Cargotec's half year financial report January–June 2018

STRONG GROWTH IN ORDERS RECEIVED

CARGOTEC

Cargotec's January–June 2018 half year financial report: Strong growth in orders received

- Good level of orders received at Kalmar and Hiab
- Service orders received increased by 16 percent
- Restructuring costs weakened the result

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.

April–June 2018 in brief: Strong development in Kalmar's orders

- Orders received increased by 23 percent and totalled EUR 981 (800) million. Orders received grew strongly especially at Kalmar.
- Order book amounted to EUR 1,786 (31 Dec 2017: 1,566) million at the end of the period.
- Sales decreased by 2 percent and totalled EUR 816 (836) million.
- Service sales increased by 5 percent and totalled EUR 235 (223) million.
- Service and software sales represented 32 (32) percent of consolidated sales.
- Operating profit was EUR 21.3 (58.9) million, representing 2.6 (7.0) percent of sales. Operating profit includes EUR 34.9 (11.7) million restructuring costs.
- Operating profit excluding restructuring costs decreased by 20 percent and amounted to EUR 56.3 (70.6) million, representing 6.9 (8.4) percent of sales. Kalmar's operating profit decreased due to a less favorable business mix, and especially weaker US dollar compared to the euro had a negative impact on Hiab's profitability.
- Cash flow from operations before financial items and taxes totalled EUR 26.5 (40.2) million.
- Net income for the period amounted to EUR 2.3 (36.4) million.
- Earnings per share was EUR 0.03 (0.56).

January–June 2018 in brief: Growth in orders received

- Orders received increased by 11 percent and totalled EUR 1,844 (1,657) million.
- Sales decreased by 2 percent and totalled EUR 1,589 (1,628) million.
- Service sales increased by 3 percent and totalled EUR 460 (446) million.
- Service and software sales represented 33 (32) percent of consolidated sales.
- Operating profit was EUR 74.5 (114.9) million, representing 4.7 (7.1) percent of sales.
- Operating profit excluding restructuring costs decreased by 13 percent and amounted to EUR 113.2 (129.5) million, representing 7.1 (8.0) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 22.8 (52.6) million.
- Net income for the period amounted to EUR 36.0 (72.6) million.
- Earnings per share was EUR 0.55 (1.13).

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

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Orders received	981	800	23%	1,844	1,657	11%	3,190
Service orders received	248	214	16%	488	449	9%	896
Order book, end of period	1,786	1,717	4%	1,786	1,717	4%	1,566
Sales	816	836	-2%	1,589	1,628	-2%	3,250
Service sales	235	223	5%	460	446	3%	907
Software sales*	29	42	-31%	61	78	-22%	152
Service and software sales, % of Cargotec’s sales	32%	32%		33%	32%		33%
Operating profit	21.3	58.9	-64%	74.5	114.9	-35%	222.1
Operating profit, %	2.6%	7.0%		4.7%	7.1%		6.8%
Operating profit**	56.3	70.6	-20%	113.2	129.5	-13%	258.6
Operating profit**, %	6.9%	8.4%		7.1%	8.0%		8.0%
Income before taxes	15.5	49.9	-69%	62.0	97.6	-36%	189.2
Cash flow from operations before financing items and taxes	26.5	40.2	-34%	22.8	52.6	-57%	253.5
Net income for the period	2.3	36.4	-94%	36.0	72.6	-50%	132.7
Earnings per share, EUR	0.03	0.56	-95%	0.55	1.13	-51%	2.05
Interest-bearing net debt, end of period	589	599	-2%	589	599	-2%	472
Gearing, %	42.7%	42.7%		42.7%	42.7%		33.1%
Interest-bearing net debt / EBITDA***	2.3	2.2		2.3	2.2		1.6
Return on capital employed (ROCE), annualised, %	6.5%	10.0%		6.5%	10.0%		9.6%
Personnel, end of period	11,502	11,147	3%	11,502	11,147	3%	11,251

*Software sales include Navis business unit and automation software
**Excluding restructuring costs
***Last four quarters’ EBITDA

Cargotec’s CEO Mika Vehviläinen: Strong development in orders received

Cargotec's second quarter of 2018 was strong with regard to orders received. Orders received grew in Kalmar and Hiab in the second quarter and were 23 percent higher than in the comparison period. Our sales were almost at the previous year's level, but restructuring costs had a significant negative impact on earnings per share. We proceeded according to our strategy in shaping our portfolio by divesting Kalmar Rough Terrain Center and Siwertell, both of which are outside Kalmar’s core areas.

We continued to implement our strategy with determination. I am particularly pleased with the service business development in the second quarter, as we were able to increase the orders received there by 16 percent. The performance supports our key strategic goal of achieving EUR

1.5 billion service and software sales in 3–5 years. We also progressed with digitalisation and leadership, our two other strategic focus areas. During the second quarter, we developed a number of solutions that utilise artificial intelligence, as well as advanced analytics to improve eco-efficiency, preventive maintenance and crane balancing, for example. In leadership, we took steps to continuously improving team climates.

One of the highlights during this quarter was Kalmar's agreement to deliver an advanced automation solution to Sydney, Australia, valued at approximately 80 million euros. The order is particularly significant as it is the world's first fully automated intermodal solution for an inland terminal. In addition, Kalmar will deliver a unique digitalised container handling solution with fully autonomous equipment, software and services to Yara's Porsgrunn facility in Norway. The solution enables autonomous, cost-efficient and emissions-free operations of the Yara Birkeland container ship. These orders highlight the technical advancement of Kalmar's solutions and tell about the success of our investments in the automation development.

During the quarter, we took major steps also in sustainability. In May, we announced Kalmar's 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. We believe that our strong investments in eco-efficient technologies will give us a significant competitive advantage in the future, when both our customers and legislation increasingly require low-emission solutions.

Reporting segments' key figures

Orders received

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	550	386	43%	983	834	18%	1,555
Hiab	301	279	8%	608	567	7%	1,116
MacGregor	131	136	-4%	255	257	-1%	521
Internal orders	-1	-1		-1	-1		-2
Total	**981**	**800**	**23%**	**1,844**	**1,657**	**11%**	**3,190**

Order book

MEUR	30 Jun 2018	31 Dec 2017	Change
Kalmar	947	786	20%
Hiab	337	300	12%
MacGregor	503	481	5%
Internal orders	-1	-1	
Total	**1,786**	**1,566**	**14%**

Sales

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	389	397	-2%	760	761	0%	1,598
Hiab	295	282	5%	571	552	3%	1,084
MacGregor	133	157	-15%	259	316	-18%	571
Internal sales	0	0		-1	-1		-2
Total	**816**	**836**	**-2%**	**1,589**	**1,628**	**-2%**	**3,250**

Operating profit

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	24.5	31.6	-22%	52.4	58.2	-10%	126.6
Hiab	39.4	44.0	-11%	75.5	83.5	-10%	157.0
MacGregor	2.8	-4.3	166%	3.0	-2.7	208%	-5.2
Corporate administration and support functions	-45.4	-12.4	-267%	-56.3	-24.1	-134%	-56.3
Total	**21.3**	**58.9**	**-64%**	**74.5**	**114.9**	**-35%**	**222.1**

Operating profit excluding restructuring costs

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	25.2	32.3	-22%	53.9	60.2	-10%	133.1
Hiab	39.4	44.0	-11%	75.5	83.6	-10%	157.2
MacGregor	2.6	4.3	-39%	2.8	6.5	-57%	10.6
Corporate administration and support functions	-10.9	-10.0	-9%	-19.0	-20.8	9%	-42.2
Total	**56.3**	**70.6**	**-20%**	**113.2**	**129.5**	**-13%**	**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 19 July 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 673169 using the following numbers:

FI: +358 (0)9 7479 0359
SE: +46 (0)8 5033 6546
UK: +44 (0)330 336 9401
US: +1 929-477-0443

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

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Cargotec (Nasdaq Helsinki: CGCBV) 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

Cargotec's January–June 2018 half year financial report

Operating environment

The number of containers handled at ports globally is estimated to have grown by around 6.3 percent during the first half of 2018 compared to the first half of 2017 (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 was supported in the United States and Europe by the construction activity, which remained at a good level. The demand continued to be strong in the US and accelerated in Europe. The demand for services improved from last year.

Merchant ship contracting improved during January–June 2018 compared to the comparison period, but remained at a low level. Contracting in the offshore sector improved 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	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	550	386	43%	983	834	18%	1,555
Hiab	301	279	8%	608	567	7%	1,116
MacGregor	131	136	-4%	255	257	-1%	521
Internal orders	-1	-1		-1	-1		-2
Total	**981**	**800**	**23%**	**1,844**	**1,657**	**11%**	**3,190**

Orders received by reporting segment, comparable foreign exchange rates*

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	578	386	50%	1,039	834	25%	1,555
Hiab	311	279	12%	639	567	13%	1,116
MacGregor	135	136	-1%	264	257	3%	521
Internal orders	-1	-1		-1	-1		-2
Total	**1,024**	**800**	**28%**	**1,941**	**1,657**	**17%**	**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 second quarter increased by 23 percent from the comparison period and totalled EUR 981 (800) 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. Orders received grew in Kalmar and Hiab and decreased in MacGregor. Service orders received increased by 16 percent and totalled EUR 248 (214) million.

Orders received during January–June increased by 11 percent from the comparison period and totalled EUR 1,844 (1,657) million. Compared to the comparison period, currency rate changes had a five 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 (50) percent of the orders in January–June were received by Kalmar, 33 (34) percent by Hiab and 14 (16) percent by MacGregor. Orders received grew in Kalmar and Hiab and decreased in MacGregor. Service orders received increased by nine percent and totalled EUR 488 (449) million.

Order book by reporting segment

MEUR	30 Jun 2018	31 Dec 2017	Change
Kalmar	947	786	20%
Hiab	337	300	12%
MacGregor	503	481	5%
Internal order book	-1	-1	
Total	**1,786**	**1,566**	**14%**

The order book increased by 14 percent from the end of 2017, and at the end of the second quarter it totalled EUR 1,786 (31 Dec 2017: 1,566) million. Kalmar's order book totalled EUR 947 (786) million, representing 53 (50) percent, Hiab's EUR 337 (300) million or 19 (19) percent and MacGregor's EUR 503 (481) million or 28 (31) percent of the consolidated order book.

Orders received by geographical area

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
EMEA	422	371	14%	826	775	7%	1,512
Americas	331	274	21%	624	569	10%	1,064
Asia-Pacific	228	155	47%	394	313	26%	614
Total	**981**	**800**	**23%**	**1,844**	**1,657**	**11%**	**3,190**

In geographical terms, the share of orders received in the second quarter was 43 (47) percent in EMEA and 34 (34) percent in Americas. Asia-Pacific's share of orders received was 23 (19) percent.

In January–June, the share of orders received was 45 (47) percent in EMEA and 34 (34) percent in Americas. Asia-Pacific's share of all orders was 21 (19) percent.

Sales

Sales by reporting segment

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	389	397	-2%	760	761	0%	1,598
Hiab	295	282	5%	571	552	3%	1,084
MacGregor	133	157	-15%	259	316	-18%	571
Internal sales	0	0		-1	-1		-2
Total	**816**	**836**	**-2%**	**1,589**	**1,628**	**-2%**	**3,250**

Sales by reporting segment, comparable foreign exchange rates*

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	405	397	2%	799	761	5%	1,598
Hiab	306	282	9%	601	552	9%	1,084
MacGregor	137	157	-13%	270	316	-14%	571
Internal sales	0	0		-1	-1		-2
Total	**847**	**836**	**1%**	**1,669**	**1,628**	**3%**	**3,250**

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

Second quarter sales decreased by two percent from the comparison period to EUR 816 (836) 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 one percent. Sales increased in Hiab and decreased in Kalmar and MacGregor. Hiab's sales increased in EMEA and Americas. MacGregor's sales declined due to low delivery volumes. Service sales increased by five percent from the comparison period and totalled EUR 235 (223) million, representing 29 (27) percent of consolidated sales. In comparable foreign exchange rates, service sales increased by nine percent. Software sales decreased by 31 percent and amounted to EUR

29 (42) million. In comparable foreign exchange rates, software sales decreased by 28 percent. Comparison period's software sales included a notable single deal. Service and software sales amounted to EUR 264 (265) million, representing 32 (32) percent of consolidated sales.

January–June sales declined by two percent from the comparison period to EUR 1,589 (1,628) million. Compared to the comparison period, currency rate changes had a five percentage point negative impact on sales. In comparable foreign exchange rates, sales increased by three percent. Sales grew in Hiab, remained at comparison period's level in Kalmar and declined in MacGregor. Service sales grew by three percent from the comparison period and totalled EUR 460 (446) million, representing 29 (27) percent of consolidated sales. In comparable foreign exchange rates, service sales increased by eight percent. Software sales decreased by 22 percent and amounted to EUR 61 (78) million. In comparable foreign exchange rates, software sales decreased by 15 percent. Comparison period's software sales included a notable single deal. Service and software sales amounted to EUR 521 (524) million, representing 33 (32) percent of consolidated sales.

Sales by geographical area

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
EMEA	401	352	14%	763	686	11%	1,423
Americas	261	274	-5%	515	538	-4%	1,034
Asia-Pacific	154	209	-26%	311	404	-23%	793
Total	**816**	**836**	**-2%**	**1,589**	**1,628**	**-2%**	**3,250**

In geographical terms, sales increased in EMEA during the second quarter and decreased in Americas and Asia-Pacific. EMEA's share of consolidated sales was 49 (42) percent, Americas' 32 (33) percent and Asia-Pacific's 19 (25) percent.

In January–June, 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	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	24.5	31.6	-22%	52.4	58.2	-10%	126.6
Hiab	39.4	44.0	-11%	75.5	83.5	-10%	157.0
MacGregor	2.8	-4.3	166%	3.0	-2.7	208%	-5.2
Corporate administration and support functions	-45.4	-12.4	-267%	-56.3	-24.1	-134%	-56.3
Total	**21.3**	**58.9**	**-64%**	**74.5**	**114.9**	**-35%**	**222.1**

Operating profit for the second quarter totalled EUR 21.3 (58.9) million. Operating profit includes EUR 34.9 (11.7) million in restructuring costs. EUR 0.7 (0.7) million of the restructuring costs were related to Kalmar, EUR 0.0 (0.0) million to Hiab, EUR -0.2 (8.6) million to MacGregor and EUR 34.4 (2.3) million to corporate administration and support functions. Kalmar's restructuring costs include EUR 12.9 million of sales gains and EUR 4.7 of sales losses, both related to disposals of businesses. Kalmar's other restructuring costs were EUR 8.9 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 the associated company Jiangsu Rainbow Heavy Industries Co. Ltd (RHI), and the rest, EUR 4.4 million, to the company-wide support functions' efficiency programme. The impairment loss of RHI did not have an impact on the cash flow.

Operating profit for January–June totalled EUR 74.5 (114.9) million. Operating profit includes EUR 38.7 (14.6) million in restructuring costs. EUR 1.5 (1.9) million of the restructuring costs were related to Kalmar, EUR 0.0 (0.1) million to Hiab, EUR -0.1 (9.2) million to MacGregor and EUR 37.4 (3.3) 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	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Kalmar	25.2	32.3	-22%	53.9	60.2	-10%	133.1
Hiab	39.4	44.0	-11%	75.5	83.6	-10%	157.2
MacGregor	2.6	4.3	-39%	2.8	6.5	-57%	10.6
Corporate administration and support functions	-10.9	-10.0	-9%	-19.0	-20.8	9%	-42.2
Total	**56.3**	**70.6**	**-20%**	**113.2**	**129.5**	**-13%**	**258.6**

Operating profit for the second quarter, excluding restructuring costs, was EUR 56.3 (70.6) million, representing 6.9 (8.4) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 25.2 (32.3) million, for Hiab EUR 39.4 (44.0) million, and for MacGregor EUR 2.6 (4.3) million. Kalmar's operating profit excluding restructuring costs decreased due to a less favorable business mix. Hiab's operating profit declined due to weakening of US dollar compared to euro as well as investments in sales and service capabilities and digitalisation. MacGregor's operating profit excluding restructuring costs decreased compared to the comparison period, as cost savings and a more favorable sales mix did not fully compensate the decline in sales.

Operating profit excluding restructuring costs for January–June was EUR 113.2 (129.5) million, representing 7.1 (8.0) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 53.9 (60.2) million, Hiab EUR 75.5 (83.6) million, and MacGregor EUR 2.8 (6.5) million.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the second quarter totalled EUR 3.9 (4.8) million. Net financing expenses totalled EUR 5.8 (9.0) million. For January–June, the net interest expenses for interest-bearing debt and assets totalled 8.1 (8.2) million euros. Net financing expenses totalled 12.5 (17.3) million euros.

Net income for the second quarter totalled EUR 2.3 (36.4) million, and earnings per share EUR 0.03 (0.56). Net income for January–June was EUR 36.0 (72.6) million, and earnings per share EUR 0.55 (1.13).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,506 (31 Dec 2017: 3,569) million at the end of the second quarter. Equity attributable to the equity holders of the parent was EUR 1,377 (1,423) million, representing EUR 21.31 (22.06) per share. Property, plant and equipment on the balance sheet amounted to EUR 300 (311) million and intangible assets to EUR 1,204 (1,247) million.

Return on equity (ROE, annualised) in January–June was 5.1 (10.4) percent, and return on capital employed (ROCE, annualised) was 6.5 (10.0) percent. Cargotec's financial target is to reach 15 percent return on capital employed in the next 3–5 years.

Cash flow from operating activities, before financial items and taxes, totalled EUR 22.8 (52.6) million during the first half of the year. 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 MacGregor's advances received were lower due to low orders received. At the end of the second quarter, net working capital increased to EUR 236 million from the level of EUR 115 million at the end of 2017.

Cargotec's liquidity position is healthy. At the end of the second quarter, interest-bearing net debt totalled EUR 589 (31 Dec 2017: 472) million. Interest-bearing debt amounted to EUR 798 (788) million, of which EUR 265 (121) million was current and EUR 533 (667) million non-current debt. The average interest rate on the loan portfolio was 2.4 (2.3) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 209 (317) million.

At the end of the second quarter, Cargotec's total equity/total assets ratio was 40.5 (31 Dec 2017: 41.4) percent. Gearing was 42.7 (33.1) percent.

Corporate topics

Research and development

Research and product development expenditure in January–June totalled EUR 46.1 (46.0) million, representing 2.9 (2.8) percent of sales. EUR 0.2 (0.3) 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 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.

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 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 May, Kalmar also 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 June, Kalmar introduced the very first solution in its new eco-efficient portfolio, the Eco Range. Kalmar Eco Reachstacker guarantees to substantially cut the fuel consumption and costs as well as lower the carbon emissions, which helps customers meet current and future emissions standards.

In June, Kalmar also 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.

Hiab

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

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.

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

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

In 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 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.

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.

MacGregor

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.

In April, MacGregor announced that it is one of the partners participating in the Finland–Singapore Maritime Innovation camp, which has been designed to accelerate development within the maritime industry and create value for stakeholders. The innovation camp will take place in the third quarter of 2018 in Singapore.

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.

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.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 25.2 (18.3) million in January–June. Investments in customer financing were EUR 16.2 (17.2) million. Of the capital expenditure, EUR 4.4 (4.2) million concerned intangible assets, such as global systems that in future enable higher efficiency in operational activities as well as in support functions. Depreciation, amortisation and impairment amounted to EUR 38.2 (35.5) million.

Acquisitions and divestments in 2018

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

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

On 8 February 2018, MacGregor entered into an agreement to acquire the major businesses from TTS Group, a global provider of cargo handling equipment and services for merchant and offshore ships, for an enterprise value of EUR 87 million. The combination of two highly complementary businesses will produce greater scale and diversification and will strengthen MacGregor's portfolio and market position in key markets for cargo and load handling equipment. Based on preliminary estimates, potential cost synergies are estimated to be around EUR 30-35 million on annual level and are expected to be reached within 3 years from closing. The sales of the business MacGregor aims to acquire totalled EUR 211 million in 2017 from which approximately 26 percent was related to service sales. The acquisition is subject to regulatory approvals from competition authorities, which are expected to be received during the second half 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 5.4 million during the first half of 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 the first half of 2018, the realised savings from the programme amounted to around EUR 5 million. The estimated restructuring costs related to the programme are around EUR 30 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 4 million were realised during the first half of 2018.

Related to operational restructurings, restructuring costs of EUR 34.9 were booked during the second quarter. Kalmar’s restructuring costs include EUR 12.9 million sales gains and EUR 4.7 sales losses, both related to disposals of businesses. Kalmar’s other restructuring costs were EUR 8.9 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 lowered balance sheet valuation of Jiangsu Rainbow Heavy Industries Co. Ltd (RHI) associated company, and the rest, EUR 4.4 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 11,502 (31 Dec 2017: 11,251) people at the end the second quarter. Kalmar employed 5,636 (5,819) people, Hiab 3,542 (3,370), MacGregor 1,908 (1,859), and corporate administration and support functions 416 (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–June was 11,411 (1–12/2017: 11,128).

At the end of the second 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.

Corporate responsibility

Our sustainability work progressed well during the second quarter. Kalmar committed to reducing emissions in cargo and material handling operations by having its full offering available as electrically powered versions by 2021. The target is in line with Cargotec's sustainability roadmap announced in 2016.

As per our 2018 sustainability targets, we continued to assess our operational human rights risks during the second quarter. The assessment concentrated on our processes and policies, and its results serve the planning of possible further actions on this area.

According to the assessment, the risks related to human rights are mostly connected to supply chain management, as well as processes within mergers and acquisitions. As part of our wider supplier sustainability programme, we are already proceeding with assessing and managing the human rights risks related to supply chain. Supply chain sustainability assessment is one of Cargotec’s 2018 sustainability targets, which supports the management of the identified human rights risks.

With regards to safety, we continued the implementation and development of our related processes. The Cargotec IIFR[1] at the end of the second quarter was 5.5 (2017: 6.1).

Executive Board

On 30 June 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.

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

Reporting segments

Kalmar

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Orders received	550	386	43%	983	834	18%	1,555
Order book, end of period	947	929	2%	947	929	2%	786
Sales	389	397	-2%	760	761	0%	1,598
Service sales	112	106	6%	222	213	4%	445
% of sales	29%	27%		29%	28%		28%
Software sales	29	42	-31%	61	78	-22%	152
% of sales	7%	11%		8%	10%		10%
Operating profit	24.5	31.6	-22%	52.4	58.2	-10%	126.6
% of sales	6.3%	8.0%		6.9%	7.7%		7.9%
Operating profit*	25.2	32.3	-22%	53.9	60.2	-10%	133.1
% of sales*	6.5%	8.1%		7.1%	7.9%		8.3%
Personnel, end of period	5,636	5,788	-3%	5,636	5,788	-3%	5,819

*Excluding restructuring costs

In the second quarter, orders received by Kalmar increased by 43 percent and totalled EUR 550 (386) million. In comparable foreign exchange rates, orders received increased by 50 percent.

Major orders received by Kalmar in the second quarter included:

- Kalmar will deliver fully autonomous equipment, software and services for a unique, fully digitalised container handling solution at Yara's Porsgrunn facility in Norway. Once completed, all the necessary operations related to the world's first autonomous and electric container vessel Yara Birkeland will be conducted in a fully autonomous and cost efficient manner, with zero emissions.
- Kalmar and Navis will supply a state-of-the-art, fully automated intermodal terminal solution for Qube's Moorebank Logistics Park (MLP) in south-western Sydney. The order, valued at approximately EUR 80 million, includes the supply of the OneTerminal solution comprising Kalmar's automated train handling, automated yard crane and automated horizontal transportation equipment and the Navis N4 terminal operating system (TOS).
- Kalmar will supply two Kalmar Rail-mounted Gantry (RMG) cranes with remote control and extensive customisation to the support expansion at Rotterdam Short Sea Terminals.

The orders received in January–June increased by 18 percent and totalled EUR 983 (834) million. In comparable foreign exchange rates, orders received increased by 25 percent.

Kalmar's order book increased by 20 percent from the 2017 year-end, and at the end of the second quarter it totalled EUR 947 (31 Dec 2017: 786) million.

Kalmar's second quarter sales decreased by two percent and totalled EUR 389 (397) million. Service sales increased by six percent to EUR 112 (106) million, representing 29 (27) percent of sales. Software sales decreased by 31 percent and amounted to EUR 29 (42) million. In comparable foreign exchange rates, software sale decreased by 28 percent. Comparison period's software sales included a notable single deal. Sales in January–June remained at the comparison period's level and totalled EUR 760 (761) million. Service sales increased by four percent to EUR 222 (213) million, representing 29 (28) percent of sales. Software sales decreased by 22 percent and amounted to EUR 61 (78) million. In comparable foreign exchange rates, software sales decreased by 15 percent. Comparison period's software sales included a notable single deal.

Kalmar's second quarter operating profit totalled EUR 24.5 (31.6) million. Operating profit includes EUR 0.7 (0.7) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 25.2 (32.3) million, representing 6.5 (8.1) percent of sales. Compared to the comparison period, operating profit decreased due to a less favorable business mix.

Operating profit for January–June totalled EUR 52.4 (58.2). Operating profit includes EUR 1.5 (1.9) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 53.9 (60.2) million, representing 7.1 (7.9) percent of sales.

Hiab

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Orders received	301	279	8%	608	567	7%	1,116
Order book, end of period	337	290	16%	337	290	16%	300
Sales	295	282	5%	571	552	3%	1,084
Service sales	69	65	7%	135	130	4%	258
% of sales	23%	23%		24%	23%		24%
Operating profit	39.4	44.0	-11%	75.5	83.5	-10%	157.0
% of sales	13.4%	15.6%		13.2%	15.1%		14.5%
Operating profit*	39.4	44.0	-11%	75.5	83.6	-10%	157.2
% of sales*	13.4%	15.6%		13.2%	15.1%		14.5%
Personnel, end of period	3,542	3,167	12%	3,542	3,167	12%	3,370

*Excluding restructuring costs

Hiab's orders received for the second quarter increased by eight percent from the comparison period and totalled EUR 301 (279) million. In comparable foreign exchange rates, orders received increased by 12 percent. Orders received increased in the EMEA region. During the second quarter, the orders received were relatively small individual ones which is typical for Hiab's business. Hiab received e.g. an order for 26 loader cranes from Australia. The ordered loader cranes will be delivered during the third quarter of 2018.

The orders received in January–June increased by seven percent and totalled EUR 608 (567) million.

The order book totalled EUR 337 (31 Dec 2017: 300) million at the end of the second quarter.

Hiab's second quarter sales increased by five percent and totalled EUR 295 (282) million. Sales increased in the EMEA region and Americas. Service sales grew by seven percent to EUR 69 (65) million, representing 23 (23) percent of sales. In January–June, Hiab's sales increased by three percent and totalled EUR 571 (552) million. Service sales grew by four percent to EUR 135 (130) million, representing 24 (23) percent of sales.

Operating profit for Hiab in the second quarter decreased from the comparison period and totalled EUR 39.4 (44.0) million. Operating profit includes EUR 0.0 (0.0) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 39.4 (44.0) million, representing 13.4 (15.6) percent of sales. Operating profit declined due to the weakening of US dollar compared to the euro as well as investments in sales and service capabilities and digitalisation.

Operating profit for January–June decreased from the comparison period and totalled EUR 75.5 (83.5) million. Operating profit includes EUR 0.0 (0.1) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 75.5 (83.6) million, representing 13.2 (15.1) percent of sales.

MacGregor

MEUR	Q2/18	Q2/17	Change	Q1-Q2/18	Q1-Q2/17	Change	2017
Orders received	131	136	-4%	255	257	-1%	521
Order book, end of period	503	501	0%	503	501	0%	481
Sales	133	157	-15%	259	316	-18%	571
Service sales	54	52	3%	103	104	-1%	205
% of sales	40%	33%		40%	33%		36%
Operating profit	2.8	-4.3	166%	3.0	-2.7	208%	-5.2
% of sales	2.1%	-2.7%		1.1%	-0.9%		-0.9%
Operating profit*	2.6	4.3	-39%	2.8	6.5	-57%	10.6
% of sales*	2.0%	2.7%		1.1%	2.1%		1.9%
Personnel, end of period	1,908	1,952	-2%	1,908	1,952	-2%	1,859

*Excluding restructuring costs

MacGregor's orders received in the second quarter decreased by four percent from the comparison period to EUR 131 (136) million. In comparable foreign exchange rates, orders received remained close to comparison period's level. 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 second quarter included, among others, an order for a heavy duty crane to Indonesia.

The orders received in January–June decreased by one percent compared to the comparison period and totalled EUR 255 (257) million.

MacGregor's order book grew by five percent from the 2017 year-end, totalling EUR 503 (31 Dec 2017: 481) million at the end of the second quarter. Around two thirds of the order book is merchant ship-related and one third is offshore vessel-related.

MacGregor's second quarter sales decreased by 15 percent from the comparison period to EUR 133 (157) million. Sales declined due to low delivery volumes. The share of service sales was EUR 54 (52) million, or 40 (33) percent. Sales in January–June decreased by 18 percent from the comparison period to EUR 259 (316) million. The share of service sales was EUR 103 (104) million, or 40 (33) percent.

MacGregor's operating profit for the second quarter totalled EUR 2.8 (-4.3) million. Operating profit includes EUR -0.2 (8.6) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 2.6 (4.3) million, representing 2.0 (2.7) percent of sales. Operating profit excluding restructuring costs decreased compared to the comparison period, as cost savings and a more favorable sales mix did not fully compensate the decline in sales.

Operating profit for January–June totalled EUR 3.0 (-2.7) million. Operating profit includes EUR -0.1 (9.2) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 2.8 (6.5) million, representing 1.1 (2.1) 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 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. The second instalment shall be paid in September 2018, and it shall be paid to shareholders who are registered as shareholders in the company's shareholder register on the dividend record date, which, together with the payment date, shall be confirmed by the Board of Directors in its meeting scheduled for 18 September 2018.

The AGM authorised the Board to decide on the repurchase of Cargotec's shares with non-restricted equity. The number of the Board members was confirmed at ten. Kimmo Alkio, Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. The AGM elected accounting firm PricewaterhouseCoopers Oy and authorised public accountant Tomi Hyryläinen as auditors. The auditors' fees were decided to be paid according to invoice approved by the company.

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 June. 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 18 March 2014, 28,030 shares on 31 March 2015, 27,601 shares on 31 March 2016 and 56,709 shares on 31 March 2017.

After the transfer of shares, Cargotec holds a total of 69,603 own class B shares, accounting for 0.11 percent of the total number of shares and 0.05 percent of the total number of votes. At the end of June, the number of outstanding class B shares totalled 55,112,476.

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 June, the total market value of class B shares was EUR 2,389 (3,054) 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 2,801 (3,585) million, excluding own shares held by the company.

The class B share closed at EUR 43.34 (55.55) on the last trading day of June on Nasdaq Helsinki. The volume-weighted average share price for the financial period was EUR 45.45 (48.96), the highest quotation being EUR 51.30 (59.25) and the lowest EUR 40.40 (40.26). During the period, a total of 17 (19) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 779 (935) million. In addition, according to Fidessa, a total of 24 (28) million class B shares were traded in several alternative marketplaces, such as Cboe APA and Cboe BXE, corresponding to a turnover of EUR 1,108 (1,384) 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 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 2018

Interim report January–September 2018, on Friday, 26 October 2018

Helsinki, 19 July 2018
Cargotec Corporation
Board of Directors

This half year report is unaudited.

Consolidated statement of income

MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Sales	**816.5**	**835.7**	**1,589.1**	**1,627.5**	**3,249.8**
Cost of goods sold	-617.1	-614.9	-1,187.4	-1,201.9	-2,397.7
Gross profit	**199.3**	**220.8**	**401.7**	**425.6**	**852.1**
Gross profit, %	*24.4%*	*26.4%*	*25.3%*	*26.2%*	*26.2%*
Other operating income	13.6	8.7	21.5	19.1	35.8
Selling and marketing expenses	-60.0	-56.6	-115.3	-113.3	-221.8
Research and development expenses	-23.7	-25.0	-48.4	-49.1	-98.2
Administration expenses	-65.0	-68.9	-128.3	-135.9	-273.6
Restructuring costs	-34.9	-11.7	-38.7	-14.6	-36.5
Other operating expenses	-8.3	-8.3	-17.6	-17.9	-36.7
Costs and expenses	-178.4	-161.7	-326.9	-311.7	-631.0
Share of associated companies' and joint ventures' net income	0.4	-0.2	-0.3	1.0	0.9
Operating profit	**21.3**	**58.9**	**74.5**	**114.9**	**222.1**
Operating profit, %	*2.6%*	*7.0%*	*4.7%*	*7.1%*	*6.8%*
Financing income and expenses	-5.8	-9.0	-12.5	-17.3	-32.9
Income before taxes	**15.5**	**49.9**	**62.0**	**97.6**	**189.2**
Income before taxes, %	*1.9%*	*6.0%*	*3.9%*	*6.0%*	*5.8%*
Income taxes	-13.2	-13.5	-26.0	-25.0	-56.5
Net income for the period	**2.3**	**36.4**	**36.0**	**72.6**	**132.7**
Net income for the period, %	*0.3%*	*4.4%*	*2.3%*	*4.5%*	*4.1%*
Net income for the period attributable to:					
Equity holders of the parent	1.7	36.4	35.5	72.8	132.4
Non-controlling interest	0.7	0.0	0.5	-0.3	0.2
Total	**2.3**	**36.4**	**36.0**	**72.6**	**132.7**
Earnings per share for profit attributable to the equity holders of the parent:					
Basic earnings per share, EUR	0.03	0.56	0.55	1.13	2.05
Diluted earnings per share, EUR	0.03	0.56	0.55	1.13	2.05

The notes are an integral part of the half year report.

Consolidated statement of comprehensive income

MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Net income for the period	2.3	36.4	36.0	72.6	132.7
Items that cannot be reclassified to statement of income:					
Actuarial gains (+) / losses (-) from defined benefit plans	1.0	-0.4	2.1	-0.5	-5.0
Taxes relating to items that cannot be reclassified to statement of income	-0.5	0.1	-0.8	0.2	1.1
Total	**0.4**	**-0.3**	**1.3**	**-0.4**	**-3.9**
Items that can be reclassified to statement of income:					
Gains (+) / losses (-) on cash flow hedges	-21.4	20.7	-17.5	30.7	50.2
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	11.0	-4.9	4.2	-3.8	-16.2
Gains (+) / losses (-) on net investment hedges*	-	12.1	-	10.9	10.9
Translation differences*	5.6	-52.0	-7.3	-42.8	-81.9
Taxes relating to items that can be reclassified to statement of income	2.1	-1.1	2.9	-3.5	-4.8
Total	**-2.7**	**-25.2**	**-17.6**	**-8.4**	**-41.8**
Comprehensive income for the period	**0.0**	**10.9**	**19.6**	**63.8**	**87.0**
Comprehensive income for the period attributable to:					
Equity holders of the parent	-0.6	10.9	19.1	64.1	86.8
Non-controlling interest	0.6	-0.1	0.5	-0.3	0.2
Total	**0.0**	**10.9**	**19.6**	**63.8**	**87.0**

*In Q2/2017, EUR 14.1 million has been restated from "Translation differences" to “Gains (+) / losses (-) on net investment hedges”.

The notes are an integral part of the half year financial report.

Consolidated balance sheet

ASSETS, MEUR	**30 Jun 2018**	**30 Jun 2017**	**31 Dec 2017**
Non-current assets			
Goodwill	949.1	998.9	986.7
Other intangible assets	255.3	269.1	260.8
Property, plant and equipment	300.4	292.7	310.8
Investments in associated companies and joint ventures	99.4	114.6	109.8
Available-for-sale investments	0.3	3.8	0.2
Loans receivable and other interest-bearing assets*	36.1	4.8	5.0
Deferred tax assets	152.5	191.4	150.0
Derivative assets	-	10.2	6.1
Other non-interest-bearing assets	8.4	7.0	8.5
Total non-current assets	**1,801.4**	**1,892.5**	**1,837.9**
Current assets			
Inventories	671.1	660.4	623.3
Loans receivable and other interest-bearing assets*	2.6	2.9	2.5
Income tax receivables	58.0	39.8	36.4
Derivative assets	13.6	44.7	13.3
Accounts receivable and other non-interest-bearing assets	788.7	745.0	746.8
Cash and cash equivalents*	170.2	164.3	309.1
Total current assets	**1,704.2**	**1,657.1**	**1,731.4**
Total assets	**3,505.7**	**3,549.6**	**3,569.3**

EQUITY AND LIABILITIES, MEUR	30 Jun 2018	30 Jun 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	-38.5	7.9	-31.2
Fair value reserves	-8.2	-3.6	2.1
Reserve for invested non-restricted equity	69.0	69.0	69.0
Retained earnings	1,192.7	1,162.9	1,220.6
Total equity attributable to the equity holders of the parent	**1,377.2**	**1,398.4**	**1,422.8**
Non-controlling interest	2.6	2.4	2.3
Total equity	**1,379.8**	**1,400.8**	**1,425.1**
Non-current liabilities			
Interest-bearing liabilities*	532.9	732.8	673.8
Deferred tax liabilities	17.0	74.9	12.7
Pension obligations	85.5	83.1	87.5
Provisions	16.9	15.4	17.1
Other non-interest-bearing liabilities	57.4	57.9	61.5
Total non-current liabilities	**709.7**	**964.1**	**852.6**
Current liabilities			
Current portion of interest-bearing liabilities*	216.6	17.8	83.8
Other interest-bearing liabilities*	57.1	30.6	37.6
Provisions	90.4	121.0	103.5
Advances received	96.7	132.7	126.9
Income tax payables	47.5	20.6	49.1
Derivative liabilities	18.8	15.4	6.4
Accounts payable and other non-interest-bearing liabilities	889.1	846.6	884.4
Total current liabilities	**1,416.2**	**1,184.7**	**1,291.7**
Total equity and liabilities	**3,505.7**	**3,549.6**	**3,569.3**

*Included in interest-bearing net debt.

The notes are an integral part of the interim report.

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to the equity holders of the parent								
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						35.5	35.5	0.5	36.0
Cash flow hedges				-10.3			-10.3		-10.3
Net investment hedges			-				-		-
Translation differences			-7.3				-7.3	0.0	-7.3
Actuarial gains (+) / losses (-) from defined benefit plans						1.3	1.3		1.3
Comprehensive income for the period*			**-7.3**	**-10.3**	**-**	**36.7**	**19.1**	**0.5**	**19.6**
Profit distribution						-67.6	-67.6	-0.3	-68.0
Share-based payments*						-3.0	-3.0		-3.0
Transactions with owners of the company					**-**	**-70.6**	**-70.6**	**-0.3**	**-71.0**
Transactions with non-controlling interests							-	0.0	0.0
Equity 30 Jun 2018	**64.3**	**98.0**	**-38.5**	**-8.2**	**69.0**	**1,192.7**	**1,377.2**	**2.6**	**1,379.8**
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						72.8	72.8	-0.3	72.6
Cash flow hedges				21.0			21.0		21.0
Net investment hedges**			8.7				8.7		8.7
Translation differences**			-38.2				-38.2	0.0	-38.2
Actuarial gains (+) / losses (-) from defined benefit plans						-0.4	-0.4		-0.4
Comprehensive income for the period*			**-29.4**	**21.0**	**-**	**72.5**	**64.1**	**-0.3**	**63.8**
Profit distribution						-61.1	-61.1	-0.5	-61.6
Share-based payments*						1.5	1.5		1.5
Transactions with owners of the company					**-**	**-59.6**	**-59.6**	**-0.5**	**-60.1**
Transactions with non-controlling interests						-2.3	-2.3	0.9	-1.4
Equity 30 Jun 2017	**64.3**	**98.0**	**7.9**	**-3.6**	**69.0**	**1 162.9**	**1,398.4**	**2.4**	**1,400.8**

*Net of tax

**In Q1-Q2/2017, EUR 8.9 million has been restated from "Translation differences" to “Net investment hedges”.

The notes are an integral part of the half year financial report.

Consolidated condensed statement of cash flows

MEUR	Q1-Q2/18	Q1-Q2/17	2017
Net income for the period	36.0	72.6	132.7
Depreciation, amortisation and impairment	38.2	35.5	72.0
Other adjustments	57.9	44.0	92.3
Change in net working capital	-109.3	-99.4	-43.6
Cash flow from operations before financing items and taxes	**22.8**	**52.6**	**253.5**
Cash flow from financing items and taxes	-64.2	-61.7	-72.6
Net cash flow from operating activities	**-41.3**	**-9.0**	**180.9**
Acquisitions of businesses, net of cash acquired	-19.8	-0.9	-14.4
Disposals of businesses, net of cash sold	-21.3	-1.2	-1.2
Investments in associated companies and joint ventures	-0.5	-4.7	-4.7
Cash flow from investing activities, other items	-30.8	-29.0	-69.3
Net cash flow from investing activities	**-72.3**	**-35.8**	**-89.7**
Acquisition of non-controlling interests	-	-0.4	-0.4
Proceeds from long-term borrowings	-	250.0	253.2
Repayments of long-term borrowings	-16.6	-241.4	-243.1
Proceeds from short-term borrowings	7.5	6.7	7.6
Repayments of short-term borrowings	-3.4	-32.2	-17.7
Profit distribution	-34.3	-61.6	-62.2
Net cash flow from financing activities	**-46.8**	**-79.0**	**-62.6**
Change in cash and cash equivalents	**-160.5**	**-123.8**	**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	10.0	-4.6
Cash and cash equivalents, and bank overdrafts at the end of period	**123.3**	**147.0**	**284.7**
Bank overdrafts at the end of period	46.9	17.3	24.4
Cash and cash equivalents at the end of period	**170.2**	**164.3**	**309.1**

The notes are an integral part of the half year financial report.

Key figures

		Q1-Q2/18	Q1-Q2/17	2017
Equity / share	EUR	21.31	21.68	22.06
Total equity / total assets	%	40.5%	41.0%	41.4%
Interest-bearing net debt	MEUR	588.8	598.7	471.7
Interest-bearing net debt / EBITDA, rolling 12 months		2.3	2.2	1.6
Gearing	%	42.7%	42.7%	33.1%
Return on equity (ROE), annualised	%	5.1%	10.4%	9.4%
Return on capital employed (ROCE), annualised	%	6.5%	10.0%	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 and, consequently, the sum of individual figures may 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	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	389	397	760	761	1,598
Hiab	295	282	571	552	1,084
MacGregor	133	157	259	316	571
Internal sales	0	0	-1	-1	-2
Total	**816**	**836**	**1,589**	**1,628**	**3,250**

Sales by geographical area, MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
EMEA	401	352	763	686	1,423
Asia-Pacific	154	209	311	404	793
Americas	261	274	515	538	1,034
Total	**816**	**836**	**1,589**	**1,628**	**3,250**

Sales by geographical area, %	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
EMEA	49%	42%	48%	42%	44%
Asia-Pacific	19%	25%	20%	25%	24%
Americas	32%	33%	32%	33%	32%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Operating profit and EBITDA, MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	24.5	31.6	52.4	58.2	126.6
Hiab	39.4	44.0	75.5	83.5	157.0
MacGregor	2.8	-4.3	3.0	-2.7	-5.2
Corporate administration and support functions	-45.4	-12.4	-56.3	-24.1	-56.3
Operating profit	**21.3**	**58.9**	**74.5**	**114.9**	**222.1**
Depreciation and amortisation	20.0	17.8	38.2	35.5	72.0
EBITDA	**41.3**	**76.7**	**112.8**	**150.4**	**294.2**

Operating profit, %	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	6.3%	8.0%	6.9%	7.7%	7.9%
Hiab	13.4%	15.6%	13.2%	15.1%	14.5%
MacGregor	2.1%	-2.7%	1.1%	-0.9%	-0.9%
Cargotec	2.6%	7.0%	4.7%	7.1%	6.8%

Restructuring costs, MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	-0.7	-0.7	-1.5	-1.9	-6.4
Hiab	-	0.0	-	-0.1	-0.2
MacGregor	0.2	-8.6	0.1	-9.2	-15.8
Corporate administration and support functions	-34.4	-2.3	-37.4	-3.3	-14.1
Total	**-34.9**	**-11.7**	**-38.7**	**-14.6**	**-36.5**

Operating profit excl. restructuring costs, MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	25.2	32.3	53.9	60.2	133.1
Hiab	39.4	44.0	75.5	83.6	157.2
MacGregor	2.6	4.3	2.8	6.5	10.6
Corporate administration and support functions	-10.9	-10.0	-19.0	-20.8	-42.2
Total	**56.3**	**70.6**	**113.2**	**129.5**	**258.6**

Operating profit excl. restructuring costs, %	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	6.5%	8.1%	7.1%	7.9%	8.3%
Hiab	13.4%	15.6%	13.2%	15.1%	14.5%
MacGregor	2.0%	2.7%	1.1%	2.1%	1.9%
Cargotec	6.9%	8.4%	7.1%	8.0%	8.0%

Orders received, MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	550	386	983	834	1,555
Hiab	301	279	608	567	1,116
MacGregor	131	136	255	257	521
Internal orders received	-1	-1	-1	-1	-2
Total	**981**	**800**	**1,844**	**1,657**	**3,190**

Orders received by geographical area, MEUR	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
EMEA	422	371	826	775	1,512
Asia-Pacific	228	155	394	313	614
Americas	331	274	624	569	1,064
Total	**981**	**800**	**1,844**	**1,657**	**3,190**

Orders received by geographical area, %	Q2/18	Q2/17	Q1-Q2/18	Q1-Q2/17	2017
EMEA	43%	47%	45%	47%	48%
Asia-Pacific	23%	19%	21%	19%	19%
Americas	34%	34%	34%	34%	33%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Order book, MEUR	30 Jun 2018	30 Jun 2017	31 Dec 2017
Kalmar	947	929	786
Hiab	337	290	300
MacGregor	503	501	481
Internal order book	-1	-3	-1
Total	**1,786**	**1,717**	**1,566**

Number of employees at the end of period	30 Jun 2018	30 Jun 2017	31 Dec 2017
Kalmar	5,636	5,788	5,819
Hiab	3,542	3,167	3,370
MacGregor	1,908	1,952	1,859
Corporate administration and support functions	416	240	203
Total	**11,502**	**11,147**	**11,251**

Average number of employees	Q1-Q2/18	Q1-Q2/17	2017
Kalmar	5,691	5,684	5,740
Hiab	3,474	3,098	3,192
MacGregor	1,885	2,042	1,965
Corporate administration and support functions	361	234	232
Total	**11,411**	**11,057**	**11,128**

4. Revenue from contracts with customers

Cargotec, MEUR	**Q2/18**	**Q2/17**	**Q1-Q2/18**	**Q1-Q2/17**	**2017**
Equipment sales	553	571	1,068	1,104	2,190
Service sales	235	223	460	446	907
Software sales	29	42	61	78	152
Total sales	**816**	**836**	**1,589**	**1,628**	**3,250**
Recognised at a point in time	734	730	1,417	1,408	2,847
Recognised over time	83	106	172	220	403

Kalmar, MEUR	**Q2/18**	**Q2/17**	**Q1-Q2/18**	**Q1-Q2/17**	**2017**
Equipment sales	248	249	477	470	1,001
Service sales	112	106	222	213	445
Software sales	29	42	61	78	152
Total sales	**389**	**397**	**760**	**761**	**1,598**
Recognised at a point in time	339	338	656	631	1,339
Recognised over time	50	59	104	129	258

Hiab, MEUR	**Q2/18**	**Q2/17**	**Q1-Q2/18**	**Q1-Q2/17**	**2017**
Equipment sales	226	216	435	422	826
Service sales	69	65	135	130	258
Total sales	**295**	**282**	**571**	**552**	**1,084**
Recognised at a point in time	291	279	565	548	1,075
Recognised over time	4	2	6	4	8

MacGregor, MEUR	**Q2/18**	**Q2/17**	**Q1-Q2/18**	**Q1-Q2/17**	**2017**
Equipment sales	79	105	156	212	366
Service sales	54	52	103	104	205
Total sales	**133**	**157**	**259**	**316**	**571**
Recognised at a point in time	100	112	196	228	433
Recognised over time	33	45	63	87	137

5. Restructuring costs

MEUR	Q1-Q2/18	Q1-Q2/17	2017
Employment termination costs	1.4	7.1	16.5
Impairment of non-current assets*	31.6	-	-
Impairment of inventories	1.3	-	1.2
Disposal of businesses**	-8.3	4.7	4.7
Other restructuring costs***	12.6	2.7	14.1
Total	**38.7**	**14.6**	**36.5**

*Includes an impairment loss of EUR 30.0 million 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 is EUR 25.0 million (31 Dec 2017: 54.0) million.

**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 cost 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-Q2/18	Q1-Q2/17	2017
Intangible assets	4.4	4.2	9.0
Property, plant and equipment	37.1	31.3	75.3
Total	**41.4**	**35.5**	**84.3**

Depreciation, amortisation and impairment, MEUR	Q1-Q2/18	Q1-Q2/17	2017
Intangible assets	15.0	14.5	28.8
Land and buildings	3.3	2.2	5.6
Machinery and equipment	19.9	18.8	37.6
Total	**38.2**	**35.5**	**72.0**

7. Taxes in statement of income

MEUR	Q1-Q2/18	Q1-Q2/17	2017
Current year tax expense	23,2	31.7	83.2
Change in current year's deferred tax assets and liabilities	1,9	-6.2	-29.9
Tax expense for previous years	0,9	-0.5	3.2
Total	**26,0**	**25.0**	**56.5**

8. Interest-bearing net debt and liquidity

MEUR	30 Jun 2018	30 Jun 2017	31 Dec 2017
Interest-bearing liabilities*	806.7	781.2	795.2
Loans receivable and other interest-bearing assets	-38.7	-7.7	-7.4
Cash and cash equivalents	-170.2	-164.3	-309.1
Interest-bearing net debt on balance sheet	**597.7**	**609.2**	**478.7**
Foreign currency hedge of corporate bonds*	-9.0	-10.5	-6.9
Interest-bearing net debt	**588.8**	**598.7**	**471.7**
Equity	1,379.8	1,400.8	1,425.1
Gearing	**42.7%**	**42.7%**	**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 Jun 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 Jun 2018	30 Jun 2017	31 Dec 2017
Cash and cash equivalents	170.2	164.3	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	-273.7	-48.4	-121.4
Total liquidity	**196.4**	**415.9**	**487.7**

9. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 30 Jun 2018	Negative fair value 30 Jun 2018	Net fair value 30 Jun 2018	Net fair value 30 Jun 2017	Net fair value 31 Dec 2017
Non-current					
Cross-currency and interest rate swaps	-	-	-	10.2	6.1
Total	**-**	**-**	**-**	**10.2**	**6.1**
Current					
Currency forwards, cash flow hedge accounting	0.4	11.9	-11.5	16.6	5.7
Currency forwards, other	5.0	7.0	-2.0	12.7	1.2
Cross-currency and interest rate swaps	9.0	-	9.0	-	-
Total	**14.4**	**19.0**	**-4.6**	**29.3**	**6.9**
Total derivatives	**14.4**	**19.0**	**-4.6**	**39.5**	**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 Jun 2018	30 Jun 2017	31 Dec 2017
Currency forward contracts	2,266.3	3,434.6	1,980.3
Cash flow hedge accounting	1,228.2	1,097.1	1,104.5
Other	1,038.1	2,337.5	875.8
Cross-currency and interest rate swaps	72.9	74.5	70.9
Total	**2,339.2**	**3,509.1**	**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 Jun 2018	30 Jun 2017	31 Dec 2017
Guarantees	-	0.2	0.2
Customer financing	20.7	17.8	18.4
Operating leases	190.9	187.3	189.4
Other contingent liabilities	0.5	2.2	0.6
Total	**212.1**	**207.4**	**208.6**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 30 June 2018 was EUR 438.8 (30 Jun 2017: 392.9 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 Jun 2018	30 Jun 2017	31 Dec 2017
Less than 1 year	36.8	34.3	37.3
1–5 years	93.2	83.8	87.3
Over 5 years	60.9	69.2	64.8
Total	**190.9**	**187.3**	**189.4**

The aggregate operating lease expenses totalled EUR 21.7 (1–6/2017: 20.3 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 during the third quarter of 2018. 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 21.5 million and EUR 0.2 million to Cargotec's sales and operating profit, respectively.

Consolidation of the acquired businesses is provisional as of 30 June 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	5.0
Property, plant and equipment	1.0
Inventories	17.7
Accounts receivable and other non-interest-bearing assets	26.8
Interest-bearing receivables	3.2
Cash and cash equivalents	0.9
Deferred tax assets	0.1
Accounts payable and other non-interest-bearing liabilities	-34.9
Interest-bearing liabilities	-15.0
Deferred tax liabilities	-0.9
Net assets	**3.7**
Purchase price, payable in cash	8.5
Total consideration	**8.5**
Goodwill	**4.8**
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. The acquisition had no significant impact on reported amounts.

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 4.7 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 12.9 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 significant 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 June 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 Jun 2018	30 Jun 2017	31 Dec 2017
SEK	10.453	9.640	9.844
USD	1.166	1.141	1.199

Average rates	Q1-Q2/18	Q1-Q2/17	2017
SEK	10.172	9.590	9.639
USD	1.206	1.088	1.131

Calculation of key figures

Equity / share (EUR)	=		Total equity attributable to the equity holders of the parent / Number of outstanding shares at the end of period
Total equity / total assets (%)	=	100 x	Total equity / Total assets - advances received
Gearing (%)	=	100 x	Interest-bearing debt* - interest-bearing assets / Total equity
Return on equity (ROE) (%)	=	100 x	Net income for the period (annualised) / Total equity (average for the period)
Return on capital employed (ROCE) (%)	=	100 x	Income before taxes + interest and other financing expenses (annualised) / Total assets - non-interest-bearing debt (average for the period)
Basic earnings / share (EUR)	=		Net income for the period attributable to the equity holders of the parent / Average number of outstanding shares during the period
Diluted earnings / share (EUR)	=		Net income for the period attributable to the equity holders of the parent / 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	=	Interest-bearing net debt / EBITDA (earnings before interest, taxes, depreciation and amortisation), rolling 12 months

Quarterly key figures

Cargotec		**Q2/2018**	**Q1/2018**	**Q4/2017**	**Q3/2017**	**Q2/2017**
Orders received	MEUR	981	863	784	749	800
Service orders received	MEUR	248	239	221	225	214
Order book	MEUR	1,786	1,684	1,566	1,699	1,717
Sales	MEUR	816	773	886	736	836
Service sales	MEUR	235	226	238	223	223
Software sales	MEUR	29	32	45	30	42
Service and software sales, % of sales	%	32%	33%	32%	34%	32%
Operating profit	MEUR	21.3	53.2	54.7	52.5	58.9
Operating profit	%	2.6%	6.9%	6.2%	7.1%	7.0%
Operating profit*	MEUR	56.3	57.0	71.9	57.2	70.6
Operating profit*	%	6.9%	7.4%	8.1%	7.8%	8.4%
Basic earnings / share	EUR	0.03	0.52	0.42	0.50	0.56

Kalmar		**Q2/2018**	**Q1/2018**	**Q4/2017**	**Q3/2017**	**Q2/2017**
Orders received	MEUR	550	432	369	351	386
Order book	MEUR	947	837	786	895	929
Sales	MEUR	389	371	465	371	397
Service sales	MEUR	112	110	121	111	106
Software sales	MEUR	29	32	45	30	42
Operating profit*	MEUR	25.2	28.7	42.8	30.0	32.3
Operating profit*	%	6.5%	7.7%	9.2%	8.1%	8.1%

Hiab		**Q2/2018**	**Q1/2018**	**Q4/2017**	**Q3/2017**	**Q2/2017**
Orders received	MEUR	301	307	289	260	279
Order book	MEUR	337	329	300	294	290
Sales	MEUR	295	276	280	252	282
Service sales	MEUR	69	67	65	64	65
Operating profit*	MEUR	39.4	36.1	39.9	33.7	44.0
Operating profit*	%	13.4%	13.1%	14.3%	13.4%	15.6%

MacGregor		**Q2/2018**	**Q1/2018**	**Q4/2017**	**Q3/2017**	**Q2/2017**
Orders received	MEUR	131	124	126	139	136
Order book	MEUR	503	519	481	511	501
Sales	MEUR	133	126	141	114	157
Service sales	MEUR	54	49	53	48	52
Operating profit*	MEUR	2.6	0.2	1.2	2.9	4.3
Operating profit*	%	2.0%	0.2%	0.8%	2.5%	2.7%

*Operating profit excluding restructuring costs