



Cargotec's interim report January–September 2018

ORDERS RECEIVED GREW IN ALL BUSINESS AREAS

Cargotec's January–September 2018 interim report: Orders received grew in all business areas

- Good development in all Kalmar's key figures
- Strong orders in Hiab, operating profit declined
- MacGregor's orders increased slightly

July–September 2018 in brief: Strong order intake

- Orders received increased by 23 percent and totalled EUR 921 (749) million. Orders received grew in all business areas.
- Order book amounted to EUR 1,887 (31 Dec 2017: 1,566) million at the end of the period.
- Sales increased by 9 percent and totalled EUR 805 (736) million.
- Service sales increased by 3 percent and totalled EUR 229 (223) million.
- Service and software sales represented 33 (34) percent of consolidated sales.
- Operating profit was EUR 54.5 (52.5) million, representing 6.8 (7.1) percent of sales.
- Operating profit excluding restructuring costs remained at the comparison period's level and amounted to EUR 57.1 (57.2) million, representing 7.1 (7.8) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 17.0 (88.5) million.
- Net income for the period amounted to EUR 37.9 (32.4) million.
- Earnings per share was EUR 0.58 (0.50).

January–September 2018 in brief: Growth in service business

- Orders received increased by 15 percent and totalled EUR 2,766 (2,406) million.
- Sales increased by 1 percent and totalled EUR 2,394 (2,364) million.
- Service sales increased by 3 percent and totalled EUR 690 (669) million.
- Service and software sales represented 33 (33) percent of consolidated sales.
- Operating profit was EUR 129.1 (167.4) million, representing 5.4 (7.1) percent of sales. Operating profit includes EUR 41.3 (19.2) million in restructuring costs.
- Operating profit excluding restructuring costs decreased by 9 percent and amounted to EUR 170.4 (186.6) million, representing 7.1 (7.9) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 39.8 (141.1) million.
- Net income for the period amounted to EUR 73.9 (105.0) million.
- Earnings per share was EUR 1.13 (1.63).

Outlook for 2018 unchanged

Cargotec reiterates its outlook published on 8 February 2018 and expects its operating profit excluding restructuring costs for 2018 to improve from 2017 (EUR 258.6 million, IFRS 15 restated).

Cargotec's key figures

From the beginning of 2018, Cargotec applies the new IFRS 15 and IFRS 9 accounting standards as well as the amendments to the IFRS 2 standard. More information on the new standards is available in Note 2, Accounting principles and new accounting standards. Cargotec has also aligned the definitions of the equipment, service and software businesses from the beginning of 2018. The data for the comparison period 2017 has been restated accordingly. Cargotec has published a stock exchange release on 28 March 2018 regarding the changes.

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Orders received	921	749	23%	2,766	2,406	15%	3,190
Service orders received	242	225	7%	730	675	8%	896
Order book, end of period	1,887	1,699	11%	1,887	1,699	11%	1,566
Sales	805	736	9%	2,394	2,364	1%	3,250
Service sales	229	223	3%	690	669	3%	907
Software sales*	39	30	33%	100	107	-7%	152
Service and software sales, % of Cargotec's sales	33%	34%		33%	33%		33%
Operating profit	54.5	52.5	4%	129.1	167.4	-23%	222.1
Operating profit, %	6.8%	7.1%		5.4%	7.1%		6.8%
Operating profit**	57.1	57.2	0%	170.4	186.6	-9%	258.6
Operating profit**, %	7.1%	7.8%		7.1%	7.9%		8.0%
Income before taxes	47.0	44.6	5%	108.9	142.2	-23%	189.2
Cash flow from operations before financing items and taxes	17.0	88.5	-81%	39.8	141.1	-72%	253.5
Net income for the period	37.9	32.4	17%	73.9	105.0	-30%	132.7
Earnings per share, EUR	0.58	0.50	16%	1.13	1.63	-31%	2.05
Interest-bearing net debt, end of period	639	535	19%	639	535	19%	472
Gearing, %	45.3%	37.7%		45.3%	37.7%		33.1%
Interest-bearing net debt / EBITDA***	2.5	2.0		2.5	2.0		1.6
Return on capital employed (ROCE), annualised, %	7.4%	9.7%		7.4%	9.7%		9.6%
Personnel, end of period	11,652	11,133	5%	11,652	11,133	5%	11,251

*Software sales include Navis business unit and automation software

**Excluding restructuring costs

***Last four quarters' EBITDA

Cargotec's CEO Mika Vehviläinen: Strong growth in orders received continued

Our development continued to be strong in terms of orders received during the third quarter of 2018. Orders received grew in all of our business areas. The development was especially favourable in Kalmar, where the orders received were 38 percent higher than in the comparison period. Also our sales grew in all business areas, supported by the good order intake. Cargotec's third quarter operating profit excluding restructuring costs remained at the comparison period's level despite Hiab's operating profit declining by almost one third. The decline in Hiab's operating profit was mainly caused by the weakening of the US dollar compared to the euro, product mix,

additional costs related to supply chain, as well as investments in sales and service capabilities and digitalisation.

During the third quarter, Hiab entered into an agreement to acquire the Effer loader cranes business. Founded in 1965, Effer has over 50 years' experience in developing and manufacturing knuckle-boom cranes. With the acquisition of Effer, Hiab will complement its loader cranes portfolio and expand its range of heavy cranes, in particular in the over 100 metric tonne segment, in which Effer is recognised as a global leader.

During the third quarter, Scott Phillips was appointed President of Hiab and a member of the Cargotec Executive Board. He has extensive experience in various global leadership positions in the construction and mining industries. Roland Sundén, who had been managing Hiab successfully since 2014, took up a corporate development role in Cargotec as of 1 October 2018, continuing as a member of the Cargotec Executive Board until the end of 2018. I would like to thank Roland warmly for the excellent work in lifting Hiab's sales and profitability to a new level.

In September, we announced our refined strategy for 2019–2021. Together with our business areas, we will continue to work towards our vision "Becoming the global leader in intelligent cargo handling". As customer needs change, we will focus even more on the total lifecycle and comprehensive solutions. Our strategy will ensure profitable growth by focusing on customer centricity, services, digitalisation and productivity. Kalmar, Hiab and MacGregor share Cargotec's must-win battles, while also having their own specific focus areas. Leadership - a must-win battle during the strategy period 2015–2018 - is still fundamentally important to the company, and it is a cornerstone for all our operations also in the future. We are committed to achieving our financial targets announced in 2017.

Reporting segments' key figures

Orders received

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	486	351	38%	1,469	1,185	24%	1,555
Hiab	294	260	13%	902	827	9%	1,116
MacGregor	141	139	2%	396	396	0%	521
Internal orders	0	-1		-1	-2		-2
Total	921	749	23%	2,766	2,406	15%	3,190

Order book

MEUR	30 Sep 2018	31 Dec 2017	Change
Kalmar	1,003	786	28%
Hiab	371	300	24%
MacGregor	513	481	7%
Internal orders	-1	-1	
Total	1,887	1,566	20%

Sales

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	415	371	12%	1,174	1,132	4%	1,598
Hiab	260	252	3%	831	804	3%	1,084
MacGregor	130	114	14%	389	429	-9%	571
Internal sales	0	-1		-1	-2		-2
Total	805	736	9%	2,394	2,364	1%	3,250

Operating profit

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	38.6	28.4	36%	91.0	86.6	5%	126.6
Hiab	23.9	33.6	-29%	99.4	117.1	-15%	157.0
MacGregor	0.2	2.6	-94%	3.1	-0.1	>100%	-5.2
Corporate administration and support functions	-8.2	-12.1	33%	-64.5	-36.2	-78%	-56.3
Total	54.5	52.5	4%	129.1	167.4	-23%	222.1

Operating profit excluding restructuring costs

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	38.6	30.0	29%	92.5	90.2	3%	133.1
Hiab	24.2	33.7	-28%	99.6	117.3	-15%	157.2
MacGregor	0.3	2.9	-89%	3.1	9.4	-67%	10.6
Corporate administration and support functions	-6.0	-9.5	37%	-24.9	-30.2	18%	-42.2
Total	57.1	57.2	0%	170.4	186.6	-9%	258.6

Press conference for analysts and media

A press conference for analysts and media, combined with a live international telephone conference, will be arranged on 26 October at 3.00 p.m. EEST at Cargotec's head office, Porkkalankatu 5, Helsinki. The event will be held in English. The report will be presented by CEO Mika Vehviläinen and Executive Vice President, CFO Mikko Puolakka. The presentation material will be available at www.cargotec.com by latest 2.30 p.m. EEST.

The telephone conference, during which questions may be presented, can be accessed with access code 274010 using the following numbers:

FI: +358 (0)9 7479 0360
SE: +46 (0)8 5033 6573
UK: +44 (0)330 336 9104
US: +1 323-794-2558

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

For further information, please contact:

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Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec's sales in 2017 totalled approximately EUR 3.2 billion and it employs over 11,000 people. www.cargotec.com

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Operating environment

The number of containers handled at ports globally is estimated to have grown by around five percent during January–September 2018 compared to the comparison period (Drewry). The demand for Kalmar's mobile equipment and services improved compared to the comparison period. 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 January–September 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 during January–September 2018 compared to the comparison period, but remained at a low level. Contracting in the offshore sector improved slightly from the comparison period, but remained clearly below historical levels. The demand for MacGregor's services improved slightly in the merchant ship sector.

Financial performance

Orders received and order book

Orders received by reporting segment

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	486	351	38%	1,469	1,185	24%	1,555
Hiab	294	260	13%	902	827	9%	1,116
MacGregor	141	139	2%	396	396	0%	521
Internal orders	0	-1		-1	-2		-2
Total	921	749	23%	2,766	2,406	15%	3,190

Orders received by reporting segment, comparable foreign exchange rates*

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	495	351	41%	1,534	1,185	29%	1,555
Hiab	297	260	14%	935	827	13%	1,116
MacGregor	145	139	4%	409	396	3%	521
Internal orders	0	-1		-1	-2		-2
Total	936	749	25%	2,877	2,406	20%	3,190

*Indicative. 2018 figures are calculated assuming that the foreign exchange rates would have remained at the comparison period's level.

Orders received during the third quarter increased by 23 percent from the comparison period and totalled EUR 921 (749) million. Compared to the comparison period, currency rate changes had a two percentage point negative impact on orders received. Orders received grew in all business areas. Service orders received increased by seven percent and totalled EUR 242 (225) million.

Orders received during January–September increased by 15 percent from the comparison period and totalled EUR 2,766 (2,406) million. Compared to the comparison period, currency rate changes had a four percentage point negative impact on orders received. The negative impact is mainly related to the weakening of the US dollar compared to the euro. 53 (49) percent of the orders in January–September were received by Kalmar, 33 (34) percent by Hiab and 14 (17) percent by MacGregor. Orders received grew in Kalmar and Hiab and remained at the comparison period's level in MacGregor. Service orders received increased by eight percent and totalled EUR 730 (675) million.

Order book by reporting segment

MEUR	30 Sep 2018	31 Dec 2017	Change
Kalmar	1,003	786	28%
Hiab	371	300	24%
MacGregor	513	481	7%
Internal order book	-1	-1	
Total	1,887	1,566	20%

The order book increased by 20 percent from the end of 2017, and at the end of the third quarter it totalled EUR 1,887 (31 Dec 2017: 1,566) million. Kalmar's order book totalled EUR 1,003 (786) million, representing 53 (50) percent, Hiab's EUR 371 (300) million or 20 (19) percent and MacGregor's EUR 513 (481) million or 27 (31) percent of the consolidated order book.

Orders received by geographical area

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
EMEA	440	347	27%	1,266	1,122	13%	1,512
Americas	311	259	20%	935	827	13%	1,064
Asia-Pacific	170	143	19%	565	457	24%	614
Total	921	749	23%	2,766	2,406	15%	3,190

In geographical terms, the share of orders received in the third quarter was 48 (46) percent in EMEA and 34 (35) percent in Americas. Asia-Pacific's share of orders received was 18 (19) percent.

In January–September, the share of orders received was 46 (47) percent in EMEA and 34 (34) percent in Americas. Asia-Pacific's share of all orders was 20 (19) percent.

Sales

Sales by reporting segment

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	415	371	12%	1,174	1,132	4%	1,598
Hiab	260	252	3%	831	804	3%	1,084
MacGregor	130	114	14%	389	429	-9%	571
Internal sales	0	-1		-1	-2		-2
Total	805	736	9%	2,394	2,364	1%	3,250

Sales by reporting segment, comparable foreign exchange rates*

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	421	371	13%	1,219	1,132	8%	1,598
Hiab	262	252	4%	863	804	7%	1,084
MacGregor	133	114	17%	403	429	-6%	571
Internal sales	0	-1		-1	-2		-2
Total	816	736	11%	2,485	2,364	5%	3,250

*Indicative. 2018 figures are calculated assuming that the foreign exchange rates would have remained at the comparison period's level.

Third quarter sales increased by nine percent from the comparison period to EUR 805 (736) million. Compared to the comparison period, currency rate changes had a one percentage point negative impact on sales. In comparable foreign exchange rates, sales increased by 11 percent. Sales increased in all business areas. Service sales increased by three percent from the comparison period and totalled EUR 229 (223) million, representing 28 (30) percent of consolidated sales. In comparable foreign exchange rates, service sales increased by four percent. Software sales increased by 33 percent and amounted to EUR 39 (30) million. In comparable foreign exchange rates, software sales increased by 35 percent. Service and software sales amounted to EUR 269 (252) million, representing 33 (34) percent of consolidated sales.

January–September sales increased by one percent from the comparison period to EUR 2,394 (2,364) million. Compared to the comparison period, currency rate changes had a four percentage point negative impact on sales. In comparable foreign exchange rates, sales increased by five percent. Sales grew in Hiab and Kalmar and declined in MacGregor. Service sales grew by three percent from the comparison period and totalled EUR 690 (669) million, representing 29 (28) percent of consolidated sales. In comparable foreign exchange rates, service sales increased by seven percent. Software sales decreased by seven percent and amounted to EUR 100 (107) million. In comparable foreign exchange rates, software sales decreased by one percent. Service and software sales amounted to EUR 790 (776) million, representing 33 (33) percent of consolidated sales.

Sales by geographical area

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
EMEA	386	316	22%	1,150	1,001	15%	1,423
Americas	251	245	3%	766	782	-2%	1,034
Asia-Pacific	167	175	-5%	478	580	-18%	793
Total	805	736	9%	2,394	2,364	1%	3,250

In geographical terms, sales increased in EMEA and Americas during the third quarter and decreased in Asia-Pacific. EMEA's share of consolidated sales was 48 (43) percent, Americas' 31 (33) percent and Asia-Pacific's 21 (24) percent.

In January–September, sales grew in EMEA and declined in the Americas and Asia-Pacific. EMEA's share of consolidated sales was 48 (42) percent, the Americas' 32 (33) percent and Asia-Pacific's 20 (25) percent.

Financial result

Operating profit by reporting segment

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	38.6	28.4	36%	91.0	86.6	5%	126.6
Hiab	23.9	33.6	-29%	99.4	117.1	-15%	157.0
MacGregor	0.2	2.6	-94%	3.1	-0.1	>100%	-5.2
Corporate administration and support functions	-8.2	-12.1	33%	-64.5	-36.2	-78%	-56.3
Total	54.5	52.5	4%	129.1	167.4	-23%	222.1

Operating profit for the third quarter totalled EUR 54.5 (52.5) million. Operating profit includes EUR 2.6 (4.7) million in restructuring costs. EUR 0.0 (1.6) million of the restructuring costs were related to Kalmar, EUR 0.3 (0.1) million to Hiab, EUR 0.1 (0.3) million to MacGregor and EUR 2.2 (2.7) million to corporate administration and support functions.

Operating profit for January–September totalled EUR 129.1 (167.4) million. Operating profit includes EUR 41.3 (19.2) million in restructuring costs. EUR 1.5 (3.6) million of the restructuring costs were related to Kalmar, EUR 0.3 (0.1) million to Hiab, EUR 0.0 (9.5) million to MacGregor and EUR 39.5 (6.0) 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 by reporting segment

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Kalmar	38.6	30.0	29%	92.5	90.2	3%	133.1
Hiab	24.2	33.7	-28%	99.6	117.3	-15%	157.2
MacGregor	0.3	2.9	-89%	3.1	9.4	-67%	10.6
Corporate administration and support functions	-6.0	-9.5	37%	-24.9	-30.2	18%	-42.2
Total	57.1	57.2	0%	170.4	186.6	-9%	258.6

Operating profit for the third quarter, excluding restructuring costs, was EUR 57.1 (57.2) million, representing 7.1 (7.8) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 38.6 (30.0) million, for Hiab EUR 24.2 (33.7) million, and for MacGregor EUR 0.3 (2.9) million. Kalmar's operating profit increased due to higher sales. Hiab's operating profit declined due to the weakening of the US dollar compared to the euro, product mix, additional costs related to supply chain, as well as investments in sales and service capabilities and digitalisation. MacGregor's operating profit excluding restructuring costs decreased compared to the comparison period due to acquisitions and integration related costs of around EUR 1.5 million as well as low capacity utilisation in certain product areas.

Operating profit excluding restructuring costs for January–September was EUR 170.4 (186.6) million, representing 7.1 (7.9) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 92.5 (90.2) million, Hiab EUR 99.6 (117.3) million, and MacGregor EUR 3.1 (9.4) million.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the third quarter totalled EUR 4.0 (3.9) million. Net financing expenses totalled EUR 7.6 (7.9) million. For January–September, the net interest expenses for interest-bearing debt and assets totalled 12.1 (12.2) million euros. Net financing expenses totalled EUR 20.1 (25.2) million.

Net income for the third quarter totalled EUR 37.9 (32.4) million, and earnings per share EUR 0.58 (0.50). Net income for January–September was EUR 73.9 (105.0) million, and earnings per share EUR 1.13 (1.63).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,550 (31 Dec 2017: 3,569) million at the end of the third quarter. Equity attributable to the equity holders of the parent was EUR 1,409 (1,423) million, representing EUR 21,84 (22.06) per share. Property, plant and equipment on the balance sheet amounted to EUR 307 (311) million and intangible assets to EUR 1,208 (1,247) million.

Return on equity (ROE, annualised) in January–September was 6.9 (1–9/2017: 9.9) percent, and return on capital employed (ROCE, annualised) was 7.4 (9.7) 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 39.8 (141.1) million during January–September 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 advances received were lower. At the end of the third quarter, net working capital increased to EUR 285 million from the level of EUR 115 million at the end of 2017.

Cargotec's liquidity position is healthy. At the end of the third quarter, interest-bearing net debt totalled EUR 639 (31 Dec 2017: 472) million. Interest-bearing debt amounted to EUR 868 (788) million, of which EUR 282 (121) million was current and EUR 586 (667) million non-current debt. The average interest rate on the loan portfolio was 2.1 (2.3) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 228 (317) million.

At the end of the third quarter, Cargotec's total equity/total assets ratio was 40.7 (31 Dec 2017: 41.4) percent. Gearing was 45.3 (33.1) percent.

Corporate topics

Research and development

Research and product development expenditure in January–September totalled EUR 65.7 (66.5) million, representing 2.7 (2.8) percent of sales. EUR 0.4 (0.4) 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 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 in its new eco-efficient portfolio, the Eco 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

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.

For the first time, the new HIAB building material cranes were displayed. 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 upgraded 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 its 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 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 utilization 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 company-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 tonne meters. 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.

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

MacGregor

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 37.1 (31.1) million in January–September. Investments in customer financing were EUR 26.2 (22.0) million. Of the capital expenditure, EUR 5.7 (6.1) 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 57.6 (52.7) million.

Acquisitions and divestments in 2018

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 is subject to regulatory approvals expected to be received by the end of 2018. Effer's results will be consolidated into Hiab from the closing date.

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. The acquisition is subject to regulatory approvals from competition authorities, which are expected to be received by the end of 2018.

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.

Operational restructurings

MacGregor announced on 9 November 2017 planned measures to achieve annual cost savings of approximately EUR 13 million by reorganising its operations and began statutory cooperation negotiations. The statutory cooperation negotiations were finalised in December, resulting in

restructuring of operations and reducing approximately 170 full-time equivalents globally. The planned savings are estimated to be reached in 2018. The realised savings from the programme were approximately EUR 8 million during January–September 2018.

In May 2017, Cargotec announced it will target EUR 50 million savings by reducing indirect purchasing spend, streamlining processes and planning Cargotec Business Services operations. Cargotec targets annual cost savings of EUR 50 million from 2020 and onwards. Approximately 2/3 of the savings will come from reductions in global indirect purchasing spend like logistics, external services and facilities. The remaining part of the savings will come from applying new technologies, like automation, in support processes and from the new Cargotec Business Services operations that has started its activities in Sofia, Bulgaria. During January–September 2018, the realised savings from the programme amounted to around EUR 8 million. The estimated restructuring costs related to the programme are around EUR 20 million in 2018.

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 from 2018 onwards, of which around EUR 5 million were realised during January–September 2018.

Restructuring costs amounted to EUR 41.3 (19.2) million in January–September. Kalmar's restructuring costs include EUR 12.6 million sales gains and EUR 4.0 sales losses, both related to disposals of businesses. Kalmar's other restructuring costs were EUR 10.1 million, and were mostly related to discontinuation of an unprofitable product range. 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 9.5 million, to company wide support functions efficiency programme. The impairment loss of RHI did not have an impact on the cash flow.

More information regarding operational restructurings is available in Note 5, Restructuring costs.

Personnel

Cargotec employed 11,652 (31 Dec 2017: 11,251) people at the end the third quarter. Kalmar employed 5,670 (5,819) people, Hiab 3,650 (3,370), MacGregor 1,884 (1,859), and corporate administration and support functions 448 (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 January–September was 11,476 (1–12/2017: 11,128).

At the end of the third quarter, 9 (31 Dec 2017: 11) percent of the employees were located in Sweden, 9 (8) percent in Finland, and 46 (43) percent in the rest of Europe. Asia-Pacific personnel represented 20 (21) percent, Americas 14 (15) percent, and the rest of the world 2 (2) percent of total employees.

Sustainability

During the third quarter, the focus on our sustainability work was on the implementation of the supplier sustainability programme. In line with our sustainability targets, we requested sustainability self-assessment from selected suppliers. The analysis of the self-assessment results will take place during the fourth quarter.

An international supplier rating agency Ecovadis awarded Cargotec a 70/100 points rating. This marks a significant improvement to the previous rating of 62 points from 2016. Cargotec has now been categorised into its industry's top sustainability performers' group, which comprises about two percent of the industry players.

During the quarter we proposed new criteria-compliant solutions to our Offering for Eco-Efficiency portfolio. The external assurance for these is still ongoing. Of the total sales in January–September 2018, the eco-efficiency offering constituted 20 percent.

The Cargotec IIFR¹ at the end of the third quarter was 5.9 (2017: 6.1). During the quarter we continued with the implementation and development of our safety-related processes. One fatal accident took place during the quarter. To prevent similar events from happening in the future, we will increase our efforts to improve our working conditions, and continue to stress the importance of safety practice awareness among our employees.

Executive Board

On 30 September 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); and business area presidents Antti Kaunonen (Kalmar), Roland Sundén (Hiab), and Michel van Roozendaal (MacGregor). Outi Aaltonen, Senior Vice President, General Counsel, acts as Secretary to the Executive Board.

Cargotec announced on 23 August 2018 that Scott Phillips has been appointed President of Hiab business area and member of the Executive Board as of 1 October 2018. He has extensive experience in various global leadership positions in the construction and mining industries. Roland Sundén, President of Hiab until 30 September 2018, will take 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 will retire according to his contract.

¹ Number of injuries per million hours worked, last 12 months.

Reporting segments

Kalmar

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Orders received	486	351	38%	1,469	1,185	24%	1,555
Order book, end of period	1,003	895	12%	1,003	895	12%	786
Sales	415	371	12%	1,174	1,132	4%	1,598
Service sales	111	111	0%	333	324	3%	445
% of sales	27%	30%		28%	29%		28%
Software sales	39	30	30%	100	107	-7%	152
% of sales	10%	8%		9%	9%		10%
Operating profit	38.6	28.4	36%	91.0	86.6	5%	126.6
% of sales	9.3%	7.7%		7.8%	7.7%		7.9%
Operating profit*	38.6	30.0	29%	92.5	90.2	3%	133.1
% of sales*	9.3%	8.1%		7.9%	8.0%		8.3%
Personnel, end of period	5,670	5,765	-2%	5,670	5,765	-2%	5,819

*Excluding restructuring costs

In the third quarter, orders received by Kalmar increased by 38 percent and totalled EUR 486 (351) million. In comparable foreign exchange rates, orders received increased by 41 percent.

Major orders received by Kalmar in the third quarter included:

- 12 hybrid straddle carriers to boost eco-efficiency at DP World Southampton in the United Kingdom,
- two Ship-to-Shore cranes to Curaçao Port Services B.V. to help customer modernise their container handling operations at the Willemstad Container Terminal in Curaçao,
- three electrically powered rail-mounted gantry cranes (RMGs) with customer specific customisation to Deepwater Container Terminal (DCT) Gdansk in Poland, as well as
- 10 next-generation electric and hybrid straddle carriers to Hamburger Hafen und Logistik AG (HHLA)'s Container Terminal Burchardkai in Germany.

The orders received in January–September increased by 24 percent and totalled EUR 1,469 (1,185) million. In comparable foreign exchange rates, orders received increased by 29 percent.

Kalmar's order book increased by 28 percent from the 2017 year-end, and at the end of the third quarter it totalled EUR 1,003 (31 Dec 2017: 786) million.

Kalmar's third quarter sales increased by 12 percent and totalled EUR 415 (371) million. Service sales remained at the comparison period's level and totalled EUR 111 (111) million, representing 27 (30) 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 increased by 30 percent and amounted to EUR 39 (30) million. In comparable foreign exchange rates, software sales increased by 31 percent.

Sales in January–September increased by four percent and totalled EUR 1,174 (1,132) million. Service sales increased by three percent to EUR 333 (324) million, representing 28 (29) percent of sales. Software sales decreased by seven percent and amounted to EUR 100 (107) million. In comparable foreign exchange rates, software sales decreased by two percent.

Kalmar's third quarter operating profit totalled EUR 38.6 (28.4) million. Operating profit includes EUR 0.0 (1.6) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 38.6 (30.0) million, representing 9.3 (8.1) percent of sales. Kalmar's operating profit increased due to higher sales.

Operating profit for January–September totalled EUR 91.0 (86.6). Operating profit includes EUR 1.5 (3.6) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 92.5 (90.2) million, representing 7.9 (8.0) percent of sales.

During the third quarter, it was decided that Benoit de la Tour, Navis President, will start reporting directly to Cargotec CEO Mika Vehviläinen as of 1 January 2019.

Hiab

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Orders received	294	260	13%	902	827	9%	1,116
Order book, end of period	371	294	27%	371	294	27%	300
Sales	260	252	3%	831	804	3%	1,084
Service sales	67	64	6%	203	193	5%	258
% of sales	26%	25%		24%	24%		24%
Operating profit	23.9	33.6	-29%	99.4	117.1	-15%	157.0
% of sales	9.2%	13.3%		12.0%	14.6%		14.5%
Operating profit*	24.2	33.7	-28%	99.6	117.3	-15%	157.2
% of sales*	9.3%	13.4%		12.0%	14.6%		14.5%
Personnel, end of period	3,650	3,251	12%	3 650	3,251	12%	3,370

*Excluding restructuring costs

Hiab's orders received for the third quarter increased by 13 percent from the comparison period and totalled EUR 294 (260) million. In comparable foreign exchange rates, orders received increased by 14 percent. Orders received increased in all market areas. Hiab's business is characterised by the majority of equipment orders being of relatively small volume. During the third quarter, Hiab secured an order of 382 MULTILIFT demountables from Rheinmetall MAN Military Vehicles Österreich GesmbH to be supplied to the United Kingdom's Ministry of Defence.

The orders received in January–September increased by nine percent and totalled EUR 902 (827) million.

The order book totalled EUR 371 (31 Dec 2017: 300) million at the end of the third quarter.

Hiab's third quarter sales increased by three percent and totalled EUR 260 (252) million. Sales increased in the EMEA region. Service sales grew by six percent to EUR 67 (64) million, representing 26 (25) percent of sales. In January–September, Hiab's sales increased by three percent and totalled EUR 831 (804) million. Service sales grew by five percent to EUR 203 (193) million, representing 24 (24) percent of sales.

Operating profit for Hiab in the third quarter decreased from the comparison period and totalled EUR 23.9 (33.6) million. Operating profit includes EUR 0.3 (0.1) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 24.2 (33.7) million, representing 9.3 (13.4) percent of sales. Hiab's operating profit declined due to the weakening of the US dollar compared to the euro, product mix, additional costs related to supply chain, as well as investments in sales and service capabilities and digitalisation.

Operating profit for January–September decreased from the comparison period and totalled EUR 99.4 (117.1) million. Operating profit includes EUR 0.3 (0.1) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 99.6 (117.3) million, representing 12.0 (14.6) percent of sales.

MacGregor

MEUR	Q3/18	Q3/17	Change	Q1-Q3/18	Q1-Q3/17	Change	2017
Orders received	141	139	2%	396	396	0%	521
Order book, end of period	513	511	0%	513	511	0%	481
Sales	130	114	14%	389	429	-9%	571
Service sales	51	48	5%	154	152	1%	205
% of sales	39%	42%		40%	35%		36%
Operating profit	0.2	2.6	-94%	3.1	-0.1	>100%	-5.2
% of sales	0.1%	2.3%		0.8%	0.0%		-0.9%
Operating profit*	0.3	2.9	-89%	3.1	9.4	-67%	10.6
% of sales*	0.2%	2.5%		0.8%	2.2%		1.9%
Personnel, end of period	1,884	1,876	0%	1,884	1,876	0%	1,859

*Excluding restructuring costs

MacGregor's orders received in the third quarter increased by two percent from the comparison period to EUR 141 (139) million. In comparable foreign exchange rates, orders received increased by four percent. Around two thirds of the orders received were related to merchant ships and around one third to the offshore sector. Orders received increased in Asia-Pacific region. MacGregor's orders received in the third quarter included, among others, complete hatch cover sets and container fixed fittings for eight 1,800 TEU container ships to South Korea, as well as cargo handling solutions for conversion and upgrade projects to a French company.

The orders received in January–September remained at the comparison period's level and totalled EUR 396 (396) million.

MacGregor's order book grew by seven percent from the 2017 year-end, totalling EUR 513 (31 Dec 2017: 481) million at the end of the third quarter. Around two thirds of the order book is merchant ship-related and one third is offshore vessel-related.

MacGregor's third quarter sales increased by 14 percent from the comparison period to EUR 130 (114) million. Sales grew in the Asia-Pacific and EMEA regions. The share of service sales was EUR 51 (48) million, or 39 (42) percent.

Sales in January–September decreased by nine percent from the comparison period to EUR 389 (429) million. The share of service sales was EUR 154 (152) million, or 40 (35) percent.

MacGregor's operating profit for the third quarter totalled EUR 0.2 (2.6) million. Operating profit includes EUR 0.1 (0.3) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 0.3 (2.9) million, representing 0.2 (2.5) percent of sales. Operating profit excluding restructuring costs decreased compared to the comparison period due to acquisitions and integration related costs of around EUR 1.5 million as well as low capacity utilisation in certain product areas.

Operating profit for January–September totalled EUR 3.1 (-0.1) million. Operating profit includes EUR 0.0 (9.5) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 3.1 (9.4) million, representing 0.8 (2.2) percent of sales.

Annual General Meeting and shares

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 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 shall 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 Kempfi-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.

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. The Board also elected the Chairmen and the members for the Audit and Risk Committee as well as the Nomination and Compensation Committee.

Outi Aaltonen, Senior Vice President, General Counsel, will continue as Secretary to the Board. Cargotec published stock exchange releases on the decisions taken at the AGM as well as the Board of Directors' organising meeting on 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.

Shares and trading

Share capital, own shares and share issue

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

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. 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. 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 September, Cargotec holds a total of 219,603 own class B shares, accounting for 0.34 percent of the total number of shares and 0.15 percent of the total number of votes. At the end of September, the number of outstanding class B shares totalled 54,962,476.

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.

Market capitalisation and trading

At the end of September, the total market value of class B shares was EUR 2,128 (2,922) million, excluding own shares held by the company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 2,498 (3,407) million, excluding own shares held by the company.

The class B share closed at EUR 38.72 (53.15) on the last trading day of September on Nasdaq Helsinki. The volume-weighted average share price for January–September was EUR 44.04 (49.85), the highest quotation being EUR 51.30 (59.25) and the lowest EUR 38.06 (40.26). During the period, a total of 25 (26) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,097 (1,311) million. In addition, according to Fidessa, a total of 35 (39) million class B shares were traded in several alternative marketplaces, such as Cboe APA and Cboe BXE, corresponding to a turnover of EUR 1,555 (2,185) million.

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect on Cargotec's business environment and customers' willingness to invest. A slowdown in global economic growth could reduce the growth in container traffic. Furthermore, the consolidation of ship companies 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.

Outlook for 2018 unchanged

Cargotec reiterates its outlook published on 8 February 2018 and expects its operating profit excluding restructuring costs for 2018 to improve from 2017 (EUR 258.6 million, IFRS 15 restated).

Financial calendar 2019

Financial Statements review 2018, on Friday, 8 February 2019

Financial Statements and Annual Report 2018 will be available at www.cargotec.com on week 8

The Annual General Meeting will be held on Tuesday, 19 March 2019

Interim report January–March 2019, on Thursday, 25 April 2019

Half year financial report January–June 2019, on Thursday, 18 July 2019

Interim report January–September 2019, on Tuesday, 22 October 2019

Helsinki, 26 October 2018
Cargotec Corporation
Board of Directors

This interim report is unaudited.

Consolidated statement of income

MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Sales	804.6	736.1	2,393.7	2,363.6	3,249.8
Cost of goods sold	-607.8	-540.8	-1,795.3	-1,742.7	-2,397.7
Gross profit	196.7	195.3	598.4	620.9	852.1
<i>Gross profit, %</i>	<i>24.4%</i>	<i>26.5%</i>	<i>25.0%</i>	<i>26.3%</i>	<i>26.2%</i>
Other operating income	8.6	8.4	30.1	27.6	35.8
Selling and marketing expenses	-57.9	-51.9	-173.3	-165.3	-221.8
Research and development expenses	-22.2	-21.6	-70.5	-70.7	-98.2
Administration expenses	-60.3	-64.2	-188.6	-200.1	-273.6
Restructuring costs	-2.6	-4.7	-41.3	-19.2	-36.5
Other operating expenses	-8.7	-9.0	-26.3	-26.9	-36.7
Costs and expenses	-143.1	-142.9	-469.9	-454.7	-631.0
Share of associated companies' and joint ventures' net income	0.9	0.2	0.6	1.2	0.9
Operating profit	54.5	52.5	129.1	167.4	222.1
<i>Operating profit, %</i>	<i>6.8%</i>	<i>7.1%</i>	<i>5.4%</i>	<i>7.1%</i>	<i>6.8%</i>
Financing income and expenses	-7.6	-7.9	-20.1	-25.2	-32.9
Income before taxes	47.0	44.6	108.9	142.2	189.2
<i>Income before taxes, %</i>	<i>5.8%</i>	<i>6.1%</i>	<i>4.6%</i>	<i>6.0%</i>	<i>5.8%</i>
Income taxes	-9.0	-12.2	-35.0	-37.2	-56.5
Net income for the period	37.9	32.4	73.9	105.0	132.7
<i>Net income for the period, %</i>	<i>4.7%</i>	<i>4.4%</i>	<i>3.1%</i>	<i>4.4%</i>	<i>4.1%</i>

Net income for the period attributable to:

Equity holders of the parent	37.6	32.5	73.0	105.3	132.4
Non-controlling interest	0.4	-0.1	0.9	-0.3	0.2
Total	37.9	32.4	73.9	105.0	132.7

Earnings per share for profit attributable to the equity holders of the parent:

Basic earnings per share, EUR	0.58	0.50	1.13	1.63	2.05
Diluted earnings per share, EUR	0.58	0.50	1.13	1.63	2.05

The notes are an integral part of the interim report.

Consolidated statement of comprehensive income

MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Net income for the period	37.9	32.4	73.9	105.0	132.7

Items that cannot be reclassified to statement of income:

Actuarial gains (+) / losses (-) from defined benefit plans	-0.3	0.1	1.8	-0.4	-5.0
Taxes relating to items that cannot be reclassified to statement of income	0.1	0.0	-0.8	0.1	1.1
Total	-0.3	0.1	1.0	-0.3	-3.9

Items that can be reclassified to statement of income:

Gains (+) / losses (-) on cash flow hedges	-2.8	17.0	-20.3	47.7	50.2
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	3.1	-7.0	7.3	-10.8	-16.2
Gains (+) / losses (-) on net investment hedges	-	-	-	10.9	10.9
Translation differences	-0.7	-20.8	-8.0	-63.6	-81.9
Taxes relating to items that can be reclassified to statement of income	-0.1	-2.0	2.8	-5.4	-4.8
Total	-0.6	-12.8	-18.3	-21.2	-41.8

Comprehensive income for the period	37.0	19.7	56.7	83.4	87.0
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Comprehensive income for the period attributable to:

Equity holders of the parent	36.7	19.7	55.8	83.8	86.8
Non-controlling interest	0.3	-0.1	0.9	-0.4	0.2
Total	37.0	19.7	56.7	83.4	87.0

The notes are an integral part of the interim financial report.

Consolidated balance sheet

ASSETS, MEUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Non-current assets			
Goodwill	956.7	994.9	986.7
Other intangible assets	251.0	262.8	260.8
Property, plant and equipment	306.8	291.8	310.8
Investments in associated companies and joint ventures	96.8	113.8	109.8
Available-for-sale investments	0.3	3.8	0.2
Loans receivable and other interest-bearing assets*	36.6	4.5	5.0
Deferred tax assets	149.1	184.5	150.0
Derivative assets	-	7.5	6.1
Other non-interest-bearing assets	10.0	7.0	8.5
Total non-current assets	1,807.3	1,870.6	1,837.9
Current assets			
Inventories	699.0	666.2	623.3
Loans receivable and other interest-bearing assets*	2.5	2.6	2.5
Income tax receivables	66.5	47.1	36.4
Derivative assets	16.9	15.1	13.3
Accounts receivable and other non-interest-bearing assets	768.7	679.1	746.8
Cash and cash equivalents*	189.3	232.5	309.1
Total current assets	1,742.9	1,642.6	1,731.4
Total assets	3,550.3	3,513.2	3,569.3

EQUITY AND LIABILITIES, MEUR

30 Sep 2018 30 Sep 2017 31 Dec 2017

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	-39.2	-12.9	-31.2
Fair value reserves	-8.1	4.4	2.1
Reserve for invested non-restricted equity	69.0	69.0	69.0
Retained earnings	1,224.6	1,196.4	1,220.6
Total equity attributable to the equity holders of the parent	1,408.5	1,419.1	1,422.8

Non-controlling interest	2.9	2.3	2.3
Total equity	1,411.4	1,421.4	1,425.1

Non-current liabilities

Interest-bearing liabilities*	585.6	730.3	673.8
Deferred tax liabilities	17.7	75.5	12.7
Pension obligations	87.2	83.0	87.5
Provisions	14.9	19.3	17.1
Other non-interest-bearing liabilities	57.5	59.4	61.5
Total non-current liabilities	763.0	967.4	852.6

Current liabilities

Current portion of interest-bearing liabilities*	166.9	17.6	83.8
Other interest-bearing liabilities*	124.7	35.0	37.6
Provisions	87.4	103.4	103.5
Advances received	81.9	141.4	126.9
Income tax payables	42.9	17.0	49.1
Derivative liabilities	9.3	5.6	6.4
Accounts payable and other non-interest-bearing liabilities	862.7	804.4	884.4
Total current liabilities	1,375.9	1,124.3	1,291.7

Total equity and liabilities	3,550.3	3,513.2	3,569.3
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*Included in interest-bearing net debt.

The notes are an integral part of the interim report.

Consolidated statement of changes in equity

MEUR	Attributable to the equity holders of the parent								
	Share capital	Share premium account	Translation differences	Fair value reserves	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 period						73.0	73.0	0.9	73.9
Cash flow hedges				-10.3			-10.3	0.0	-10.3
Net investment hedges							-		-
Translation differences			-8.0				-8.0	0.0	-8.0
Actuarial gains (+) / losses (-) from defined benefit plans						1.0	1.0		1.0
Comprehensive income for the period*			-8.0	-10.3	-	74.0	55.8	0.9	56.7
Profit distribution						-67.6	-67.6	-0.3	-68.0
Treasury shares acquired						-6.1	-6.1		-6.1
Share-based payments*						-2.3	-2.3		-2.3
Transactions with owners of the company						-	-76.0	-0.3	-76.3
Transactions with non-controlling interests							-	0.0	0.0
Equity 30 Sep 2018	64.3	98.0	-39.2	-8.1	69.0	1,224.6	1,408.5	2.9	1,411.4
Equity 1 Jan 2017	64.3	98.0	37.3	-24.7	69.0	1,151.1	1,395.0	2.2	1,397.2
+/- 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 period						105.3	105.3	-0.3	105.0
Cash flow hedges				29.1			29.1		29.1
Net investment hedges			8.7				8.7		8.7
Translation differences			-59.0				-59.0	0.0	-59.0
Actuarial gains (+) / losses (-) from defined benefit plans						-0.3	-0.3		-0.3
Comprehensive income for the period*			-50.3	29.1	-	105.0	83.8	-0.4	83.4
Profit distribution						-61.1	-61.1	-0.5	-61.6
Treasury shares acquired									
Share-based payments*						2.5	2.5		2.5
Transactions with owners of the company						-58.6	-58.6	-0.5	-59.1
Transactions with non-controlling interests						-2.3	-2.3	0.9	-1.4
Equity 30 Sep 2017	64.3	98.0	-12.9	4.4	69.0	1,196.4	1,419.1	2.3	1,421.4

*Net of tax

Consolidated condensed statement of cash flows

MEUR	Q1-Q3/18	Q1-Q3/17	2017
Net income for the period	73.9	105.0	132.7
Depreciation, amortisation and impairment	57.6	52.7	72.0
Other adjustments	73.0	65.0	92.3
Change in net working capital	-164.7	-81.5	-43.6
Cash flow from operations before financing items and taxes	39.8	141.1	253.5
Cash flow from financing items and taxes	-83.8	-67.9	-72.6
Net cash flow from operating activities	-44.0	73.3	180.9
Acquisitions of businesses, net of cash acquired	-20.2	-1.3	-14.4
Disposals of businesses, net of cash sold	-15.8	-1.2	-1.2
Investments in associated companies and joint ventures	-0.5	-4.7	-4.7
Cash flow from investing activities, other items	-48.2	-44.5	-69.3
Net cash flow from investing activities	-84.8	-51.8	-89.7
Treasury shares acquired	-6.1	-	-
Acquisition of non-controlling interests	-	-0.4	-0.4
Proceeds from long-term borrowings	50.0	250.0	253.2
Repayments of long-term borrowings	-66.6	-241.4	-243.1
Proceeds from short-term borrowings	95.2	9.4	7.6
Repayments of short-term borrowings	-3.0	-33.6	-17.7
Profit distribution	-65.8	-61.6	-62.2
Net cash flow from financing activities	3.6	-77.7	-62.6
Change in cash and cash equivalents	-125.2	-56.2	28.6
Cash and cash equivalents, and bank overdrafts at the beginning of period	284.7	260.8	260.8
Effect of exchange rate changes	1.0	9.4	-4.6
Cash and cash equivalents, and bank overdrafts at the end of period	160.5	214.0	284.7
Bank overdrafts at the end of period	28.8	18.4	24.4
Cash and cash equivalents at the end of period	189.3	232.5	309.1

The notes are an integral part of the interim financial report.

Key figures

		Q1-Q3/18	Q1-Q3/17	2017
Equity / share	EUR	21.84	22.00	22.06
Total equity / total assets	%	40.7%	42.2%	41.4%
Interest-bearing net debt	MEUR	639.4	535.3	471.7
Interest-bearing net debt / EBITDA, rolling 12 months		2.5	2.0	1.6
Gearing	%	45.3%	37.7%	33.1%
Return on equity (ROE), annualised	%	6.9%	9.9%	9.4%
Return on capital employed (ROCE), annualised	%	7.4%	9.7%	9.6%

Additional information regarding interest-bearing net debt and gearing is disclosed in note 8, Interest-bearing net debt and liquidity.

Notes to the interim report

1. General information

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

2. Accounting principles and new accounting standards

The interim report has been prepared according to IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2017 and comply with changes in IAS/IFRS standards effective from 1 January 2018. All figures presented have been rounded which may cause for example the sum of individual figures to deviate from the presented sum figure.

IFRS 15, Revenue from contracts with customers, 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 9, Financial instruments, was adopted prospectively with the allowed transitional reliefs. 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 recognized 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.

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.

Cargotec's changed accounting principles regarding revenue from contracts with customers

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.

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. 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 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, applied delivery method and 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 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. When 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 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 related to the contract is recognised only to an amount corresponding with the costs incurred. 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 on 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.

Cargotec's changed accounting principles regarding 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 is reflected in the expected cash flows included in the 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 selling, general and administrative expenses. 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 the fair value changes related to derivatives under hedge accounting are 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 have been transferred to another party.

31 Dec 2017 MEUR	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	-	12.1	7.3	19.4
Accounts receivable and other non-interest-bearing receivables	653.5	-	-	653.5
Cash and cash equivalents	309.1	-	-	309.1
Total financial assets	970.3	12.1	7.3	989.7
Interest-bearing liabilities	795.2	-	-	795.2
Derivative liabilities	-	0.3	6.1	6.4
Accounts payable and other non-interest-bearing liabilities	472.2	-	-	472.2
Total financial liabilities	1,267.4	0.3	6.1	1,273.8

1.1.2018 MEUR	Measured at 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	-	12.1	7.3	19.4
Accounts receivable and other non-interest-bearing receivables	652.0	-	-	652.0
Cash and cash equivalents	309.1	-	-	309.1
Total financial assets	967.0	12.1	8.6	987.7
Interest-bearing liabilities	795.2	-	-	795.2
Derivative liabilities	-	0.3	6.1	6.4
Accounts payable and other non-interest-bearing liabilities	472.2	-	-	472.2
Total financial liabilities	1,267.4	0.3	6.1	1,273.8

Cargotec has recognised the following adjustments on 1 January 2018 due to adoption of IFRS 9:

Available-for-sale investments of EUR 0.2 million has been reclassified to share investments measured at fair value through profit or loss.

Loans receivable and other interest-bearing assets of EUR 1.1 million have been reclassified to financial assets measured at fair value through profit or loss, and an impairment of EUR 0.5 million has been recognised regarding the amounts measured at amortised cost.

An impairment of EUR 1.5 million has been recognised in accounts receivable and other non-interest-bearing assets due to the adoption of the new credit loss model.

Cargotec's changed accounting principles regarding 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 valued at fair value at the grant date and are expensed on a straight-line basis over the vesting period. The fair value of the equity-settled incentives is the market value at the grant date. The share-based payments settled in equity instruments are not revalued subsequently, and the 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. However, the net-settled arrangements in which Cargotec has an obligation to withhold income taxes related to the paid rewards, and, therefore, part of the reward is used to pay the income taxes, are treated in full as equity-settled share-based incentives despite the tax portion paid in cash. The gross-settled arrangements in which the earned rewards are determined in full as share-based payments settled in equity instruments on top of which Cargotec Corporation additionally pays taxes, if necessary, are treated as arrangements that consist of both equity-settled and cash-settled portions.

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 on each reporting date and changes in estimates are recorded through the statement of income.

3. Segment information

Sales, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	415	371	1,174	1,132	1,598
Hiab	260	252	831	804	1,084
MacGregor	130	114	389	429	571
Internal sales	0	-1	-1	-2	-2
Total	805	736	2,394	2,364	3,250

Sales by geographical area, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
EMEA	386	316	1,150	1,001	1,423
Americas	251	245	766	782	1,034
Asia-Pacific	167	175	478	580	793
Total	805	736	2,394	2,364	3,250

Sales by geographical area, %	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
EMEA	48%	43%	48%	42%	44%
Americas	31%	33%	32%	33%	32%
Asia-Pacific	21%	24%	20%	25%	24%
Total	100%	100%	100%	100%	100%

Operating profit and EBITDA, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	38.6	28.4	91.0	86.6	126.6
Hiab	23.9	33.6	99.4	117.1	157.0
MacGregor	0.2	2.6	3.1	-0.1	-5.2
Corporate administration and support functions	-8.2	-12.1	-64.5	-36.2	-56.3
Operating profit	54.5	52.5	129.1	167.4	222.1
Depreciation and amortisation	19.4	17.2	57.6	52.7	72.0
EBITDA	73.9	69.7	186.6	220.1	294.2

Operating profit, %	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	9.3%	7.7%	7.8%	7.7%	7.9%
Hiab	9.2%	13.3%	12.0%	14.6%	14.5%
MacGregor	0.1%	2.3%	0.8%	0.0%	-0.9%
Cargotec	6.8%	7.1%	5.4%	7.1%	6.8%

Restructuring costs, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	0.0	-1.6	-1.5	-3.6	-6.4
Hiab	-0.3	-0.1	-0.3	-0.1	-0.2
MacGregor	-0.1	-0.3	0.0	-9.5	-15.8
Corporate administration and support functions	-2.2	-2.7	-39.5	-6.0	-14.1
Total	-2.6	-4.7	-41.3	-19.2	-36.5

Operating profit excl. restructuring costs, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	38.6	30.0	92.5	90.2	133.1
Hiab	24.2	33.7	99.6	117.3	157.2
MacGregor	0.3	2.9	3.1	9.4	10.6
Corporate administration and support functions	-6.0	-9.5	-24.9	-30.2	-42.2
Total	57.1	57.2	170.4	186.6	258.6

Operating profit excl. restructuring costs, %	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	9.3%	8.1%	7.9%	8.0%	8.3%
Hiab	9.3%	13.4%	12.0%	14.6%	14.5%
MacGregor	0.2%	2.5%	0.8%	2.2%	1.9%
Cargotec	7.1%	7.8%	7.1%	7.9%	8.0%

Orders received, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	486	351	1,469	1,185	1,555
Hiab	294	260	902	827	1,116
MacGregor	141	139	396	396	521
Internal orders received	0	-1	-1	-2	-2
Total	921	749	2,766	2,406	3,190

Orders received by geographical area, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
EMEA	440	347	1,266	1,122	1,512
Americas	311	259	935	827	1,064
Asia-Pacific	170	143	565	457	614
Total	921	749	2,766	2,406	3,190

Orders received by geographical area, %	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
EMEA	48%	46%	46%	47%	48%
Americas	34%	35%	34%	34%	33%
Asia-Pacific	18%	19%	20%	19%	19%
Total	100%	100%	100%	100%	100%

Order book, MEUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Kalmar	1,003	895	786
Hiab	371	294	300
MacGregor	513	511	481
Internal order book	-1	-1	-1
Total	1,887	1,699	1,566

Number of employees at the end of period	30 Sep 2018	30 Sep 2017	31 Dec 2017
Kalmar	5,670	5,765	5,819
Hiab	3,650	3,251	3,370
MacGregor	1,884	1,876	1,859
Corporate administration and support functions	448	241	203
Total	11,652	11,133	11,251

Average number of employees	Q1-Q3/18	Q1-Q3/17	2017
Kalmar	5,682	5,718	5,740
Hiab	3,517	3,138	3,192
MacGregor	1,888	1,991	1,965
Corporate administration and support functions	389	237	232
Total	11,476	11,085	11,128

4. Revenue from contracts with customers

Cargotec, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Equipment sales	536	484	1,604	1,587	2,190
Service sales	229	223	690	669	907
Software sales	39	30	100	107	152
Total sales	805	736	2,394	2,364	3,250
Recognised at a point in time	696	657	2,112	2,065	2,847
Recognised over time	109	79	281	299	403

Kalmar, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Equipment sales	264	231	741	701	1,001
Service sales	111	111	333	324	445
Software sales	39	30	100	107	152
Total sales	415	371	1,174	1,132	1,598
Recognised at a point in time	361	313	1,016	944	1,339
Recognised over time	54	58	158	187	258

Hiab, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Equipment sales	193	189	628	611	826
Service sales	67	64	203	193	258
Total sales	260	252	831	804	1,084
Recognised at a point in time	260	250	824	798	1,075
Recognised over time	1	2	7	5	8

MacGregor, MEUR	Q3/18	Q3/17	Q1-Q3/18	Q1-Q3/17	2017
Equipment sales	79	65	235	277	366
Service sales	51	48	154	152	205
Total sales	130	114	389	429	571
Recognised at a point in time	75	94	272	323	433
Recognised over time	54	19	117	106	137

5. Restructuring costs

MEUR	Q1-Q3/18	Q1-Q3/17	2017
Employment termination costs	0.8	8.8	16.5
Impairment of non-current assets*	31.6	-	-
Impairment of inventories	1.4	0.7	1.2
Disposal of businesses**	-8.6	4.7	4.7
Other restructuring costs***	16.2	5.0	14.1
Total	41.3	19.2	36.5

*Includes an impairment loss of EUR 30.0 million, recognised in the second quarter of 2018, related to 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. The market value of the RHI shares owned by Cargotec on 30 Jun 2018 was EUR 28.0 (31 Dec 2017: 37.0) million. The book value of the RHI shares after the impairment on 30 Jun 2018 was EUR 25.0 million (31 Dec 2017: 54.0) million. There has been no significant change in the market value of the RHI shares during the third quarter of 2018.

**Additional information regarding disposed businesses is presented in note 11, Acquisitions and disposals.

***Includes e.g. 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 establishment costs of Cargotec Business Services operations. In addition, the sum in 2018 includes costs related to discontinuation of an unprofitable product range in Kalmar.

6. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	Q1-Q3/18	Q1-Q3/17	2017
Intangible assets	5.7	6.1	9.0
Property, plant and equipment	57.6	47.0	75.3
Total	63.3	53.1	84.3

Depreciation, amortisation and impairment, MEUR	Q1-Q3/18	Q1-Q3/17	2017
Intangible assets	23.0	21.5	28.8
Land and buildings	4.8	3.8	5.6
Machinery and equipment	29.8	27.3	37.6
Total	57.6	52.7	72.0

7. Taxes in statement of income

MEUR	Q1-Q3/18	Q1-Q3/17	2017
Current year tax expense	28.2	38.9	83.2
Change in current year's deferred tax assets and liabilities	7.0	-2.1	-29.9
Tax expense for previous years	-0.2	0.4	3.2
Total	35.0	37.2	56.5

8. Interest-bearing net debt and liquidity

MEUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Interest-bearing liabilities*	877.3	782.9	795.2
Loans receivable and other interest-bearing assets	-39.1	-7.1	-7.4
Cash and cash equivalents	-189.3	-232.5	-309.1
Interest-bearing net debt on balance sheet	648.8	543.3	478.7
Foreign currency hedge of corporate bonds*	-9.5	-8.0	-6.9
Interest-bearing net debt	639.4	535.3	471.7
Equity	1,411.4	1,421.4	1,425.1
Gearing	45.3%	37.7%	33.1%

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

*Cash flow hedge accounting is applied to the cash flows of the USD 85 (30 Sep 2017 and 31 Dec 2017: 85) million Private Placement corporate bond. The cash flows of the bond are converted into euro flows through a long-term cross-currency swap. As a result of the hedging, Cargotec effectively holds a long-term euro-denominated fixed rate debt.

MEUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Cash and cash equivalents	189.3	232.5	309.1
Committed long-term undrawn revolving credit facilities	300.0	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-291.6	-52.6	-121.4
Total liquidity	197.7	479.9	487.7

9. Derivatives

Fair values of derivative financial instruments

MEUR	Positive	Negative	Net	Net	Net
	fair value	fair value	fair value	fair value	fair value
	30 Sep 2018	30 Sep 2018	30 Sep 2018	30 Sep 2017	31 Dec 2017
Non-current					
Cross-currency and interest rate swaps	-	-	-	7.5	6.1
Total	-	-	-	7.5	6.1
Current					
Currency forwards, cash flow hedge accounting	0.8	2.9	-2.2	4.7	5.7
Currency forwards, other	7.1	6.5	0.7	4.8	1.2
Cross-currency and interest rate swaps	8.9	-	8.9	-	-
Total	16.9	9.4	7.4	9.5	6.9
Total derivatives	16.9	9.4	7.4	17.0	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 for this instrument.

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

Nominal values of derivative financial instruments

MEUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Currency forward contracts	2,182.4	2,312.9	1,980.3
Cash flow hedge accounting	1,298.3	1,067.6	1,104.5
Other	884.1	1,245.3	875.8
Cross-currency and interest rate swaps	73.4	72.0	70.9
Total	2,255.8	2,384.9	2,051.1

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

10. Commitments

MEUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Guarantees	-	0.2	0.2
Customer financing	26.5	18.9	18.4
Operating leases	199.1	184.3	189.4
Other contingent liabilities	0.5	2.1	0.6
Total	226.1	205.4	208.6

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 30 September 2018 was EUR 422.3 (30 Sep 2017: 419.9 and 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.

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

The future minimum lease payments under non-cancellable operating leases

MEUR	30 Sep 2018	30 Sep 2017	31 Dec 2017
Less than 1 year	37.6	34.3	37.3
1–5 years	95.1	84.7	87.3
Over 5 years	66.4	65.3	64.8
Total	199.1	184.3	189.4

The aggregate operating lease expenses totalled EUR 33.1 (1–9/2017: 29.5 and 1–12/2017: 40.1) million.

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

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

11. Acquisitions and disposals

Acquisitions in 2018

On 5 February 2018, MacGregor acquired the share capital of Rapp Marine Group AS ("RMG") at the price of EUR 8.5 million. The purchase price includes certain items that are still subject to change. 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 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 35.1 million and EUR -0.1 million to Cargotec's sales and operating profit, respectively.

Consolidation of the acquired businesses is provisional as of 30 September 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	6,8
Property, plant and equipment	1,0
Inventories	17,7
Accounts receivable and other non-interest-bearing assets	23,2
Interest-bearing receivables	0,0
Cash and cash equivalents	0,9
Deferred tax assets	0,1
Accounts payable and other non-interest-bearing liabilities	-34,9
Interest-bearing liabilities	-11,9
Deferred tax liabilities	-1,3
Net assets	1,6
Purchase price, payable in cash	8,5
Total consideration	8,5
Non-controlling interest	0,0
Goodwill	7,0
Purchase price, paid in cash	8,5
Cash and cash equivalents acquired	10,7
Cash flow impact	19,2

On 1 June 2018, Hiab acquired the service business of Berendsen & Merz in Germany for a consideration of EUR 0.5 million, and on 10 August 2018 Hiab acquired the sales and service business of Logan Inglis Limited in Scotland for a consideration of EUR 0.6 million. The acquisitions had no material impact on reported figures.

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 4.0 million that is preliminary on the reporting date as the determination of the value of the disposed net assets is ongoing. The net loss 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 8.1 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 transferred to Hiab. The purchase price consists of EUR 7.4 million paid on acquisition, EUR 2.8 million deferred consideration to be paid during the next three years, and a conditional payment that, subject to earn-out criteria, is due in 2021 and limited to a maximum amount of EUR 4.1 million. The

contingent consideration has not been included in the preliminary purchase price allocation. The result of Argos has been consolidated into Hiab segment's result from the beginning of October 2017. 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.

Consolidation of the acquired businesses is provisional as of 30 September 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, 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 provisional allocation of goodwill arising from the acquisition is EUR 6.0 million to Hiab segment and EUR 3.5 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.

Key exchange rates for the euro

Closing rates	30 Sep 2018	30 Sep 2017	31 Dec 2017
SEK	10.309	9.649	9.844
USD	1.158	1.181	1.199

Average rates	Q1-Q3/18	Q1-Q3/17	2017
SEK	10.239	9.580	9.639
USD	1.194	1.115	1.131

Calculation of key figures

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

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

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

The alternative performance measures used by Cargotec are:

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

Quarterly key figures

Cargotec		Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017
Orders received	MEUR	921	981	863	784	749
Service orders received	MEUR	242	248	239	221	225
Order book	MEUR	1,887	1,786	1,684	1,566	1,699
Sales	MEUR	805	816	773	886	736
Service sales	MEUR	229	235	226	238	223
Software sales	MEUR	39	29	32	45	30
Service and software sales, % of sales	%	33%	32%	33%	32%	34%
Operating profit	MEUR	54.5	21.3	53.2	54.7	52.5
Operating profit	%	6.8%	2.6%	6.9%	6.2%	7.1%
Operating profit*	MEUR	57.1	56.3	57.0	71.9	57.2
Operating profit*	%	7.1%	6.9%	7.4%	8.1%	7.8%
Basic earnings / share	EUR	0.58	0.03	0.52	0.42	0.50

Kalmar		Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017
Orders received	MEUR	486	550	432	369	351
Order book	MEUR	1,003	947	837	786	895
Sales	MEUR	415	389	371	465	371
Service sales	MEUR	111	112	110	121	111
Software sales	MEUR	39	29	32	45	30
Operating profit*	MEUR	38.6	25.2	28.7	42.8	30.0
Operating profit*	%	9.3%	6.5%	7.7%	9.2%	8.1%

Hiab		Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017
Orders received	MEUR	294	301	307	289	260
Order book	MEUR	371	337	329	300	294
Sales	MEUR	260	295	276	280	252
Service sales	MEUR	67	69	67	65	64
Operating profit*	MEUR	24.2	39.4	36.1	39.9	33.7
Operating profit*	%	9.3%	13.4%	13.1%	14.3%	13.4%

MacGregor		Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017
Orders received	MEUR	141	131	124	126	139
Order book	MEUR	513	503	519	481	511
Sales	MEUR	130	133	126	141	114
Service sales	MEUR	51	54	49	53	48
Operating profit*	MEUR	0.3	2.6	0.2	1.2	2.9
Operating profit*	%	0.2%	2.0%	0.2%	0.8%	2.5%

*Operating profit excluding restructuring costs