multimedia for Investor Relations".

Hanna-Maria Heikkinen, Vice President, Investor Relations, was elected as the second best Head of Investor Relations in Finland in December in the IR Nordic Markets survey conducted by the Swedish consultancy Regi. In the same study, Cargotec was awarded the second best company in Finland in investor relations. For the second year in a row, Cargotec ranked among the top three in both categories.

Analyst coverage

At the end of 2018, Cargotec share was covered by 11 analysts, located in Helsinki, Stockholm, and London. 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 2019

8 February 2019	Financial Statements Review 2018
Week 8, 2019	Financial Statements and Annual Report 2018
19 March 2018	Annual General Meeting
25 April 2018	Publication of January-March 2019 Interim Report
18 July 2018	Publication of January-June 2019 Half-Year Report
22 October 2018	Publication of January-September 2019 Interim Report

The calendar is available on Cargotec's investor website.

Investor relations contact information

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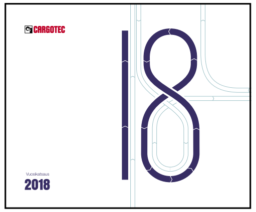
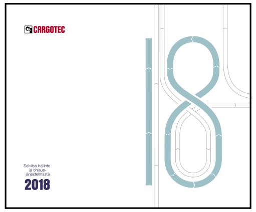
Cargotec's reporting for the year 2018 consists of five documents: the Annual review, the Financial review, the Corporate governance statement, the Remuneration statement, and the GRI index. All documents are available on the company website www.cargotec.com.

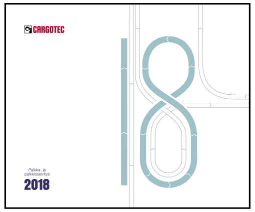


Annual Review 2018

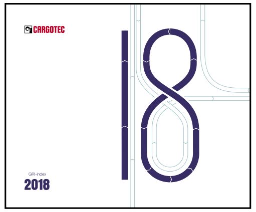
Financial Review 2018



Corporate Governance Statement 2018



Remuneration statement 2018



GRI index 2018

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Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec's sales in 2018 totalled approximately EUR 3.3 billion and it employs around 12,000 people.

www.cargotec.com

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