CARGOTEC

FINANCIAL REVIEW 2015

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CEO's review

Pivotal year

The year 2015 was a milestone for Cargotec with regard to our set targets. The profitability improvement measures initiated two years ago were reached ahead of time, and the financial performance has changed direction. The improved profitability will enable investments supporting our strategy. The new strategy will offer us excellent opportunities to further develop our business.

Kalmar and Hiab reached the targets of their profit improvement programmes set for the year already by the end of the second quarter. MacGregor's market situation is challenging, but I am confident that we are taking the correct measures in order to adapt to the situation in that business area.

Sales in 2015 grew 11% and the operating profit margin excluding restructuring costs improved to 6.2 percent. Our 2015 cash flow was also strong. This development makes investments in R&D and the development of our operations possible, which in turn will be visible in our market shares. Leading market positions, technological market leadership and strong brands will continue to be our strengths.

> **Our new strategy** offers excellent opportunities to further develop our business.

Towards the end of the year, we updated our strategy with the aim of transforming Cargotec into a market leader in intelligent cargo handling by building on services, digitalisation and people leadership. We will invest in R&D in order to ensure that our products remain market leaders and ahead of our competitors' products. We will develop our portfolio by investing in businesses with high growth, as well as by complementing our technological competence and geographical coverage. In particular, we will invest in competence development in order to accelerate our transformation process. The focus for the current year will be on implementing Cargotec's new leadership profile and leadership training. We have also developed our internal ways of working so that we have better control and transparency into the development of our business.

Towards the end of the year, we also updated our financial targets: the new goals for each of the business areas are to reach 10 percent operating profit margin (EBIT) over the cycle as well as to grow faster than the market, and for the group to reach 15 percent return on capital employed (ROCE pre-tax) over the cycle. These targets reflect our growth strategy and expected high return on the planned investments.

Our business operations are influenced by a number of trends that are shaping society and consumption. Even though Cargotec operates in the B2B environment, we can also see changes in consumption patterns as changing expectations towards our operations. Consumers are increasingly interested in the logistics related to a product in addition to how ethical and environmentally friendly the product is. Almost all of the goods we use daily have been transported over long distances by road and sea. Efficient cargo handling is vital to international business, especially as the consuming middle class is growing globally. Urbanisation keeps investments in construction going, which provides us with opportunities to offer safe and sustainable solutions for transport challenges in cities.

We consider sustainable business to be good business. Our proprietary digital solutions improve the efficiency of our customers' business, and we aim to increasingly invest in these services. For example, they decrease fuel consumption and the possibility of human errors. Our products are also involved in installation work related to renewable energy, and we are developing related solutions. Eco-efficient products and solutions are at the core of our business, and this increases my confidence in us being on the correct path of development.

I would like to extend my thanks to our shareholders for their trust in the company, our customers for their excellent cooperation and our employees for their successful work.

Mika Vehviläinen
President and CEO, Cargotec

Board of Directors' report

Operating environment

The number of containers handled at ports globally is anticipated to have grown more than one percent in 2015. The clearly stronger growth at the beginning of the year slowed down during the second half due to uncertainty in the global economy, which reduced demand for freight. Nevertheless, demand for container handling equipment is supported by significantly larger ship sizes than earlier as well as customers' replacement investments. Customer interest in port automation solutions remained active. In the United States, the economic growth was reflected in strong demand for equipment supplied to distribution centres and heavy material handling customers. Demand for services was active throughout the year.

A strong market for load handling equipment in the US was particularly visible in the demand for truck-mounted forklifts and tail lifts. In Europe, the market situation varied significantly between countries. Demand for services was healthy.

The market for marine cargo handling equipment was weak throughout the year for bulk carriers in particular. However, demand for marine cargo handling equipment for large container ships improved during the second half. An intense fall in investments of oil industry was reflected in low demand for offshore load handling solutions. Demand for services was stable.

Orders received and order book

Orders received in 2015 decreased one percent from the comparison period and totalled EUR 3,557 (3,599) million. Compared to the comparison period, currency rate changes had a five percentage point positive impact on orders received. Service orders grew two percent from the comparison period and totalled EUR 880 (860) million. Of the 2015 orders, 50 percent were received by Kalmar, 27 percent by Hiab and 23 percent by MacGregor. In geographical terms, the share of orders received increased to 31 (25) percent in the Americas and decreased to 28 (33) percent in Asia-Pacific. EMEA's share of all orders was 41 (42) percent.

The order book declined six percent from the 2014 year-end level, and at the end of 2015 it totalled EUR 2,064 (31 Dec 2014: 2,200) million. Kalmar's order book totalled EUR 877 (805) million, representing 42 (37) percent, Hiab's EUR 305 (264) million or 15 (12) percent and that of MacGregor EUR 883 (1,131) million or 43 (51) percent of the consolidated order book.

Sales

Sales in 2015 grew 11 percent from the comparison period and totalled EUR 3,729 (3,358) million. Compared to the comparison period, currency rate changes had a seven percentage point positive impact on sales. Sales in services grew to EUR 883 (814) million, representing 24 (24) percent of sales. Sales grew in all geographical areas. EMEA's share of consolidated sales declined to 40 (43) percent, whereas that of Asia-Pacific grew to 32 (30) percent. Americas' share remained unchanged at 28 (27) percent. Services sales grew in all geographic areas.

Financial result

Operating profit in 2015 clearly improved from the comparison period, totalling EUR 213.1 (126.6) million. Operating profit includes EUR 17.7 (22.7) million in restructuring costs. EUR 2.5 (1.5) million of the restructuring costs were related to Kalmar, EUR 0.9 (18.5) million to Hiab, EUR 14.3 (2.3) million to MacGregor, and EUR 0.0 (0.4) million to corporate administration and support functions.

Operating profit in 2015 excluding restructuring costs totalled EUR 230.7 (149.3) million, representing 6.2 (4.4) percent of sales. Excluding restructuring costs, operating profit for Kalmar amounted to EUR 129.9 (56.8) million, Hiab EUR 100.5 (61.0), and MacGregor EUR 30.1 (53.9) million. The comparison period included EUR 52 million in project cost overruns in Kalmar. Kalmar's and Hiab's operating profit improved as a result of profit improvement measures undertaken during the past two years. In addition to a EUR 11 million one-time cost related to a commercial settlement with a customer, MacGregor's operating profit was burdened by deliveries weighting towards low margin bulk ships and offshore vessels as well as relatively higher indirect costs in the second half of the year as the restructuring carried-out will have an impact first in 2016.

Net interest expenses for interest-bearing debt and assets in 2015 totalled EUR 20.6 (30.1) million and net financing expenses EUR 26.9 (28.4) million. Net income in 2015 totalled EUR 142.9 (72.0) million, and earnings per share EUR 2.21 (1.11).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,571 (31 Dec 2014: 3,652) million at the end of 2015. Equity attributable to equity holders was EUR 1,339 (1,209) million, representing EUR 20.73 (18.76) per share. Property, plant and equipment on the balance sheet was EUR 306 (303) million and intangible assets were EUR 1,249 (1,247) million.

Return on equity (ROE, annualised) in 2015 increased to 11.2 (5.9) percent, and return on capital employed (ROCE, annualised) increased to 9.8 (6.2) percent.

Cash flow from operating activities in 2015, before financial items and taxes, totalled EUR 315 (204) million.

Net working capital decreased from EUR 186 million at the end of 2014 to EUR 151 million.

Cargotec's liquidity position is healthy. At the end of 2015, interest-bearing net debt totalled EUR 622 (31 Dec 2014: 719) million. Interest-bearing debt amounted to EUR 803 (932) million, of which EUR 69 (193) million was current and EUR 734 (739) million non-current debt. On 31 December 2015, the average interest rate on the loan portfolio was 2.2 (2.4) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 180 (31 Dec 2014: 213) million.

In May, in order to further strengthen its liquidity and financial position and to take advantage of loan market conditions, Cargotec refinanced its EUR 200 million bank loans originally maturing in 2016. Of these new loans, EUR 150 million will mature in 2018 and EUR 50 million in 2019.

At the end of 2015, Cargotec's total equity/total assets ratio was 39.8 (31 Dec 2014: 35.9) percent. Gearing decreased to 46.4 (59.2) percent, below the 50 percent target level. Dividend payment in 2015 totalled EUR 36.1 (27.6) million.

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

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

Research and development

Research and product development expenditure in 2015 totalled EUR 82.8 (67.3) million, representing 2.2 (2.0) percent of sales. EUR 4.3 (5.0) million was capitalised. Research and product development investments were focused on projects that aim to improve the competitiveness and cost efficiency of products.

Kalmar

At the end of 2015, Kalmar introduced the industry first fast charging solution for electric powered shuttle and straddle carriers. The solution is emission-free and can be applied to both automated and manual operation.

Earlier during the year, Kalmar launched a new terminal tractor for the European market, with benefits such as enhanced driver safety and efficiency, reduced lifetime cost of ownership, as well as modular construction ensuring manufacturing flexibility. Additionally, Kalmar and Navis introduced Kalmar OneTerminal, the industry's first integrated offering for automated container terminals consisting of software, equipment and services and providing three initial terminal concepts.

During the first half of the year, Kalmar presented its next-generation automatic stacking crane (ASC) system, at the heart of which is the new 5th generation ASC.

Kalmar also presented Kalmar K-Motion technology for its reachstackers. K-Motion is an innovative drive train system with efficient transmission technologies – both hydrostatic and mechanical – in combination with smart programming.

Early in 2015, Kalmar introduced new heavy forklift trucks in the 18–33 tonne capacity range, as well as a new reachstacker for empty container handling.

Hiab

In 2015, Hiab introduced several new products. Five new loader crane models were introduced to the high capacity range to lift heavy and bulk materials. A new loader crane targeted specifically for the German market was introduced to the mid capacity range. All of these loader cranes have been designed for use where a high load-cycle speed and precision are required. Hiab also launched a new safety system for its heavy crane range that automatically regulates crane capacity in relation to the actual stability of the vehicle whilst it is working. It is designed to protect the crane operator, people nearby and the crane and vehicle outfit.

During the year, Hiab presented to the North American market the first of its new long boom cranes, specifically designed for the drywall and building materials industry.

Hiab also introduced a new forestry crane and a new-generation cabin. The forestry crane's high lift/weight ratio for a higher payload ensures that the customer can move more timber. The larger-than-before window area in the cabin increases safety. Hiab also launched the new HIAB Z-series loader cranes, which can be folded into a Z position and parked behind the driver's cab with tools still attached.

Additionally, Hiab introduced a new-generation skiploader. The new skiploader has over 100 smart and safe innovations, such as a steel construction that enables a 300–500 kg higher payload. Hiab also launched its 12 T-series light range loader cranes featuring hybrid technology. Their hybrid operating system is environmentally friendly, since it saves fuel due to the batteries being charged while the engine is running.

A completely new 750 kg ultra-light weight cantilever tail lift for the 3.5 t transport vehicle segment was launched during the first part of the year. Its rapid operation creates competitive frequent usage while its stability provides a safe working environment.

MacGregor

In 2015, MacGregor and Maersk Line, part of the Maersk Group, agreed to cooperate on the development of the next generation of container securing systems. The companies have cooperated within securing systems since the container ship sizes started to grow from feeder sizes to the present ultra-large container ships.

Earlier during the year, MacGregor completed the installation of the Floating Production Storage Offload (FPSO) unit 'Goliat' in the Barents Sea. The unit uses an innovative Pusnes mooring system developed in close cooperation with the client to ensure reliable operation in extreme conditions over its 30-year lifespan.

Additionally, MacGregor introduced a semi-electric offshore knuckle boom crane and an electrically driven active heave-compensated (AHC) option for anchor handling winches. MacGregor also established a cross-divisional technology, sourcing and QEHS (quality, environment, health & safety) function to ensure a stronger focus on R&D collaboration within divisions in product development.

Capital expenditure

Capital expenditure in 2015, excluding acquisitions and customer financing, totalled EUR 38.2 (37.7) million. Investments in customer financing were EUR 40.6 (41.6) million. Depreciation, amortisation and impairment amounted to EUR 76.5 (81.2) million.

During the second quarter, Kalmar decided to invest around three million euros in a new port automation testing and development platform at its Technology and Competence Centre in Tampere, Finland. The platform will primarily be used for testing in customer projects and new product releases. The investment includes all modules required to run an automated container yard operation, including a total automation system, a new automatic stacking crane (ASC) and the R&D work required for deployment. The testing platform is expected to be fully operational in early 2016.

Personnel

Cargotec employed 10,837 (31 Dec 2014: 10,703) people at the end of 2015. Kalmar employed 5,328 (5,219) people, Hiab 2,757 (2,572), MacGregor 2,543 (2,737), and corporate administration and support functions 209 (176). The average number of employees in 2015 was 10,772 (10,838).

At 2015 year-end, 12 (31 Dec 2014: 13) percent of the employees were located in Sweden, 8 (8) percent in Finland and 38 (37) percent in the rest of Europe. Asia-Pacific personnel represented 25 (25) percent, North and South American 14 (14) percent, and the rest of the world 2 (2) percent of total employees.

In August, MacGregor announced plans to reduce its workforce in Uetersen, Germany, to restructure the operations to the weak market demand. The target is to reach annual savings of EUR 7 million as of 2016, and the initiated measures were estimated to create restructuring costs of EUR 5 million in 2015. In relation to these measures, EUR 5.3 million in restructuring costs were booked in the second half. The capacity adjustment measures had an impact on approximately 100 employees by the end of 2015. In addition, during the third quarter, MacGregor initiated several smaller restructuring measures globally in its units mainly due to low demand in the offshore segment. In relation to these measures, EUR 4.5 million in restructuring costs were booked in the fourth quarter.

The savings measures announced in April in MacGregor have been completed. As a result, some 200 employees were reduced globally. The target is to achieve annual savings of EUR 20 million. In relation to these measures, EUR 4.5 million in restructuring costs were booked in April–September.

Salaries and remunerations to employees totalled EUR 538 (506) million in 2015.

At the end of 2015, Cargotec conducted a company-wide employee engagement survey, Compass. The survey was completed at the end of the year with an 86% participation rate (2014: 75%). Its results show a consistent positive trend in all categories, such as in employee engagement and overall work satisfaction. Particulary significant was the result improvement in terms of manager effectiveness, understanding of the company strategy and in the performance climate. A detailed result analysis and action planning together with employees has started.

New strategy and financial targets

Cargotec's ambition is to become the leader in intelligent cargo handling by building on services, digitalisation and people leadership. Cargotec will invest in R&D, digitalisation and developing internal capabilities in order to speed up this transformation and support profitable growth.

The goal for each of the three business areas is to reach 10 percent operating profit margin (EBIT) over the cycle and grow faster than the market. Cargotec's goals are to reach 15 percent return on capital employed (ROCE pre-tax) over the cycle, gearing below 50 percent, as well as dividend payout of 30–50 percent of earnings per share.

Corporate responsibility

In 2015, sustainability work at Cargotec focused on integrating sustainability and the Cargotec strategy. New Cargotec level targets were not set; businesses continued implementing the 2014 targets and developing continuous improvement. In addition, businesses developed their own management processes as well as their respective sustainability targets.

In Cargotec-level targets, the focus was on widening the reporting of key environmental and safety figures and further developing safety in the working environment of production sites. Hiab and Kalmar achieved clear improvements in the safety practices of production sites and management processes. The follow-up of key environmental and safety figures was significantly improved in all business areas, and the key figures for 2015 will be assured by an external service provider. At MacGregor, re-organisations created challenges in reaching sustainability targets. The outlook for reaching the 2016 targets is good, and developed management practices support the progress of the sustainability work.

Cargotec will publish its Sustainability Report in March 2016.

Internal control and risk management

The objective of Cargotec's internal control is to ensure that operations are efficient and profitable, risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the code of conduct. With respect to the financial reporting process, these are supported by Cargotec's policies and guidelines, as well as its internal financial reporting process and communication. Cargotec's internal control policy, which is approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. Similarly to other Cargotec operations, responsibility for internal control is divided into three tiers. The line management is principally responsible for internal control. This is backed by corporate support functions, which define instructions applicable across the company and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers function effectively.

Cargotec's Corporate Audit is an independent and objective assurance and consulting activity that operates separately from the operative organisation and reports to the Board Audit and Risk Management Committee and, administratively, to the President and CEO. Corporate Audit takes account of the major risks identified in the company's risk map when developing the audit plan and monitors the mitigation of selected risks. It regularly reports on its findings and audit activities to the company management and the Board Audit and Risk Management Committee.

At Cargotec, risk management forms part of internal control operations. Approved by the Board of Directors, the risk management policy specifies the objectives and principles of the risk management as well as the responsibilities involved. The President and CEO and the Executive Board are responsible for the methods, implementation and supervision of risk management, and report on these to the Board of Directors. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and which are in charge of identifying, managing and reporting risks. Financial risks are centrally managed by the Corporate Treasury, and reported on for corporate management and the Board of Directors on a regular basis.

Market development, corporate restructuring, China and digitalisation were the main market-related areas where risks were identified for Cargotec in 2015. Operational risks were related to performance culture, leadership and talent allocation, legal and contract risks, and information security. Employee, customer and third-party health, safety and environmental risks are carefully considered and continuously monitored as top priorities in Cargotec's risk evaluation and management processes.

More information on financial risks is available in Note 3 to the consolidated financial statements, Financial risk management.

Executive Board

On 31 December 2015, Cargotec's Executive Board included President and CEO Mika Vehviläinen; Executive Vice President and CFO Eeva Sipilä; Senior Vice President, Human Resources, Mikko Pelkonen; Senior Vice President, Strategy, Mikael Laine; and business area presidents Olli Isotalo (Kalmar), Roland Sundén (Hiab) and Michel van Roozendaal (MacGregor). Senior Vice President, General Counsel Outi Aaltonen acted as Secretary to the Executive Board.

Reporting segments

Kalmar

Kalmar's orders received in 2015 increased 19 percent from comparison period, and were EUR 1,764 (1,482) million. Order book grew nine percent from the 2014 year-end, and at the end of the year it totalled EUR 877 (31 Dec 2014: 805) million.

Kalmar's 2015 sales grew 12 percent from the comparison period to EUR 1,663 (1,487) million. Sales for services grew 10 percent from the comparison period to EUR 433 (395) million, representing 26 (27) percent of sales.

Kalmar's operating profit for 2015 more than doubled from the comparison period and totalled EUR 127.3 (55.3) million. Operating profit includes EUR 2.5 (1.5) million in restructuring costs. Operating profit, excluding restructuring costs, amounted to EUR 129.9 (56.8) million, representing 7.8 (3.8) percent of sales. The comparison period included EUR 52 million in project cost overruns. The improvement in profitability resulted from investments in more competitive products, strengthened market position as well as successful execution of measures undertaken to improve profitability.

Hiab

In 2015, Hiab's orders received increased six percent from the comparison period and totalled EUR 967 (909) million. During the year, Hiab received several large orders: an order for over 1,200 loader cranes from India, two significant truck-mounted forklift orders from the USA, as well as loader crane orders from Australia, one consisting of an order for 90 loader cranes and their installation and the other for 30 loader cranes used in steel transportation. Otherwise, orders during the year consisted of small, individual orders typical of the business. The order book grew 15 percent from 2014 year-end, totalling EUR 305 (31 Dec 2014: 264) million at the end of 2015.

Hiab's 2015 sales grew ten percent from the comparison period and amounted to EUR 928 (840) million. Sales for services totalled EUR 218 (196) million, or 23 (23) percent of sales.

Hiab's operating profit for 2015 more than doubled from the comparison period to EUR 99.6 (42.5) million. Operating profit includes EUR 0.9 (18.5) million in restructuring costs. Operating profit, excluding restructuring costs, totalled EUR 100.5 (61.0), representing 10.8 (7.3) percent of sales. The continuous improvement in profitability over several quarters is the result of investments in more competitive products and determined execution of measures undertaken to improve profitability.

MacGregor

MacGregor's orders for 2015 declined 32 percent and totalled EUR 828 (1,210) million. The order book decreased 22 percent from the 2014 year-end, totalling EUR 883 (31 Dec 2014: 1,131) million at the end of 2015. Two thirds of the order book is merchant ship-related and one third is offshore vessel-related.

MacGregor's 2015 sales grew ten percent from the comparison period to EUR 1,139 (1,034) million. Sales for services totalled EUR 232 (224) million, representing 20 (22) percent of sales

MacGregor's operating profit for 2015 amounted to EUR 15.8 (51.7) million. Operating profit includes EUR 14.3 (2.3) million in restructuring costs and EUR 10.3 (10.0) million in amortisation and depreciation of fixed assets related to business acquisitions. Restructuring costs were related to adjustments to the challenging market situation. Operating profit, excluding restructuring costs, totalled EUR 30.1 (53.9) million, representing 2.6 (5.2) percent of sales. Operating profit also includes a EUR 11 million one-time cost related to a commercial settlement with a customer. In addition, operating profit margin was burdened by deliveries weighting towards low margin bulk ships and offshore vessels as well as relatively higher indirect costs in the second half of the year as the restructuring carried-out will have an impact first in 2016.

Decisions taken at Cargotec Corporation's Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM), held on 18 March 2015, approved the 2014 financial statements and consolidated financial statements, discharging the President and CEO and members of the Board of Directors from liability for the accounting period 1 January–31 December 2014. The Annual General Meeting approved a dividend of EUR 0.54 be paid for each of class A shares and a dividend of EUR 0.55 be paid for each of class B shares. The dividend payment date was 27 March 2015.

The Annual General Meeting authorised the Board of Directors to decide on the repurchase of own shares with non-restricted equity. Altogether no more than 952,000 class A shares and 5,448,000 class B shares may be purchased. The authorisation shall remain in effect for a period of 18 months from the resolution by the Annual General Meeting. More detailed information on the authorisation was published in a stock exchange release on the day of the AGM, 18 March 2015.

The number of ordinary members of the Board of Directors was confirmed at seven. Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Antti Lagerroos, Teuvo Salminen and Anja Silvennoinen were re-elected to the Board of Directors. The meeting decided to keep the yearly remuneration for the Board of Directors unchanged as follows: a yearly remuneration of EUR 80,000 will be paid to the Chairman of the Board, EUR 55,000 to the Vice Chairman, EUR 55,000 to the Chairman of the Audit and Risk Management Committee, and EUR 40,000 to the other Board members. In addition, it was decided that the members receive EUR 1,000 for attendance at board and committee meetings. The meeting decided that 30 percent of the yearly remuneration will be paid in Cargotec's class B shares and the rest in cash.

The Annual General Meeting elected authorised public accountants Tomi Hyryläinen and PricewaterhouseCoopers Ltd as auditors. The auditors' fees were decided to be paid according to invoice approved by the company.

Organisation of the Board of Directors

On 18 March 2015, the Board of Directors elected Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. Outi Aaltonen, Senior Vice President, General Counsel, continues as Secretary to the Board.

Ilkka Herlin, Teuvo Salminen (chairman) and Anja Silvennoinen were elected as members of the Audit and Risk Management Committee. Jorma Eloranta, Tapio Hakakari, Ilkka Herlin (chairman) and Peter Immonen were elected to the Nomination and Compensation Committee.

The Board of Directors decided to continue the practice that the members are to keep the Cargotec shares they have obtained in remuneration under their ownership for at least two years from the day they obtained them. The shares will be purchased at market price on a quarterly basis.

Shares and trading

Share capital, own shares and share issue

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of 2015. The number of class B shares was 55,164,983, while the number of class A shares totalled 9,526,089. During the year, the number of class B shares increased by 253,774 as a result of the subscription for shares under the 2010 option rights. The entire subscription price of EUR 4,588,185.70 was credited to the reserve for invested non-restricted equity, meaning that Cargotec's share capital remained unchanged.

On 31 December 2015, class B shares accounted for 85.3 (85.2) percent of the total number of shares and 36.7

(36.6) percent of votes. Class A shares accounted for 14.7 (14.8) percent of the total number of shares and 63.3 (63.4) percent of votes. The total number of votes attached to all shares was 15,039,972 (15,014,329). At the end of 2015, Cargotec Corporation had 24,705 (28,031) registered shareholders. There were 13,127,208 (10,023,740) nominee-registered shares, representing 20.3 (15.6) percent of the total number of shares, which corresponds to 8.7 (6.7) percent of all votes.

In September, Cargotec repurchased a total of 92,700 of its own class B shares based on the authorisation of the AGM on 18 March 2015 for a total cost of EUR 2,409,009.00. The shares were repurchased for use as reward payments for the share-based incentive programme 2014 and for restricted share grants 2015 and 2016. Payments and grants will be realised as per their respective terms and conditions, starting on 1 March 2016 at the earliest.

On 19 March 2015, Cargotec repurchased 28,030 of its own class B shares based on the authorisation of the AGM on 18 March 2015 for a total cost of EUR 940,317.79. Shares were repurchased for the share-based incentive programme 2014. Based on the authorisation granted by the 2014 AGM, the Board decided on 18 March 2015 on a directed share issue as a reward payment for the restricted shares under this share-based incentive programme. These shares were transferred without consideration to those employees participating in the restricted shares programme who fulfilled the earnings criteria.

At the end of 2015, Cargotec held a total of 92,700 own class B shares, accounting for 0.14 percent of the total number of shares and 0.06 percent of the total number of votes, and the number of outstanding class B shares totalled 55,072,283.

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

Share-based incentive programmes

In February 2015, Cargotec's Board of Directors approved a new long-term incentive programme for key personnel at Cargotec for 2015–2018. The programme is similar in form to the one approved a year earlier covering 2014–2017. The number of participants is 85 persons, including Cargotec's President and CEO and members of the Executive Board. This new programme consists of two phases. The first phase included specific financial performance targets for the year 2015 (business area or corporate return on capital employed, ROCE). The second phase consists of an additional earnings multiplier, which is based on Cargotec's total shareholder return (TSR) at the end of a three-year performance period in 2017.

The potential reward will be delivered in Cargotec class B shares in the beginning of 2018. The gross reward, before deduction for the applicable taxes and employment related expenses, is in the range of 25–120 percent of the annual base salary for on-target performance (for maximum performance the range is 75–360 percent of the annual base salary). If the performance remains on target for the maximum number of participants, the cost of the programme for the three-year period would be approximately EUR 6.5 million (for maximum performance approximately EUR 19 million). If the financial performance threshold levels are not met, there will not be any incentive payment.

Based on the first phase of the programme, 62 participants will be rewarded.

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

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

Option programme

The 2010 AGM confirmed the issue of stock options for key personnel at Cargotec and its subsidiaries. The programme includes 2010A, 2010B and 2010C stock options, with 400,000 stock options in each series and each stock option entitling its holder to subscribe for one (1) new class B share in Cargotec. For share subscription to commence, the required attainment of targets is determined by the Board of Directors. A total of 378,864 2010B stock options and 400,000 2010C stock options held by the company were cancelled, as the earnings criteria for the stock options were not fulfilled. 2010A and 2010B stock options are listed on the main list of Nasdaq Helsinki Ltd.

The share subscription period with 2010A stock options ended on 30 April 2015. During the subscription period, a total of 384,912 class B shares were subscribed for. After the end of the share subscription period, the unused 2010A stock options were null and void.

The share subscription period for 2010B stock options is from 1 April 2014 to 30 April 2016. The share subscription price at the end of 2015 was EUR 28.54 per share, and the number of 2010B stock options was 19,856.

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

Market capitalisation and trading

At the end of 2015, the total market value of class B shares was EUR 1,900 (1,403) million, excluding own shares held by the company. The year-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 2,228 (1,647) million, excluding own shares held by the company.

The class B share closed at EUR 34.50 (25.55) on the last trading day of December on Nasdaq Helsinki Ltd. The volume-weighted average share price for the financial period was EUR 31.58 (27.65), the highest quotation being EUR 37.37 (34.67) and the lowest EUR 23.70 (20.57). In 2015, a total of 58 (54) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,837 (1,486) million. In addition, according to Fidessa, a total of 62 (61) million class B shares were traded in several alternative marketplaces, such as BATS Chi-X CXE and BATS OTC, corresponding to a turnover of EUR 1,966 (1,743) million.

Loans, liabilities and commitments to related parties

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

Board of Directors and the President and CEO

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

Events after the financial period

On 3 February 2016, Cargotec announced that Cargotec's CFO Eeva Sipilä will leave Cargotec to take up the position of CFO at Metso Corporation. Eeva Sipilä will continue in her current position and as a member of Cargotec's Executive Board latest until the end of July 2016. The process for finding her successor has been started.

In January 2016, Cargotec agreed to acquire INTERSCHALT maritime systems AG, the leading specialist software and related service provider to the maritime industry. The acquisition will complement Cargotec's strategic aim of being the leader in intelligent cargo handling. Cargotec will gain more competence in technologically advanced software and service solutions and attain a global footprint with branch offices, services stations and partner representations. INTERSCHALT's sales in 2014 amounted to EUR 42 million and it employs over 200 people. The closing of the transaction is expected to take place in the first quarter of 2016 and is subject to the approval of competition authorities.

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. Uncertainty related to economic developments is estimated to continue. The slowdown in global economic growth has reduced growth in container traffic, which, if it continues, may have an impact on the decision-making of Kalmar's customers. Such uncertainty may be increased by risks stemming from political uncertainty, volatility on the currency and raw material markets, or from the financing sector. Greater difficulty in obtaining financing would weaken customers' liquidity and investments.

MacGregor's market situation in particular involves a range of uncertainties. It is anticipated that the oversupply in the merchant ship market will take longer to balance out than expected, since capacity will continue to increase – especially in bulk carriers – while demand is expected to grow very moderately. At the same time, the low oil price and uncertainty regarding its development has led to an intense fall in investments by oil industry and created oversupply in the offshore market. This complicates demand forecasting for MacGregor offshore solutions. The concurrent deterioration in both markets has a negative impact on the financial situation of shipyards and ship owners, as well as ship operators. Furthermore, in the challenging market situation, customers may also try to postpone or cancel orders.

More information on risks is available at www.cargotec.com, under Investors > Governance > Internal control and risk management > Risk management in 2015.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2015 was EUR 1,188,036,043.67 of which net income for the period was EUR 154,716,949.06. The Board of Directors proposes to the AGM convening on 22 March 2016 that of the distributable profit, a dividend of EUR 0.79 for each of the 9,526,089 class A shares and EUR 0.80 for each of the 55,072,283 outstanding class B shares be paid, totalling EUR 51,583,436.71. The remaining distributable equity, EUR 1,136,452,606.96, will be retained and carried forward.

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

Outlook for 2016

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

Annual General Meeting 2016

The Annual General Meeting of Cargotec Corporation will be held at the Marina Congress Center in Helsinki on Tuesday, 22 March 2016 at 1.00 p.m. EET.

Helsinki, 9 February 2016

Cargotec Corporation
Board of Directors

Consolidated financial statements (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2015	%	1 Jan–31 Dec 2014	%
Sales	4, 6	**3,729.3**		**3,357.8**	
Cost of goods sold		-2,942.0		-2,723.3	
Gross profit		**787.3**	**21.1**	**634.5**	**18.9**
Other operating income	7	40.4		48.1	
Selling and marketing expenses		-210.4		-190.5	
Research and development expenses		-85.2		-69.3	
Administration expenses		-264.3		-228.4	
Restructuring costs	8	-17.7		-22.7	
Other operating expenses	7	-39.8		-50.5	
Share of associated companies' and joint ventures' net income	17	2.8		5.3	
Operating profit	4, 7, 8, 9, 10	**213.1**	**5.7**	**126.6**	**3.8**
Financing income	11	2.2		8.4	
Financing expenses	11	-29.1		-36.8	
Income before taxes		**186.2**	**5.0**	**98.2**	**2.9**
Income taxes	12	-43.3		-26.1	
Net income for the period		**142.9**	**3.8**	**72.0**	**2.1**
Net income for the period attributable to:					
Equity holders of the parent		143.0		71.4	
Non-controlling interest		-0.1		0.6	
Total		**142.9**		**72.0**	
Earnings per share for profit attributable to the equity holders of the parent:	13				
Basic earnings per share, EUR		2.21		1.11	
Diluted earnings per share, EUR		2.21		1.11	

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

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Net income for the period		142.9	72.0
Items that will not be reclassified to statement of income:			
Defined benefit plan actuarial gains (+)/losses (-)	27	3.0	-10.1
Taxes relating to items that will not be reclassified to statement of income	12	-0.4	1.8
Total		**2.6**	**-8.3**
Items that may be reclassified subsequently to statement of income:			
Gains (+)/losses (-) on cash flow hedges		-11.1	-45.1
Gains (+)/losses (-) on cash flow hedges transferred to statement of income		3.6	10.4
Gains (+)/losses (-) on net investment hedges		-4.0	
Translation differences		36.0	-54.8
Taxes relating to items that may be reclassified subsequently to statement of income	12	-10.1	26.6
Total		**14.4**	**-62.9**
Comprehensive income for the period		**159.9**	**0.8**
Comprehensive income for the period attributable to:			
Equity holders of the parent		160.0	0.0
Non-controlling interest		0.0	0.8
Total		**159.9**	**0.8**

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

Consolidated balance sheet

MEUR	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Goodwill	14	976.4	962.9
Other intangible assets	15	272.4	284.4
Property, plant and equipment	16	306.0	302.9
Investments in associated companies and joint ventures	17	116.7	104.8
Available-for-sale investments	18, 21	3.8	3.8
Loans receivable and other interest-bearing assets *	21	2.0	3.4
Deferred tax assets	19	183.5	178.0
Derivative assets	21, 30	35.3	15.5
Other non-interest-bearing assets	21, 22	5.7	5.8
Total non-current assets		**1,901.8**	**1,861.5**
Current assets			
Inventories	20	655.4	690.5
Loans receivable and other interest-bearing assets *	21	2.6	4.4
Income tax receivables		20.0	24.5
Derivative assets	21, 30	36.7	20.5
Accounts receivable and other non-interest-bearing assets	21, 22	778.4	845.4
Cash and cash equivalents *	21, 23	175.8	205.4
Total current assets		**1,668.9**	**1,790.8**
Total assets		**3,570.7**	**3,652.3**

* Included in interest-bearing net debt.

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

MEUR	Note	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Translation differences		47.7	26.7
Fair value reserves		-26.7	-20.1
Reserve for invested non-restricted equity		76.1	74.9
Retained earnings		1,079.9	965.0
Total equity attributable to the equity holders of the parent	**24, 25**	**1,339.3**	**1,208.8**
Non-controlling interest		2.4	5.0
Total equity		**1,341.8**	**1,213.8**
Non-current liabilities			
Interest-bearing liabilities *	21, 26, 32	768.1	753.2
Deferred tax liabilities	19	72.1	77.8
Pension obligations	27	71.3	71.6
Provisions	28	22.9	24.0
Derivative liabilities	21, 30	-	0.2
Other non-interest-bearing liabilities	21, 29	42.3	34.7
Total non-current liabilities		**976.7**	**961.5**
Current liabilities			
Current portion of interest-bearing liabilities *	21, 26, 32	5.9	7.1
Other interest-bearing liabilities *	21, 26	62.8	186.1
Provisions	28	75.9	80.9
Advances received		197.2	271.3
Income tax payables		24.3	12.8
Derivative liabilities	21, 30	14.2	64.6
Accounts payable and other non-interest-bearing liabilities	21, 29	872.1	854.1
Total current liabilities		**1,252.3**	**1,476.9**
Total equity and liabilities		**3,570.7**	**3,652.3**

* Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

MEUR	Note	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 2014		64.3	98.0	64.1	5.7	73.5	927.8	1,233.3	6.2	1,239.4
Net income for the period							71.4	71.4	0.6	72.0
Cash flow hedges					-25.7			-25.7		-25.7
Net investment hedges				-				-		-
Translation differences				-37.4				-37.4	0.2	-37.2
Defined benefit plan actuarial gains (+)/losses (-)							-8.3	-8.3		-8.3
Comprehensive income for the period *				**-37.4**	**-25.7**	**-**	**63.1**	**0.0**	**0.8**	**0.8**
Dividends paid	24						-26.9	-26.9	-0.7	-27.6
Acquisition of treasury shares						-0.9		-0.9		-0.9
Stock options exercised						2.3		2.3		2.3
Share-based incentives *	25						1.1	1.1		1.1
Transactions with owners of the company						**1.4**	**-25.8**	**-24.4**	**-0.7**	**-25.1**
Transactions with non-controlling interests								-	-1.3	-1.3
Equity 31 Dec 2014		**64.3**	**98.0**	**26.7**	**-20.1**	**74.9**	**965.0**	**1,208.8**	**5.0**	**1,213.8**
Equity 1 Jan 2015		64.3	98.0	26.7	-20.1	74.9	965.0	1,208.8	5.0	1,213.8
Net income for the period							143.0	143.0	-0.1	142.9
Cash flow hedges					-6.6			-6.6		-6.6
Net investment hedges				-4.0				-4.0		-4.0
Translation differences				25.0				25.0	0.1	25.1
Defined benefit plan actuarial gains (+)/losses (-)							2.6	2.6		2.6
Comprehensive income for the period *				**21.0**	**-6.6**	**-**	**145.6**	**160.0**	**0.0**	**159.9**
Dividends paid	24						-35.3	-35.3	-0.8	-36.1
Acquisition of treasury shares						-3.4		-3.4		-3.4
Stock options exercised						4.6		4.6		4.6
Share-based incentives *	25						2.8	2.8		2.8
Transactions with owners of the company						**1.2**	**-32.5**	**-31.3**	**-0.8**	**-32.0**
Transactions with non-controlling interests							1.8	1.8	-1.8	0.0
Equity 31 Dec 2015		**64.3**	**98.0**	**47.7**	**-26.7**	**76.1**	**1,079.9**	**1,339.3**	**2.4**	**1,341.8**

* Net of tax.

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

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Net income for the period		142.9	72.0
Depreciation, amortisation and impairment	10	76.5	81.2
Financing items	11	26.9	28.4
Taxes	12	43.3	26.1
Change in receivables		74.6	-118.3
Change in payables		-108.4	161.5
Change in inventories		63.2	-34.9
Other adjustments		-4.4	-11.8
Cash flow from operations		**314.6**	**204.3**
Interest received		1.3	3.9
Interest paid		-22.0	-32.5
Other financial items		-50.9	-45.4
Income taxes paid		-47.4	-20.0
Cash flow from operating activities		**195.6**	**110.2**
Acquisitions, net of cash acquired	5	-0.6	-187.3
Divestments, net of cash sold	5	-	4.6
Investments to associated companies and joint ventures	17	-2.9	-3.4
Investments to intangible assets	15	-12.1	-13.4
Investments to property, plant and equipment	16	-66.7	-65.9
Proceeds from sales of fixed assets	16	21.3	34.0
Cash flow from investing activities, other items		3.2	1.6
Cash flow from investing activities		**-57.8**	**-229.8**
Stock options exercised	25	4.6	2.3
Acquisition of treasury shares		-3.4	-0.9
Acquisition of non-controlling interest		-3.5	-
Proceeds from long-term borrowings		120.0	300.0
Repayments of long-term borrowings		-125.0	-230.7
Proceeds from short-term borrowings		177.0	294.2
Repayments of short-term borrowings		-311.5	-322.7
Dividends paid	24	-36.1	-27.6
Cash flow from financing activities		**-177.9**	**14.7**
Change in cash		**-40.2**	**-104.9**
Cash, cash equivalents and bank overdrafts 1 Jan	23	203.4	303.3
Effect of exchange rate changes		1.7	5.0
Cash, cash equivalents and bank overdrafts 31 Dec	23	**164.9**	**203.4**
Bank overdrafts 31 Dec	23	10.9	2.0
Cash and cash equivalents 31 Dec		**175.8**	**205.4**

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

Notes to the consolidated financial statements (IFRS)

Contents

1. Accounting principles for the consolidated financial statements

General information

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

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

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

These consolidated financial statements were approved for publishing by the Board of Directors on 9.2.2016. Pursuant to the Finnish Limited-Liability Companies Act the shareholders have the right to approve or reject the financial statements in the Annual General Meeting held after their publication. The Annual General Meeting also has the right to amend the financial statements. A copy of the financial statements is available at www.cargotec.com or from Cargotec Corporation, Investor relations, P.O.Box 61, 00501 Helsinki, Finland.

Accounting principles and new accounting standards

Cargotec Corporation's consolidated financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union. The IAS and IFRS standards as well as SIC and IFRIC interpretations valid on 31 December 2015 have been used in preparation of the financial statements.

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

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

Starting from 1 January 2015, Cargotec has adopted the following new standards and amendments:

IFRIC 21 Levies. This interpretation relates to IAS 37 Provisions, contingent liabilities and contingent assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event. The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liability should be recognised.

Amendments to IAS 19 Defined benefit plans: Employee Contributions. The amendment allows contributions that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period when the service is provided.

The annual improvements cycles 2010–2012 and 2011–2013 included various amendments and clarifications to IFRSs.

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

Consolidation principles

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

Subsidiaries are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The possible contingent consideration is recognised at fair value at the acquisition date and it is measured at fair value at the end of each reporting period, when it is classified as a financial liability. The change in fair value is recognised in the statement of income. Contingent consideration classified as equity is not revalued.

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

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

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

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

Cargotec's share of the associated company's or joint venture's profit for the financial period are shown as a separate item before the operating result in the consolidated statement of income. The results of associated companies and joint ventures are equity accounted for based on their most recent financial statements. The carrying amount of investments in associated companies and joint ventures is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. If Cargotec's share of the associated company's or joint venture's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are only reported if Cargotec is committed to fulfilling the obligations of the associated company or joint venture.

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

Foreign currency transactions

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

Foreign subsidiaries

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

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

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

Segment reporting

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

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

Revenue recognition

Sales include revenues from goods and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. The revenue recognition criteria are usually applied separately to each transaction. Although included within a single agreement, an entity may contract to deliver multiple elements, for example equipment, software, and services. If the agreement contains separately identifiable components, the fair value of the total price for the agreement is allocated to each component and the revenue recognition criteria is then separately determined for each component of the agreement. Revenues from goods sold are recorded after the significant risks and rewards have been transferred to the buyer and the company no longer has authority or control over the goods. Usually this means the moment when the goods sold or leased under finance lease have been handed over to the customer in accordance with the agreed contractual terms and, if relevant, customer has accepted the product. Sales against which trade-ins are accepted are recorded at contract price. Any difference between the agreed trade-in price and its recorded value in inventory is recognised in cost of goods sold to adjust the sales margin.

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

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

Revenue from repair orders is recognised when the work has been carried out and revenues from short-term services when the service has been rendered. Income from the operating leases is recognised on a straight-line basis over the lease term.

Revenue from software licence fees is recognised upon delivery when standard software is delivered. When the sold software requires significant modification and customisation, revenue is recognised by reference to stage of completion when the outcome can be measured reliably. Maintenance revenue from licence agreements is recognised on a straight-line basis over the maintenance period.

Government grants

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

Financing costs

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

Income taxes

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

Goodwill

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

Other intangible assets

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

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

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

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

Research and development costs

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

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at cost less accumulated depreciations and impairment losses, if any. Depreciation is recognised on a straight-line basis to write off the cost less the estimated residual value over the estimated economic useful life of assets as follows:

- Buildings 5–40 years
- Machinery and equipment 3–10 years

Land and water areas are not depreciated.

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

Impairments

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

An impairment loss is charged to the statement of income when the carrying amount exceeds the recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount, however, not to an extent higher than the carrying amount that would have been determined if no impairment loss had been recognised in prior years.

Goodwill and intangible assets with indefinite useful lives are tested for impairment when any indication of impairment exists, however, at least annually. Goodwill is allocated to the cash-generating units (CGU) of the company for the purpose of impairment testing. The allocation is made to those cash generating units or group of units that are expected to benefit from the business combination in which they arose, identified according to the operating segments. The testing of other intangible assets with indefinite useful life is either performed as part of a CGU or separately if the asset generates independent cash flows. The recoverable amount of a CGU is determined by value-in-use calculations. In assessing the recoverable amount, estimated future net cash flows are discounted to their present value based on the weighted average pre-tax cost of capital. The weighted average cost of capital reflects the current market view of the time value of money and risks related to the unit to be tested.

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction instead of normal use and a sale is considered highly probable. Non-current assets held for sale are measured immediately before reclassification in accordance with the normal measurement principles after which they are measured at the lower of carrying amount and fair value less cost to sell. Impairment losses or gains are recognised in the statement of income. No depreciation or amortisation is recognised regarding the non-current assets held for sale.

Leases, Cargotec as lessee

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

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

Leases, Cargotec as lessor

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

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

Customer finance

Customer finance arrangements are used in certain customer segments, distribution channels and geographical markets. In these arrangements the company is involved in arranging financing for the customer and/or the dealer with a financing partner. Customer finance contracts are classified as operating or finance lease contracts, hire purchase contracts or loans.

Revenue recognition and balance sheet treatment of sales transactions that include end customer or dealer financing depend on the true nature of the transaction, i.e. how risks and rewards related to ownership are divided between the company, the customer and the financing partner.

Inventories

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

Construction contracts

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

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

Financial assets

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

Financial assets recognised at fair value through profit or loss includes derivative instruments on which hedge accounting is not applied. The transaction costs and subsequent fair value changes of financial assets recognised at fair value through profit or loss are recognised directly in the statement of income.

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

Accounts receivable are recognised initially at fair value, and subsequently at amortised cost less impairment. Impairments are recognised to individual receivables based on the best knowledge Cargotec has about the customer's ability to pay. Additionally, an allowance is recognised for overdue receivables to take into account the credit losses for which Cargotec has no knowledge yet. Impairment is recognised in the statement of income under selling, general and administrative expenses and is based on periodic reviews of potential non-recovery of receivables by taking into consideration individual customer credit risk and changes in payment terms. Bad debts are written off when official announcement of liquidation or bankruptcy is received confirming that the receivable will not be collected.

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

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

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

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities recorded at fair value through profit or loss consist of derivative instruments on which hedge accounting is not applied. The transaction costs and subsequent fair value changes of financial liabilities recognised at fair value through profit or loss are recognised directly in the statement of income.

Financial liabilities recognised at amortised cost include mainly interest-bearing liabilities and trade payables. Financial liabilities recognised at amortised cost are initially recognised at fair value, net of any transaction costs incurred. Subsequently, the liabilities are measured at amortised cost. Interest and transaction costs are accrued and recorded in the statement of income over the period of the loan payable using the effective interest rate method.

Purchases and sales of derivative instruments are recognised on the trade date while transactions with the other financial liabilities are recognised on the settlement date.

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

Derivative financial instruments and hedge accounting

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

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

Cash flow hedge accounting is mainly applied to hedges of operative cash flows. In addition, hedge accounting is applied to hedges of certain foreign currency denominated borrowings, and certain hedges of net investment in a foreign operation. To qualify for hedge accounting, the company documents the hedge relationship of the derivative instruments and the underlying items, group's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least in every interim and annual closing, the company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying cash flow.

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

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

Offsetting financial assets and liabilities

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

Pension obligations

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

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity with no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions to the defined contribution plans are charged directly to the statement of income in the year to which these contributions relate.

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

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

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

Provisions

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

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

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

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

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

Dividends

The dividends proposed by the Board of Directors are not recognised in the financial statements until approved by Cargotec Corporation's shareholders at the Annual General Meeting.

Treasury shares

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

Share-based payments

Cargotec Corporation has share-based incentive plans which include incentives paid as shares, options or in cash. The benefits granted in accordance with the incentive plan are valued at fair value at the grant date and are expensed on a straight-line basis over the vesting period. The fair value of the equity-settled incentives is the market value at the grant date. The fair value of the options is determined using the Black-Scholes option pricing model. These share-based payments are booked as an increase in equity. The cash settlements are valued at fair value at each closing until the settlement date and recognised as a liability.

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

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

Restatement of consolidated statement of cash flows

Cargotec has adjusted in the statement of cash flows the presentation of commercial papers in proceeds and repayments of short-term borrowings. Commercial papers with maturities of less than three months are presented as a net amount in one line and commercial papers with maturities of over three months are presented as gross amounts separately in borrowings and repayments. Cash flow information for the comparable period has been restated accordingly.

Adoption of new or amended IFRS standards and interpretations

In 2016, Cargotec will adopt the following new and amended standards and interpretations by the IASB:

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

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

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

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

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

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

The following standards, interpretations and amendments will be applied in 2017 or later:

IFRS 15 Revenue from contracts with customers* (effective from 1 January 2018). IFRS 15 replaces existing revenue recognition guidance in IAS 18 Revenue, IAS 11 Construction contracts, and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Based on the initial impact assessment, it is expected that the new standard will result in changes in the timing of revenue recognition related to certain products due to revised rules for revenue recognition under percentage of completion method. However, as the assessment is ongoing, it is not possible to estimate the size of the impact yet. The new standard also requires more fragmented revenue recognition due to the requirement to recognise revenue separately for each distinct performance obligation. It is expected that this will change the timing of revenue recognition but it is not yet possible to estimate the overall impact of this change because the potential impact due to changes in the timing of revenue recognition related to for example shipping, installation and warranties are likely to offset each other to some extent.

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

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

2. Estimates and judgements requiring management estimation

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

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

Impairment testing

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

Goodwill and other intangible assets with indefinite life are tested at least annually. For impairment testing, goodwill and other intangible assets with indefinite life are allocated to cash generating units (CGU). The recoverable amounts of cash generating units are based on value-in-use calculations. These calculations require the use of estimates. On 31 December 2015, Cargotec had goodwill amounting to EUR 976.4 (31 Dec 2014: 962.9) million and other intangible assets with indefinite life totalling EUR 41.1 (31 Dec 2014: 41.1) million. Additional information on the sensitivity of the recoverable amount to assumptions used is given in note 14, Goodwill.

Taxes

Determination of income taxes and deferred tax assets and liabilities and the amount of deferred tax asset to be recognised requires management judgement. On 31 December 2015, Cargotec had EUR 64.5 (31 Dec 2014: 65.3) million deferred tax assets resulting from tax losses carried forward.

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

Business combinations

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

Defined benefit plans

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

Revenue recognition

The percentage of completion method is applied to separately identified construction contracts and service contracts. Application of the percentage of completion method requires either an estimate of the actual costs incurred in proportion of the estimated total costs or an estimate of the construction contract's physical stage of completion. Additionally, if the estimate of the final outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change has come to attention and can be estimated. The expected loss from the construction contract is expensed immediately. In 2015, approximately 8.7 (2014: 10.2) percent of sales were recognised based on the percentage of completion of the construction contracts. Additional information is disclosed in note 6, Long-term construction contracts.

Provisions

A provision is recognised when Cargotec has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation. A provision may be recognised only when the amount can be reliably estimated. The amount to be recorded is the best estimate of the cost required to settle the obligation at the reporting date. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and when necessary, adjusted to reflect the current best estimate. The actual costs may differ from the estimated costs. The most significant provisions are warranty provisions, which include the cost of repairing or replacing products during the warranty period. Restructuring provision is recognised when Cargotec has prepared a detailed restructuring plan and published it. On 31 December 2015, provisions totalled EUR 98.8 (31 Dec 2014: 105.0) million, of which EUR 8.9 (31 Dec 2014: 12.1) million were restructuring provisions. Additional information is disclosed in note 28, Provisions.

Inventories

Cargotec recognises an allowance for obsolete items at the end of the reporting period based on best knowledge. The estimate is based on a systematic and continuous control over the inventory. The nature, state, age structure and volumes based on estimated need are taken into consideration when estimating the amount of allowance. The amount of allowance for obsolete items in the balance sheet on 31 December 2015 totalled EUR 95.8 (31 Dec 2014: 88.3) million. Additional information is disclosed in note 20, Inventories.

Fair value of financial assets and liabilities

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

Cargotec recognises impairments on accounts receivable at the end of the reporting period based on the best knowledge when there is objective evidence that Cargotec will not be able to collect all amounts due. Estimates are based on systematic and continuous follow-up as part of the credit risk control. The amount of impairment in the balance sheet on 31 December 2015 totalled EUR 20.6 (31 Dec 2014: 21.9) million. Additional information on impairment on accounts receivable is disclosed in note 22, Accounts receivable and other non-interest-bearing assets.

Assessment of control, joint control and significant influence

Cargotec applies judgment in determining an appropriate method to account for its ownership in the investees. The investees consolidated as subsidiaries but where Cargotec's voting rights are less than 50 percent are listed in note 34, Subsidiaries. In these investments, it has been assessed that Cargotec has de facto control based on the agreements among the shareholders. Note 17 describes Cargotec's investments that are accounted for as joint ventures and as associated companies. Cargotec's investments in joint arrangements are classified as joint ventures based on shared control, rights to net assets of the arrangement, and other circumstances related to the arrangements. Cargotec's investments in associated companies include an investment in which Cargotec's voting rights are less than 20 percent. Accounting for the investment as an associated company is based on the ownership structure of the investee, Cargotec's Board of Directors representation and significant customership in the entity.

3. Financial risk management

Organisation of finance function and financial risk management

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

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

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

Currency risk

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

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

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

Cash flow hedge accounting is applied to cash flows of the USD 205.0 million (2014: USD 205.0 million) Private Placement corporate bonds, funded in February 2007 and maturing in years 2017 to 2019.The cash flows of the bonds are converted into euro flows through long-term cross-currency swaps. As a result of the hedging, Cargotec effectively holds EUR 154.2 (2014: 154.2) million long-term fixed rate debt.

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

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

31 Dec 2014 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-75.6	93.9	-11.4	-13.0	-2.9	-12.2	21.2
Hedges	93.8	-453.7	53.8	13.8	153.8	119.4	19.1
Balance sheet exposure	**18.2**	**-359.8**	**42.4**	**0.8**	**150.9**	**107.1**	**40.3**
Order book and purchases	8.8	361.0	-56.4	-19.5	-145.9	-113.4	-37.4
Net exposure	**27.0**	**1.2**	**-14.0**	**-18.7**	**5.0**	**-6.3**	**2.9**

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

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

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

Foreign exchange rate fluctuations have an effect on the consolidated income and equity. The statement of income sensitivity arises from foreign currency denominated financial assets and liabilities in the balance sheet, including derivatives for which hedge accounting is not applied. The sensitivity of equity arises from derivatives for which cash flow hedge accounting is applied as exchange rate differences are deferred to fair value reserve in other comprehensive income. Foreign exchange rate impact in the reserve is expected to be offset by the corresponding opposite impact in the value of the hedged item when recognised in the statement of income. Majority of the hedges mature and hedged cash flows realise within two years, except for the interest flows of the US dollar denominated corporate bonds, and their respective hedges, which materialise within four years.

If the US dollar had strengthened/weakened 10 percent against the euro, the effect on the pre-tax profit would have been EUR 2.1 million negative/positive (31 Dec 2014: EUR 0.8 million positive/negative), and on other comprehensive income EUR 10.5 million negative/positive (31 Dec 2014: EUR 3.3 million negative/positive).

If the Swedish krona had strengthened/weakened 10 percent against the euro, the effect on the pre-tax profit would have been EUR 0.4 million negative/positive (31 Dec 2014: EUR 0.7 million negative/positive), and on other comprehensive income EUR 1.9 million positive/negative (31 Dec 2014: EUR 2.0 million positive/negative).

If the Swedish krona had strengthened/weakened 10 percent against the US dollar, the effect on the pre-tax profit would have been EUR 1.0 million positive/negative (31 Dec 2014: EUR 0.7 million negative/positive), and on other comprehensive income EUR 3.1 million positive/negative (31 Dec 2014: EUR 3.7 million positive/negative).

Investments in non-euro area subsidiaries cause translation differences, recognised in the consolidated equity (translation risk). In addition to equity shares, Cargotec holds intercompany loans accounted for as net investments. Exchange rate gains and losses arising from these loans are recorded as translation differences. The objective of translation position management is to hedge the capital structure so as to balance the effect of foreign exchange rate fluctuations on debt and equity. Cargotec has in December 2015 started to hedge a part of the Swedish krona related translation risk with derivatives, and to apply hedge accounting for these hedges with the aim to reduce the impact of the Swedish krona related translation risk to Cargotec's gearing. At the reporting date the translation risk from the Swedish krona amounted to EUR 1,442.0 (31 Dec 2014: 1,680.1) million before the hedges and EUR 853.2 (31 Dec 2014: 1,680.1) million after the hedges. The impact of translation risk from other currencies to Cargotec's gearing is not significant and it has not been considered necessary to hedge the translation risk arising from these currencies.

Interest rate risk

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

On 31 December 2015, Cargotec's consolidated interest-bearing debt totalled EUR 836.8 (31 Dec 2014: 946.4) million, of which EUR 337.5 (31 Dec 2014: 317.8) million were fixed rate corporate bonds, EUR 4.9 (31 Dec 2014: 5.8) million were other long-term fixed rate loans, EUR 4.4 (31 Dec 2014: 4.7) million were finance lease liabilities and the rest, EUR 490.0 (31 Dec 2014: 618.1) million consisted of floating rate loans, short term loans and bank overdrafts. On 31 December 2015, the average duration of interest-bearing debt, including hedges of loans, was 16 (31 Dec 2014: 18) months.

The EUR 180.4 (31 Dec 2014: 213.3) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 3.4 (31 Dec 2014: 5.3) million and customer finance related finance lease receivables EUR 1.2 (31 Dec 2014: 2.6) million. The average duration of the interest bearing assets was less than one month (31 Dec 2014: less than one month).

Based on the sensitivity analysis, one percentage point increase/decrease in the interest rates would have increased/decreased net interest cost by EUR 1.9 (31 Dec 2014: 2.6) million. The statement of income sensitivity is due to variable rate loans, short term loans, deposits and bank accounts and bank overdrafts. The sensitivity is calculated as annual effect assuming the balance sheet remains unchanged.

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

In addition, Cargotec held cross-currency and interest rate swaps with a nominal value of EUR 188.3 (31 Dec 2014: 168.8) million under which fixed interest is paid for both currencies and thus a similar change in interest rate level of EUR and USD has no impact on pre-tax profit or on other comprehensive income.

Interest fixing periods

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

31 Dec 2014 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	213.3	-	-	-	-	213.3
Non-current loans from financial institutions	-431.9	-	-0.2	-5.7	-	-437.7
Corporate bonds	-	-	-	-98.7	-219.1	-317.8
Finance lease liabilities	-0.6	-0.6	-1.6	-0.7	-1.2	-4.7
Commercial papers	-130.9	-17.3	-	-	-	-148.2
Current interest-bearing liabilities **	-37.9	-	-	-	-	-37.9
Net	**-388.0**	**-17.9**	**-1.8**	**-105.1**	**-220.3**	**-733.1**

* Including cash and cash equivalents.
** Including bank overdrafts.

On 31 December 2015, the interest fixing period for corporate bonds ranged between 2 and 5 years.

Other market risks

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

Liquidity and funding risks

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

Liquidity risk is managed by retaining long-term liquidity reserves, exceeding the level of short-term liquidity requirement. On 31 December 2015, the liquidity reserves, including cash and cash equivalents and long-term undrawn credit facilities, totalled EUR 475.8 (31 Dec 2014: 505.4) million. Short-term liquidity requirement covers the repayments of short- and long-term debt within the next 12 months, as well as the strategic liquidity requirement, as determined by the Treasury Committee, which covers the operative funding demand within the following 12 months. On 31 December 2015, repayments of short- and long-term interest-bearing liabilities due within the following 12 months totalled EUR 68.7 (31 Dec 2014: 193.2) million.

On 31 December 2015, Cargotec held undrawn EUR 300.0 (31 Dec 2014: 300.0) million long-term Revolving Credit Facility maturing in 2019. According to the facility agreement, Cargotec has a right to withdraw funds on three days' notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short-term bank overdraft facilities of EUR 136.8 (31 Dec 2014: 157.1) million and a EUR 150.0 (31 Dec 2014: 150.0) million domestic Commercial Paper facility of which EUR 30.9 (31 Dec 2014: 148.2) million was in use.

The objective of funding risk management is to avoid an untenably large proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities, as well as retaining flexible credit facility agreements. Cargotec loan agreements include a covenant restricting the corporate capital structure. According to the covenant, Cargotec's gearing must be retained below 125 percent. On 31 December 2015, gearing was 46.4 (31 Dec 2014: 59.2) percent. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

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

Maturities of financial liabilities

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

31 Dec 2014 MEUR	2015	2016	2017	2018	2019	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,282.8	-7.4	-	-	-	-	-3,290.3
Currency forward contracts, inflow	3,239.7	7.1	-	-	-	-	3,246.8
Cross-currency and interest rate swaps, outflow	-7.3	-7.2	-97.5	-3.0	-67.0	-	-182.1
Cross-currency and interest rate swaps, inflow	8.1	8.2	105.0	4.1	72.1	-	197.4
Derivatives, net	**-42.3**	**0.6**	**7.4**	**1.0**	**5.1**	**-**	**-28.2**
Accounts payable and other non-interest bearing liabilities	-421.7	-15.9	-8.1	-6.8	-3.3	-0.6	-456.4
Loans from financial institutions, repayments	-43.6	-202.7	-4.3	-82.1	-42.1	-100.8	-475.6
Loans from financial institutions, finance charges	-8.9	-6.4	-4.1	-3.4	-1.9	-2.3	-27.0
Commercial papers, repayments	-148.2	-	-	-	-	-	-148.2
Commercial papers, interest charges	-0.8	-	-	-	-	-	-0.8
Corporate bonds, repayments	-	-	-98.7	-	-70.0	-149.1	-317.8
Corporate bonds, finance charges	-14.6	-14.6	-11.8	-9.0	-7.1	-5.1	-62.1
Finance leases, repayments	-1.3	-1.5	-0.7	-0.5	-0.3	-0.4	-4.7
Finance leases, finance charges	-0.2	-0.1	-0.1	-	-	-	-0.4
Total	**-681.7**	**-240.5**	**-120.3**	**-100.8**	**-119.7**	**-258.2**	**-1,521.3**

Corporate bonds have maturities ranging from 2017 to 2020 and loans from financial institutions have maturities ranging from 2016 to 2022.

Credit and counterparty risks

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

Cargotec holds no significant amounts of external loan receivables. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee. Derivative contracts are entered into under ISDA agreement with several counterparties. More information on counterparty risk related to derivative contracts is presented in note 21, Financial instruments by category. The Treasury Committee sets counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and, if needed, may reject a counterparty on an immediate notice. Only large financial institutions with high credit rating are accepted as counterparties. The maximum credit risk relating to cash and cash equivalents corresponds to their carrying amount. According to the management assessment no significant credit losses are anticipated on the investments of liquidity reserves.

Operational risks of the treasury functions

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

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

Capital structure management

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

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

MEUR	31 Dec 2015	31 Dec 2014
Interest-bearing liabilities *	802.7	931.8
Loans receivable and other interest-bearing assets	-4.6	-7.9
Cash and cash equivalents	-175.8	-205.4
Interest-bearing net debt	**622.4**	**718.6**
Equity	1,341.8	1,213.8
Gearing, %	**46.4**	**59.2**

* The carrying amount of the interest-bearing liabilities includes US private placement bonds as disclosed in note 26, Interest-bearing liabilities and the related foreign exchange hedge effect of EUR -34.0 (31 Dec 2014: -14.6) million from cross-currency interest rate swaps as disclosed in note 30.

4. Segment information

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

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

4.1. Operating segments

Segment results

Sales of the operating segments comprise product and service sales. The financial performance of the operating segments is measured through operating profit (excluding restructuring costs) and operating profit according to IFRS. Financing income and expenses, taxes and certain corporate administration cost are not allocated to the operating segments. During the financial years 1 Jan–31 Dec 2015 and 1 Jan–31 Dec 2014 Cargotec did not have individual significant customers according to definition of IFRS 8.

1 Jan–31 Dec 2015 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Services	432.9	217.9	231.9	882.7	-	882.7
Products	1,230.1	709.8	906.6	2,846.5	-	2,846.5
External sales total	1,663.1	927.7	1,138.5	3,729.3	-	3,729.3
Internal sales	0.3	0.4	0.1	0.8	-0.8	0.0
Total sales	**1,663.4**	**928.1**	**1,138.6**	**3,730.0**	**-0.8**	**3,729.3**
Depreciation and amortisation	40.6	9.6	19.5	69.7	6.2	76.0
Impairment charges	0.0	0.0	0.6	0.6	0.0	0.6
Share of associated companies' and joint ventures' net income	3.4	-2.2	1.2	2.5	0.4	2.8
Operating profit excluding restructuring costs	**129.9**	**100.5**	**30.1**	**260.4**	**-29.7**	**230.7**
% of sales	7.8%	10.8%	2.6%	-	-	6.2%
Restructuring costs	2.5	0.9	14.3	17.7	0.0	17.7
Operating profit	**127.3**	**99.6**	**15.8**	**242.7**	**-29.7**	**213.1**
% of sales	7.7%	10.7%	1.4%	-	-	5.7%
Financing items	-	-	-	-	-	-26.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**186.2**

1 Jan–31 Dec 2014 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Services	394.5	195.7	224.1	814.4	-	814.4
Products	1,091.1	642.8	809.5	2,543.4	-	2,543.4
External sales total	1,485.6	838.6	1,033.6	3,357.8	-	3,357.8
Internal sales	0.9	1.4	0.5	2.7	-2.7	-
Total sales	**1,486.5**	**839.9**	**1,034.1**	**3,360.5**	**-2.7**	**3,357.8**
Depreciation and amortisation	43.5	10.0	19.6	73.1	7.0	80.0
Impairment charges	0.0	-0.1	0.8	0.7	0.4	1.2
Share of associated companies' and joint ventures' net income	4.7	-1.3	0.9	4.3	1.1	5.3
Operating profit excluding restructuring costs	**56.8**	**61.0**	**53.9**	**171.7**	**-22.4**	**149.3**
% of sales	3.8%	7.3%	5.2%	-	-	4.4%
Restructuring costs	1.5	18.5	2.3	22.3	0.4	22.7
Operating profit	**55.3**	**42.5**	**51.7**	**149.4**	**-22.8**	**126.6**
% of sales	3.7%	5.1%	5.0%	-	-	3.8%
Financing items	-	-	-	-	-	-28.4
Income before taxes	**-**	**-**	**-**	**-**	**-**	**98.2**

Segment assets and liabilities

The segments' assets and liabilities comprise all business assets and liabilities that are used by the segment or can be reasonably allocated to the segment excluding the intercompany receivables and liabilities. Unallocated assets comprise loans and other interest-bearing receivables, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests and derivatives designated as hedges of future treasury transactions. Unallocated liabilities comprise loans and other interest-bearing liabilities, income tax payables, deferred tax liabilities, accrued interests and derivatives designated as hedges of future treasury transactions.

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

31 Dec 2014 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Non-interest-bearing assets **	1,302.6	566.8	1,144.0	3,013.4	103.8	3,117.2
Investments in associated companies and joint ventures	37.0	6.8	1.9	45.7	59.0	104.8
Unallocated assets, interest-bearing	-	-	-	-	213.3	213.3
Other unallocated assets	-	-	-	-	217.1	217.1
Total assets	**1,339.6**	**573.7**	**1,145.9**	**3,059.2**	**593.1**	**3,652.3**
Non-interest-bearing liabilities **	552.1	177.6	568.7	1,298.4	78.0	1,376.4
Unallocated liabilities, interest-bearing *	-	-	-	-	931.8	931.8
Other unallocated liabilities	-	-	-	-	130.2	130.2
Total liabilities	**552.1**	**177.6**	**568.7**	**1,298.4**	**1,140.0**	**2,438.5**
Operative capital employed **	787.5	396.1	577.2	1,760.7	84.8	1,845.5
Capital expenditure	55.2	10.7	6.3	72.1	7.2	79.3

* The unallocated interest-bearing net debt includes the hedging of cross-currency risk relating to the USD 205 (31 Dec 2014: 205) million Private Placement bond, totalling EUR -34.0 (31 Dec 2014: -14.6) million on 31 December 2015.

** Comparative figures have been restated because the segments have started to report the amounts without intercompany balances. The change did not impact consolidated amounts.

Orders

MEUR	Orders received 1 Jan–31 Dec 2015	Orders received 1 Jan–31 Dec 2014	Order book 31 Dec 2015	Order book 31 Dec 2014
Kalmar	1,763.6	1,482.3	877.2	804.9
Hiab	966.8	908.6	304.7	264.1
MacGregor	828.1	1,209.6	883.0	1,131.2
Eliminations	-1.2	-1.2	-0.5	0.0
Total	**3,557.2**	**3,599.2**	**2,064.5**	**2,200.2**

Number of employees

	Average 1 Jan–31 Dec 2015	Average 1 Jan–31 Dec 2014	At the end of year 31 Dec 2015	At the end of year 31 Dec 2014
Kalmar	5,286	5,273	5,328	5,219
Hiab	2,638	2,694	2,757	2,572
MacGregor	2,652	2,702	2,543	2,737
Corporate administration and support functions	195	168	209	176
Total	**10,772**	**10,838**	**10,837**	**10,703**

4.2. Information divided by geographical area

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

Sales

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

1 Jan–31 Dec 2014 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	20.4	27.8	2.5	50.7	0.0	50.7
Other EMEA (Europe, Middle East, Africa)	677.4	399.6	309.8	1,386.9	-0.6	1,386.3
China	80.7	13.6	310.0	404.3	-0.4	403.9
South Korea	16.3	20.8	182.7	219.9	-	219.9
Other Asia-Pacific	188.8	60.5	141.1	390.4	-1.5	388.9
USA	353.7	253.2	53.9	660.8	0.0	660.8
Other Americas	149.1	64.4	33.9	247.4	-0.2	247.2
Total	**1,486.5**	**839.9**	**1,034.1**	**3,360.5**	**-2.7**	**3,357.8**

Non-current assets and goodwill*

MEUR	31 Dec 2015	31 Dec 2014
Finland	109.4	104.9
Other EMEA (Europe, Middle East, Africa)	420.4	433.4
Asia-Pacific	52.0	43.5
Americas	113.3	110.3
Goodwill	976.4	962.9
Total	**1,671.5**	**1,655.0**

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

Capital expenditure

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Finland	9.9	8.2
Other EMEA (Europe, Middle East, Africa)	57.0	58.4
Asia-Pacific	4.8	3.8
Americas	7.0	8.9
Total	**78.8**	**79.3**

Number of employees

	31 Dec 2015	31 Dec 2014
Finland	905	877
Other EMEA (Europe, Middle East, Africa)	5,645	5,623
Asia-Pacific	2,716	2,675
Americas	1,571	1,528
Total	**10,837**	**10,703**

5. Acquisitions and disposals

Acquisitions and disposals 2015

Cargotec had no acquisitions or disposals during 2015.

Acquisitions 2014

Mooring and loading systems

MacGregor acquired on 30 January 2014 the mooring and loading systems unit ("MLS") from Aker Solutions for total consideration of EUR 188.3 million. MLS delivers, under its main brands, Pusnes, Porsgrunn and Woodfield, mooring equipment, loading and offloading systems, deck machinery, steering gears and related maintenance services for the global offshore and shipping markets. The acquisition strengthens MacGregor's product portfolio and market position by raising MacGregor as the market leader in offshore equipment. The main locations of MLS are in Norway, United Kingdom and Korea. As a result of the acquisition, approximately 370 persons were transferred to Cargotec.

The goodwill generated in the acquisition arises mostly from personnel, expected synergy benefits and market position that are achieved via enhanced product portfolio and service network. Goodwill recognised at acquisition is not tax-deductible. The table below summarises the consideration transferred, assets acquired and liabilities assumed at their acquisition date fair values.

Acquired net assets and goodwill, MEUR	
Intangible assets	76.8
Property, plant and equipment	5.2
Inventories	8.8
Deferred tax assets	0.7
Accounts receivable and other non-interest-bearing assets	43.0
Cash and cash equivalents	8.9
Deferred tax liabilities	-22.8
Interest-bearing liabilities	-0.1
Accounts payable and other non-interest-bearing liabilities	-37.8
Net assets	**82.8**
Purchase price, paid in cash	188.3
Total consideration	**188.3**
Non-controlling interest	-
Goodwill	**105.5**
Purchase price, paid in cash	188.3
Cash and cash equivalents acquired	-8.9
Cash flow impact	**179.4**

The fair value measurement of acquired assets resulted in identification of intangible assets related to customer relationships, brands, technology and orderbook. The fair value of the acquired intangible assets was EUR 76.8 million at acquisition date. The acquired property, plant and equipment mainly consists of properties in Norway, United Kingdom and Korea.

The acquired assets include accounts receivable and receivables from construction contracts amounting to the gross value of EUR 38.0 million and the fair value of EUR 37.4 million. The fair value of receivables reflects the increased credit risk related to certain receivables and the expectations regarding the amount the entity is expecting to collect. The outstanding receivables relate to sales of equipment and services performed. The acquired receivables do not include lease income.

The goodwill resulting from the acquisition has been allocated to the MacGregor segment for impairment testing. The deal consideration was fully paid in cash. The cost of acquisition does not include conditional components.

MLS has contributed in year 2014 EUR 111.3 million to Cargotec's sales and EUR 1.8 million to net income since the acquisition date. Transaction costs of EUR 1.8 million in 2014 and EUR 0.6 million in 2013 related to the acquisition have been included in the operating profit of the MacGregor segment and in other operating expenses in the consolidated statement of income. In addition, the cumulative operating profit for 2014 includes EUR 6.2 million in amortisation and depreciation of fixed assets and additional one-time costs of EUR 1.2 million related to the fair value measurement of acquired assets.

Had the business been acquired on 1 January 2014, the contribution of MLS to Cargotec's 2014 sales and net income, including the consolidation period, would have been EUR 119.8 million and EUR 1.6 million respectively. The pro forma profit for the year includes one-off items, and depreciation and amortisation related to measurements recognised at acquisition amounting to approximately EUR 8.0 million.

Deep Water Solutions

MacGregor acquired on 21 February 2014 the Norwegian company Deep Water Solutions AS for the consideration of EUR 0.7 million. The acquired entity is specialised in offshore load-handling applications and the acquisition strengthens MacGregor's business within this area. Four persons transferred to Cargotec as part of the acquisition. Acquisition cost includes a cash consideration of EUR 0.5 million paid at the acquisition date and a contingent consideration with maximum value of EUR 0.2 million based on certain sales milestones during 2014. The fair value measurement of acquired assets resulted in an identification of technology-related intangible assets amounting to EUR 0.5 million and a goodwill of EUR 0.7 million. Acquisition-related costs were insignificant. The acquired operations have been merged as part of MacGregor Norway.

Disposals 2014

During the first quarter, Hiab sold its 60 percent shareholding in Cargotec Engineering Italy S.r.l. operating in Italy. During the third quarter, Hiab sold its 49 percent shareholding in Hiab Middle East LLC operating in United Arab Emirates. During the last quarter, Hiab sold its 75 percent shareholdings in Hiab S.A. de C.V. and Servicios Hiab S.A. de C.V. operating in Mexico. Transactions had no material impact on Cargotec's result.

6. Long-term construction contracts

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Sales in statement of income, long-term construction contracts	324.1	341.8

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

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

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

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

31 Dec 2014 MEUR	Net amount of recognised costs, profits and losses	Progress billings	Net
Amount due from customers presented as an asset	-	-	129.9
Amount due to customers presented as a liability	-	-	13.5
Projects in progress total	**769.7**	**653.2**	**116.4**

Customer advances of EUR 24.2 (31 Dec 2014: 6.0) million are included in amounts due to customers.

7. Other operating income and expenses

Other operating income

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Gain on disposal of intangible assets and property, plant and equipment	2.7	2.8
Customer finance related other income	28.1	29.1
Rental income	4.2	4.3
Income due to order cancellations	0.2	6.9
Other income	5.2	5.0
Total	**40.4**	**48.1**

Other operating expenses

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Loss on disposal of intangible assets and property, plant and equipment	0.8	0.2
Customer finance related other expenses	27.6	28.6
Expenses due to order cancellations	1.0	0.4
Business combinations related expenses	0.1	2.2
Restructuring costs *	0.1	0.6
Other expenses	10.2	18.5
Total	**39.8**	**50.5**

* Restructuring costs are presented in more detail in note 8, Restructuring costs.

Audit fees

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Annual audit	2.6	2.6
Tax advice	1.5	1.1
Other services	0.9	1.2
Total	**5.0**	**4.9**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR -3.6 (2014: -10.4) million, of which EUR -7.0 (2014: -6.6) million in sales, EUR 2.8 (2014: -4.7) million in cost of goods sold, and the portion of ineffective hedges and released cash flow hedges related to cancelled projects, EUR 0.7 (2014: 1.0) million in other operating income and expenses.

In addition, operating profit includes EUR 0.4 (2014: -1.7) million of exchange rate differences arising from unhedged sales and purchases, and from hedges of sales and purchases for which hedge accounting is not applied.

8. Restructuring costs

In order to adjust its operations in accordance with the new operational model and to improve profitability, Cargotec began extensive restructuring measures in autumn 2012 and continued those during 2015. Additionally MacGregor adjusted operations in 2015 to the deteriorated market situation. The costs arising from these measures have been presented on a separate line in the consolidated statement of income.

Restructuring costs have been, based on their nature, recognised as an impairment to assets, as restructuring provisions in the balance sheet or as accruals. Part of the costs has been recognised on accrual basis in the statement of income and paid during the financial period.

1 Jan–31 Dec 2015 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Employment termination costs	2.3	0.8	12.5	0.0	15.6
Impairment of non-current assets	-	0.1	0.6	-	0.6
Impairment of inventory	-	0.1	0.0	-	0.1
Other restructuring costs *	0.3	-0.1	1.2	-	1.4
Total	**2.6**	**0.9**	**14.3**	**0.0**	**17.8**
Restructuring costs in statement of income					
Restructuring expenses	2.5	0.9	14.3	0.0	17.7
Other operating expenses	0.1	-	-	-	0.1
Total	**2.6**	**0.9**	**14.3**	**0.0**	**17.8**

1 Jan–31 Dec 2014 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Employment termination costs	1.8	8.0	0.3	0.1	10.1
Impairment of non-current assets	-	0.3	0.8	-	1.0
Impairment of inventory	-	2.0	-	-	2.0
Other restructuring costs *	0.3	8.3	1.3	0.4	10.2
Total	**2.1**	**18.5**	**2.3**	**0.4**	**23.3**
Restructuring costs in statement of income					
Restructuring expenses	1.5	18.5	2.3	0.4	22.7
Other operating expenses	0.6	-	0.1	-	0.6
Total	**2.1**	**18.5**	**2.3**	**0.4**	**23.3**

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

9. Personnel expenses

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Wages and salaries	532.7	504.4
Equity-settled share-based payments	2.8	1.2
Cash-settled share-based payments	2.4	0.8
Pension costs	48.0	40.4
Other statutory employer costs	94.6	89.3
Total	**680.4**	**636.2**

Pension costs are presented in more detail in note 27, Employee benefits. Information on key management compensation is presented in note 33, Related-party transactions, and information on options granted as well as other share-based incentives in note 25, Share-based payments.

10. Depreciation, amortisation and impairment charges

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Cost of goods sold	36.4	39.2
Sales and marketing	14.5	14.4
Research and development	9.9	10.7
Administration	15.2	14.7
Restructuring	0.6	1.0
Other	-0.1	1.2
Total	**76.5**	**81.2**

Depreciation and amortisation by asset type

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Intangible assets	28.7	29.4
Buildings	8.2	8.4
Machinery & equipment	39.0	42.3
Total	**76.0**	**80.0**

Impairment charges by asset type

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Other intangible assets	0.0	0.0
Property, plant and equipment	0.6	1.2
Total	**0.6**	**1.2**

11. Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Interest income on loans receivable and cash and cash equivalents	1.7	2.9
Forward contracts interest component	-	2.0
Capitalised borrowing costs	-	0.1
Other financing income	0.5	0.8
Exchange rate differences, net	-	2.6
Total	**2.2**	**8.4**

Financing expenses

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Interest expenses on financial liabilities measured at amortised cost	20.6	33.0
Arrangement and commitment fees relating to interest-bearing loans	1.6	1.3
Forward contracts interest component	2.6	-
Exchange rate differences, net	1.4	-
Other financing expenses	2.9	2.5
Total	**29.1**	**36.8**

Interest expenses in 2014 include EUR 8.0 million interest of the capital loan originating from the acquisition of Hatlapa.

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Exchange rate differences on interest-bearing loans and receivables	-27.4	32.1
Exchange rate differences on derivative instruments	26.1	-29.5
Total	**-1.4**	**2.6**

Positive result on cross-currency and interest rate swaps designated as cash flow hedges, totalling EUR 3.4 (2014: 1.8) million, has been recorded as adjustment to interest expenses on financial liabilities at amortised cost.

12. Income taxes

Taxes in statement of income

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Current year tax expense	65.6	42.4
Deferred tax expense	-19.8	-11.2
Tax expense for previous years	-2.5	-5.1
Total	**43.3**	**26.1**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Income before taxes	186.2	98.2
Tax calculated at Finnish tax rate (20%)	37.2	19.6
Effect of different tax rates in foreign subsidiaries	2.7	9.8
Tax expense for previous years	-2.5	-5.1
Tax exempt income and non-deductible expenses	10.3	2.4
Benefit arising from previously unrecognised tax losses and temporary differences	-7.8	-5.3
Unrecognised current year tax losses and temporary differences	3.3	2.2
Adjustments to previous years' deferred taxes	-0.4	2.0
Effect of changes in tax rates	0.3	0.5
Income taxes total	**43.3**	**26.1**
Effective tax rate, %	23.3	26.6

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2015			1 Jan–31 Dec 2014		
MEUR	Before tax	Taxes	After tax	Before tax	Taxes	After tax
Cash flow hedges	-7.5	0.9	-6.6	-34.8	9.0	-25.7
Translation differences	32.0	-11.0	21.0	-54.8	17.6	-37.2
Actuarial gains (+)/losses (-) from defined benefit plans	3.0	-0.4	2.6	-10.1	1.8	-8.3
Total other comprehensive income	**27.5**	**-10.5**	**17.1**	**-99.7**	**28.5**	**-71.2**

13. Earnings per share

Basic earnings per share is calculated by dividing the net income attributable to the equity holders of the company by the weighted average number of shares outstanding during the financial period. The group's dilutive potential ordinary shares relate to equity-settled share-based incentive schemes. The granted shares under the incentive schemes are contingently issuable and, therefore, are considered as options when calculating the diluted earnings per share. Shares and share options are dilutive when their subscription price, including the value of the employee's yet undelivered service, is lower than the average share price during the reporting period. Dilutive effect is the difference between the number of shares to be issued and the number of shares that would have been issued at the average price of the reporting period. Further information on the option programme and share-based incentive programmes is available in note 25, Share-based payments.

	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Net income attributable to the equity holders of the company, MEUR	143.0	71.4
Weighted average number of shares during financial period, ('000)	64,568	64,388
Basic earnings per share, EUR	**2.21**	**1.11**

	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Net income attributable to the equity holders of the company, MEUR	143.0	71.4
Weighted average number of shares during financial period, ('000)	64,568	64,388
Effect of stock options, ('000)	2	88
Effect of share-based incentive programmes, ('000)	29	-
Diluted weighted average number of shares during financial period, ('000)	64,599	64,475
Diluted earnings per share, EUR	**2.21**	**1.11**

14. Goodwill

MEUR	2015	2014
Book value 1 Jan	962.9	865.5
Translation difference	13.6	-9.6
Companies acquired	0.1	108.7
Other changes	-0.1	-1.7
Book value 31 Dec	**976.4**	**962.9**

Impairment testing of goodwill

MEUR	31 Dec 2015	31 Dec 2014
Kalmar	342.8	331.3
Hiab	209.4	201.9
MacGregor	424.3	429.7
Total	**976.4**	**962.9**

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

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

The key assumptions made by the management in the projections relate to market and profitability outlooks. Future growth estimates are based on information available by external market research institutions on market development and timing of business cycles. Additionally, market share and growth potential in both new equipment and service markets have been taken into account when defining future sales growth. Key factors affecting profitability are sales volume, competitiveness and cost efficiency. The better average profitability of service business means that its relative share of sales also has an impact on profitability. Additionally, in Kalmar and Hiab segments, as well as in MacGregor's offshore business, the utilisation rate of factories and assembly units and their cost competitiveness have a significant impact on profitability. Major restructuring measures started in 2012 in Kalmar and Hiab have reflected positively to performance and the ongoing profit improvement programmes are expected to further improve the profitability in the coming years. MacGregor announced in 2015 new restructuring measures and launched a cost-savings programme to ensure its profitability in a weakened market situation. Cash flow projections also reflect typical working capital build-up in upturns and release during downturns in the Kalmar and Hiab segments. MacGregor's business model, mainly in merchant ship division, ties very limited working capital, but estimated timing of orders and related advances received have been taken into account in cash flow estimates.

The discount rate used in the impairment testing is weighted average pre-tax cost of capital (WACC) defined for each segment. The discount rate reflects the total cost of equity and debt and the market risks related to the segment. The WACC components are risk-free interest rate, market risk premium, comparable peer industry beta, gearing and credit spread. The discount rate used in impairment tests has been defined as in 2014. The decrease in the discount rates is mainly caused by the combined effect of decrease in the risk-free rate, market risk premium, and equity beta. The pre-tax discount rate (WACC) used for Kalmar was 10.8 (2014: 11.5) percent, for Hiab 9.0 (2014: 9.9) percent and for MacGregor 9.7 (2014: 10.8) percent.

As a result of the impairment tests performed no impairment loss has been recognised in 2015 or in 2014.

Sensitivity analyses of the key assumptions have been prepared as part of the impairment testing process for each CGU based on three different scenarios. The tested change in the first scenario is an increase of 2 percentage points in the discount rate, in the second scenario a decrease of 10 percentages in sales together with a decrease of 2 percentage points in operating profit margin, and in the third scenario the combined effect of the previous scenarios. The sensitivity analyses performed during 2015 and 2014 have not indicated impairment risk for any of the segments.

15. Other intangible assets

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

2014 MEUR	Develop-ment costs	Trade-marks	Customer relation-ships	Patents and licences	Intangible assets under construction	Other*	Total
Acquisition cost 1 Jan	32.6	58.6	96.3	61.8	17.3	64.8	331.4
Translation difference	-0.3	-0.7	5.3	0.4	0.3	1.4	6.3
Additions	1.1	-	-	1.8	10.6	0.0	13.4
Disposals	-1.7	0.0	-0.8	-0.4	-	-0.4	-3.2
Reclassification	20.1	-	-	-5.2	-21.1	5.6	-0.6
Companies acquired and sold	6.7	11.5	48.2	15.7	0.1	-0.3	82.0
Acquisition cost 31 Dec	**58.6**	**69.3**	**149.0**	**74.0**	**7.2**	**71.2**	**429.3**
Accumulated amortisation and impairment 1 Jan	-21.4	-4.1	-12.6	-36.4	-	-37.8	-112.3
Translation difference	0.3	-0.1	-1.3	-0.2	-	-1.7	-3.0
Amortisation during the financial period	-8.3	-1.7	-10.5	-4.7	-	-4.1	-29.4
Impairment charges	-	-	-	-	-	0.0	0.0
Disposals	1.3	0.0	0.8	0.4	-	0.1	2.6
Reclassification	-0.8	-	-	0.8	-	0.0	0.0
Companies acquired and sold	-1.9	-	-	-1.0	-	0.3	-2.7
Accumulated amortisation and impairment 31 Dec	**-30.8**	**-5.9**	**-23.7**	**-41.1**	**-**	**-43.3**	**-144.8**
Book value 1 Jan	11.2	54.5	83.7	25.3	17.3	27.0	219.0
Book value 31 Dec	27.8	63.4	125.3	32.8	7.2	27.9	284.4

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

The trademarks have been valued at fair value in connection with the acquisition. Some of the trademarks have been assessed to have indefinite useful lives, including MacGregor. It is estimated that they will create cash flow for an indefinite period. The estimate is based on their global, market area or customer segment specific market leadership and their long history. The MacGregor trademark has been used since the 1930's and it is continuously developed. The trademarks are tested for impairment annually or more frequently if there is an indication that their current value would not be recoverable. The trademarks with indefinite useful life are tested for impairment as a part of the appropriate cash generating unit (CGU). The process is described in more detail in note 14, Goodwill. The book value of the intangible assets with indefinite useful life amounted to EUR 41.1 (31 Dec 2014: 41.1) million on 31 December 2015.

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

16. Property, plant and equipment

2015 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	21.4	231.7	487.7	5.2	0.1	746.0
Translation difference	0.3	5.7	8.3	0.3	0.0	14.6
Additions	0.6	2.5	55.4	7.9	0.3	66.7
Disposals	-1.2	-2.3	-43.3	-3.2	-	-50.0
Reclassification	-	2.1	-7.1	-6.3	0.0	-11.3
Companies acquired and sold	-	-	-	-	-	-
Acquisition cost 31 Dec	**21.0**	**239.8**	**501.0**	**3.9**	**0.3**	**766.0**
Accumulated depreciation and impairment 1 Jan	-0.9	-104.9	-337.0	-0.2	-	-443.1
Translation difference	0.0	-2.6	-7.1	0.0	-	-9.6
Depreciation during the financial period	0.0	-8.2	-39.0	0.0	-	-47.2
Impairment	0.0	0.0	-0.7	0.2	-	-0.6
Disposals	-	1.7	29.5	-	-	31.2
Reclassification	-	0.3	9.1	-	-	9.4
Companies acquired and sold	-	-	-	-	-	-
Accumulated depreciation and impairment 31 Dec	**-1.0**	**-113.7**	**-345.2**	**0.0**	**-**	**-459.9**
Book value 1 Jan	20.5	126.7	150.7	5.0	0.1	302.9
Book value 31 Dec	20.0	126.0	155.8	3.8	0.3	306.0

2014 MEUR	Land	Buildings	Machinery & equipment	Tangible assets under construction	Advance payments	Total
Acquisition cost 1 Jan	21.6	224.0	480.0	4.2	4.9	734.7
Translation difference	0.6	4.1	2.4	0.1	0.0	7.2
Additions	0.0	2.6	52.8	8.5	1.9	65.9
Disposals	-1.1	-12.0	-47.8	0.0	0.0	-60.9
Reclassification	-0.3	4.2	-0.2	-7.7	-6.7	-10.7
Companies acquired and sold	0.6	8.7	0.5	0.0	-	9.8
Acquisition cost 31 Dec	**21.4**	**231.7**	**487.7**	**5.2**	**0.1**	**746.0**
Accumulated depreciation and impairment 1 Jan	-0.9	-94.5	-329.2	-	-	-424.7
Translation difference	0.0	-1.3	-0.3	0.0	-	-1.5
Depreciation during the financial period	-0.1	-8.4	-42.3	-	-	-50.7
Impairment	-	-0.4	-0.5	-0.2	-	-1.1
Disposals	0.1	6.4	27.7	-	-	34.2
Reclassification	-	-1.9	8.0	-	-	6.1
Companies acquired and sold	-	-4.9	-0.5	-	-	-5.3
Accumulated depreciation and impairment 31 Dec	**-0.9**	**-104.9**	**-337.0**	**-0.2**	**-**	**-443.1**
Book value 1 Jan	20.7	129.5	150.8	4.2	4.9	310.1
Book value 31 Dec	20.5	126.7	150.7	5.0	0.1	302.9

Finance lease agreements

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

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

2014 MEUR	Buildings	Machinery & equipment	Total
Acquisition cost 1 Jan	4.9	8.3	13.2
Translation difference	0.2	-0.1	0.1
Additions	0.1	0.6	0.7
Disposals	-	-0.2	-0.2
Reclassification	-0.4	-	-0.4
Acquisition cost 31 Dec	**4.9**	**8.6**	**13.4**
Accumulated depreciation and impairment 1 Jan	-3.9	-3.0	-6.9
Translation difference	-0.2	0.1	-0.1
Depreciation during the financial period	-0.2	-1.9	-2.1
Disposals	-	0.1	0.1
Reclassification	0.3	-	0.3
Accumulated depreciation and impairment 31 Dec	**-4.1**	**-4.7**	**-8.8**
Book value 1 Jan	1.0	5.3	6.2
Book value 31 Dec	0.8	3.9	4.7

Customer finance arrangements

Property, plant and equipment includes machinery and equipment related to customer financing arrangements that have been leased out to customers under operating lease contracts or sold to financing companies under conditions that have prevented immediate revenue recognition. Additional information about the lease receivables related to customer finance arrangements resulting revenue recognition over time is disclosed in note 32, Leases. Additional information about the advance payments received from financing companies resulting in revenue recognition over time, and the buy-back obligations related to these transactions are disclosed in note 29, Accounts payable and other non-interest-bearing liabilities.

Machinery & equipment MEUR	2015	2014
Acquisition cost 1 Jan	153.6	145.9
Translation difference	0.7	1.3
Additions	40.6	41.6
Disposals	-23.1	-25.3
Reclassification	-11.9	-9.6
Companies acquired and sold	-	-0.3
Acquisition cost 31 Dec	**159.9**	**153.6**
Accumulated depreciation and impairment 1 Jan	-70.8	-65.9
Translation difference	-0.7	-0.8
Depreciation during the financial period	-18.5	-20.7
Disposals	11.5	10.6
Reclassification	10.6	5.8
Companies acquired and sold	-	0.3
Accumulated depreciation and impairment 31 Dec	**-67.8**	**-70.8**
Book value 1 Jan	82.8	79.9
Book value 31 Dec	92.1	82.8

17. Investments in associated companies and joint ventures

	Associated companies		Joint ventures		Total	
MEUR	2015	2014	2015	2014	2015	2014
Book value 1 Jan	60.3	59.7	44.5	33.1	104.8	92.8
Translation difference	0.4	0.1	3.3	3.6	3.7	3.6
Share of net income *	0.4	1.1	2.4	4.3	2.8	5.3
Dividend income	-0.1	-0.5	-0.4	-	-0.5	-0.5
Additions	-	1.1	5.9	2.4	5.9	3.5
Reclassification	-	-1.2	-	1.2	-	-
Book value 31 Dec	**61.0**	**60.3**	**55.7**	**44.5**	**116.7**	**104.8**

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

Equity-accounted investments in other entities

31 Dec 2015 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Group
Hymetal S.A.	France	Associated company	5.5	3.8	10.8	0.1	-	40.0
Sanger Metal SP z.o.o.	Poland	Associated company	2.2	0.5	0.6	-0.3	-	30.0
Jumbo Logistics Ltd.	Cyprus	Associated company	0.4	0.0	0.5	0.2	-	30.0
MacGregor-Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	Associated company	0.2	0.0	-	0.0	-	25.0
Jiangsu Rainbow Heavy Industries Co., Ltd.	China	Associated company	697.1	234.5	326.4	3.9	-	7.5
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	18.3	1.9	1.2	-4.4	50.0	50.0
Rainbow-Cargotec Industries Co., Ltd	China	Joint venture	181.1	93.4	110.9	8.5	49.0	49.0
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	9.2	3.2	10.3	1.1	-	25.0

31 Dec 2014 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Group
Hymetal S.A.	France	Associated company	5.1	3.3	9.5	-0.1	-	40.0
Sanger Metal SP z.o.o.	Poland	Associated company	2.2	1.7	1.2	-0.1	-	30.0
Jumbo Logistics Ltd.	Cyprus	Associated company	0.2	0.0	0.4	0.2	-	30.0
MacGregor-Yingke Marine Equipment Design & Consulting (Shanghai) Co., Ltd.	China	Associated company	0.2	0.0	0.3	0.0	-	25.0
Jiangsu Rainbow Heavy Industries Co., Ltd.	China	Associated company	482.3	158.3	273.7	11.6	-	9.2
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	16.5	0.6	0.5	-3.0	50.0	50.0
Rainbow-Cargotec Industries Co., Ltd	China	Joint venture	135.8	61.3	108.9	11.2	49.0	49.0
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	8.1	2.5	10.4	1.0	-	25.0

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

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

Cargotec owns 7.5 (31 Dec 2014: 9.2) percent of Jiangsu Rainbow Heavy Industries Co., Ltd. The ownership has been classified as an associated company because Cargotec has a significant influence in the company due to its significant customership and board representation in the company. Jiangsu Rainbow Heavy Industries Co., Ltd. is Cargotec's strategic partner in the joint venture Rainbow-Cargotec Industries Co., Ltd. The figures recognised in the consolidated statement of income are based on the last 12-month period ending in September because the latest financial statements have not been available.

Rainbow-Cargotec Industries Co. Ltd was established in May 2012. Cargotec's ownership in the company is 49 percent and the ownership of Cargotec's associated company Jiangsu Rainbow Heavy Industries Co. Ltd. is 51 percent. The management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, parties have rights to the net assets of the arrangement in accordance with their ownership, and control over the arrangement is shared, requiring decisions about relevant activities to be made unanimously. The joint venture Rainbow-Cargotec Industries Co. Ltd manufactures port and offshore cranes as a strategic partner for Kalmar and MacGregor. The parties to the joint venture are committed to provide funding for the entity, if needed, up to EUR 117 million from which the share of Cargotec is approximately EUR 57 million. At the reporting date, no funding has been needed and this commitment has not been recognised in the financial statements.

Joint venture Sinotruk Hiab (Shandong) Equipment Co., Ltd. was established in November 2013. Cargotec and China National Heavy Duty Truck Group Co., Ltd both own 50 percent of the company. The management has classified this ownership as a joint venture because the arrangement is structured through a separate vehicle, parties have rights to the net assets of the arrangement in accordance with their investments, and control over the arrangement is shared requiring decisions about relevant activities to be made unanimously. The joint venture has operated from 1 January 2014 as Hiab's strategic partner manufacturing and selling truck-mounted cranes. At the reporting date Cargotec has recognised 50 percent of the result of the entity in accordance with the shareholder agreement, and owns 40.8 (31 Dec 2014: 24.3) percent of the invested capital as the initial investment process is still ongoing. Cargotec is committed to further invest CNY 34.1 million (4.8 million euros at the reporting date exchange rate) in the joint venture over the next years that will raise Cargotec's share of the paid-in capital to 50 percent. These commitments have not been recognised in the financial statements.

Summarised financial information about material associated companies and joint ventures

Summarised balance sheets at 31 Dec	Jiangsu Rainbow Heavy Industries Co., Ltd.		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
MEUR	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Non-current assets	208.5	188.5	69.9	62.8	14.5	12.6
Cash and cash equivalents	137.1	68.9	29.2	8.0	0.7	2.1
Other current assets	351.4	224.9	82.0	65.0	3.1	1.8
Total assets	**697.1**	**482.3**	**181.1**	**135.8**	**18.3**	**16.5**
Non-current financial liabilities	18.5	11.1	-	-	-	-
Other non-current liabilities	3.0	3.8	-	0.3	-	-
Current financial liabilities	35.9	16.8	-	-	-	-
Other current liabilities*	177.2	126.6	93.4	60.9	1.9	0.6
Total liabilities	**234.5**	**158.3**	**93.4**	**61.3**	**1.9**	**0.6**
Net assets	**462.6**	**324.0**	**87.7**	**74.5**	**16.4**	**15.9**

* Accounts payable are included in other current liabilities.

Summarised statements of income	Jiangsu Rainbow Heavy Industries Co., Ltd.		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
MEUR	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Sales	326.4	273.7	110.9	108.9	1.2	0.5
Depreciation, amortisation and impairments*			2.4	1.9	0.9	0.6
Financing income*			-	-	0.0	0.0
Financing expenses*			0.1	0.1	-	-
Income before taxes	8.1	14.6	9.9	12.4	-4.4	-3.0
Income taxes	4.2	3.0	1.4	1.2	-	-
Net income for the period**	**3.9**	**11.6**	**8.5**	**11.2**	**-4.4**	**-3.0**
Dividends received	**-**	**0.5**	**-**	**-**	**-**	**-**

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

Reconciliation of summarised information

MEUR	Jiangsu Rainbow Heavy Industries Co., Ltd.		Rainbow-Cargotec Industries Co., Ltd		Sinotruk Hiab (Shandong) Equipment Co., Ltd.	
	2015	2014	2015	2014	2015	2014
Net assets 1 Jan	324.0	282.2	74.5	56.3	15.9	3.7
Net income for the period	3.9	11.6	8.5	11.2	-4.4	-3.0
Additions	111.6	-	-	-	5.7	15.1
Dividends	-2.6	-	-	-	-	-
Translation differences	25.6	30.2	4.7	7.0	-0.8	0.1
Net assets 31 Dec	**462.6**	**324.0**	**87.7**	**74.5**	**16.4**	**15.9**
Cargotec's share of net assets	34.5	29.8	43.0	36.5	8.2	3.1
Goodwill	25.3	29.2	0.7	0.5	2.2	3.0
Book value	59.8	59.0	43.7	37.0	10.4	6.1

Jiangsu Rainbow Heavy Industries Co., Limited is listed in China at the Shenzhen stock exchange. The fair value of Cargotec's 7.5 percent ownership on 31 December 2015 was EUR 54.0 (31 Dec 2014: 49.9) million based on the closing rate of the company's share on its last trading date 29 Sep 2015. The company has requested a temporary suspension in the trading of its shares, and estimates trading to be resumed by 29 Feb 2016.

At the reporting date Cargotec has recognised 50 percent of the result of the Sinotruk Hiab (Shandong) Equipment Co., Ltd in accordance with the shareholder agreement, and owns 40.8 (31 Dec 2014: 24.3) percent of the invested capital as the initial investment process is still ongoing. In accordance with the original contract Cargotec is committed to further invest CNY 34.1 million (4.8 million euros at the reporting date exchange rate) in the joint venture over the next years that will raise Cargotec's share of the paid-in capital to 50 percent. These commitments have not been recognised in the financial statements.

18. Available-for-sale investments

MEUR	2015	2014
Book value 1 Jan	3.8	3.8
Translation difference	0.0	0.0
Additions	-	0.0
Disposals	-	0.0
Book value 31 Dec	**3.8**	**3.8**

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

19. Deferred tax assets and liabilities

Deferred tax assets

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

Deferred tax liabilities

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

Deferred tax assets

MEUR	1 Jan 2014	Charged to the statement of income	Charged to other comprehen-sive income	Translation difference	Acquired/ sold companies	31 Dec 2014
Tax losses carried forward	43.3	22.6	-	-0.6	0.0	65.3
Provisions	11.9	1.6	0.0	0.4	1.2	15.2
Depreciation difference	33.8	0.2	-	0.0	0.2	34.2
Pensions	5.8	-0.9	2.0	-0.2	-0.1	6.6
Elimination of intercompany profit	10.7	4.1	-	-	-	14.8
Change in fair value	0.6	0.1	8.7	-0.6	0.2	9.0
Other temporary differences	52.9	3.5	-	2.2	-1.0	57.5
Total	**159.0**	**31.1**	**10.8**	**1.2**	**0.4**	**202.4**
Offset against deferred tax liabilities *	-20.1	-4.5	0.0	0.6	-0.4	-24.4
Total, net	**138.9**	**26.6**	**10.7**	**1.7**	**0.0**	**178.0**

Deferred tax liabilities

	1 Jan 2014	Charged to the statement of income	Charged to other comprehen-sive income	Translation difference	Acquired/ sold companies	31 Dec 2014
Depreciation difference	4.4	2.2	0.0	0.3	0.9	7.8
Pensions	-	-0.2	-0.4	0.0	0.5	0.0
Goodwill amortisation	18.4	3.7	-	2.7	0.0	24.8
Allocation of fair value on acquisitions	7.6	-0.4	-	0.1	18.5	25.8
Research and development	1.7	-0.8	-	-	-	0.8
Change in fair value	2.9	0.2	-0.6	-0.1	-0.1	2.2
Other temporary differences	40.7	-2.4	-	-0.7	3.2	40.8
Total	**75.6**	**2.2**	**-1.0**	**2.4**	**22.9**	**102.1**
Offset against deferred tax assets *	-20.1	-4.5	0.0	0.6	-0.4	-24.4
Total, net	**55.5**	**-2.2**	**-1.1**	**2.9**	**22.5**	**77.8**

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

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The company has in its estimates, following the prudency principle, taken into consideration the expiry dates of the tax losses. On 31 December 2015, Cargotec had EUR 51.0 (31 Dec 2014: 66.7) million of tax losses carried forward of which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses of EUR 12.2 (31 Dec 2014: 11.8) million will expire during the next five years and the rest, EUR 38.8 (31 Dec 2014: 54.9) million, have no expiry date or will expire after five years.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that earnings will be distributed in the near future. On 31 December 2015, Cargotec had EUR 1,407.0 (31 Dec 2014: 1,309.3) milition of undistributed profits of which no deferred tax liabilities were recognised.

20. Inventories

MEUR	31 Dec 2015	31 Dec 2014
Raw materials and supplies	226.2	227.1
Work in progress	213.5	254.9
Finished goods	164.3	175.9
Advance payments paid for inventories	51.4	32.6
Total	**655.4**	**690.5**

Obsolescence provision of inventories to net realisable value was EUR 95.8 (31 Dec 2014: 88.3) million at the end of period.

21. Financial instruments by category

Book value by category of financial assets

31 Dec 2015 MEUR	Note	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through profit and loss	Derivatives under hedge accounting	Total
Non-current financial assets						
Loans receivable and other interest-bearing assets		2.0	-	-	-	2.0
Available-for-sale investments	18	-	3.8	-	-	3.8
Derivative assets	30	-	-	-	35.3	35.3
Other non-interest-bearing assets	22	5.7	-	-	-	5.7
Total		**7.7**	**3.8**	**-**	**35.3**	**46.8**
Current financial assets						
Loans receivable and other interest-bearing assets		2.6	-	-	-	2.6
Derivative assets	30	-	-	28.9	7.8	36.7
Accounts receivable and other non-interest-bearing receivables	22	642.2	-	-	-	642.2
Cash and cash equivalents	23	175.8	-	-	-	175.8
Total		**820.6**	**-**	**28.9**	**7.8**	**857.3**
Total financial assets		**828.3**	**3.8**	**28.9**	**43.1**	**904.1**

31 Dec 2014 MEUR	Note	Loans and receivables at amortised cost	Available-for-sale financial assets	Assets at fair value through profit and loss	Derivatives under hedge accounting	Total
Non-current financial assets						
Loans receivable and other interest-bearing assets		3.4	-	-	-	3.4
Available-for-sale investments	18	-	3.8	-	-	3.8
Derivative assets	30	-	-	-	15.5	15.5
Other non-interest-bearing assets	22	5.8	-	-	-	5.8
Total		**9.2**	**3.8**	**-**	**15.5**	**28.5**
Current financial assets						
Loans receivable and other interest-bearing assets		4.4	-	-	-	4.4
Derivative assets	30	-	-	20.2	0.3	20.5
Accounts receivable and other non-interest-bearing receivables	22	725.9	-	-	-	725.9
Cash and cash equivalents	23	205.4	-	-	-	205.4
Total		**935.7**	**-**	**20.2**	**0.3**	**956.3**
Total financial assets		**944.9**	**3.8**	**20.2**	**15.8**	**984.7**

Book value by category of financial liabilities

31 Dec 2015 MEUR	Note	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Derivatives under hedge accounting	Total
Non-current financial liabilities					
Interest-bearing liabilities	26	768.1	-	-	768.1
Derivative liabilities	30	-	-	-	-
Other non-interest-bearing liabilities	29	42.3	-	-	42.3
Total		**810.4**	**-**	**-**	**810.4**
Current financial liabilities					
Interest-bearing liabilities	26	68.7	-	-	68.7
Derivative liabilities	30	-	8.8	5.4	14.2
Accounts payable and other non-interest-bearing liabilities	29	378.4	-	-	378.4
Total		**447.0**	**8.8**	**5.4**	**461.2**
Total financial liabilities		**1,257.5**	**8.8**	**5.4**	**1,271.6**

31 Dec 2014 MEUR	Note	Financial liabilities at amortised cost	Liabilities at fair value through profit and loss	Derivatives under hedge accounting	Total
Non-current financial liabilities					
Interest-bearing liabilities	26	753.2	-	-	753.2
Derivative liabilities	30	-	0.2	-	0.2
Other non-interest-bearing liabilities	29	34.7	-	-	34.7
Total		**787.9**	**0.2**	**-**	**788.1**
Current financial liabilities					
Interest-bearing liabilities	26	193.2	-	-	193.2
Derivative liabilities	30	-	43.7	20.8	64.6
Accounts payable and other non-interest-bearing liabilities	29	421.7	-	-	421.7
Total		**614.9**	**43.7**	**20.8**	**679.4**
Total financial liabilities		**1,402.8**	**43.9**	**20.8**	**1,467.5**

Financial assets and liabilities at fair value through profit and loss consist solely of currency forwards and cross-currency and interest rate swaps. The recurring measurement of these instruments at fair value is based on commonly applied valuation methods, and uses observable market-based variables. Therefore, these measurements are categorised in the fair value hierarchy as level 2 fair values. Other items are recognised at amortised cost. Information on their fair values is presented under each respective note. The derivative assets and liabilities are presented at their gross values as the offsetting criteria of IFRS is not met. Cargotec has derivative positions with several banks and related transactions are effected under ISDA agreement. The ISDA agreement allows to settle on a net basis all outstanding items within the scope of the agreement for example in the event of bankruptcy. At the reporting date, the remaining counterparty risk after net settlement, as allowed by ISDA, was EUR 57.8 (31 Dec 2014: 0.0) million for Cargotec and EUR 0.0 (31 Dec 2014: 28.7) million for the counterparties.

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

Non-current receivables

MEUR	31 Dec 2015	31 Dec 2014
Non-current non-interest-bearing assets	5.7	5.8

Current receivables

MEUR	31 Dec 2015	31 Dec 2014
Accounts receivable	522.6	583.0
Receivables from construction contracts	108.8	129.9
VAT receivable	71.8	65.1
Receivables from service contracts	6.2	4.8
Deferred interests	3.9	3.5
Other deferred assets	65.2	59.2
Total	**778.4**	**845.4**

Ageing analysis of accounts receivable

MEUR	31 Dec 2015	31 Dec 2014
Not due	387.2	426.7
1–90 days overdue	112.9	131.1
91–360 days overdue	21.6	24.4
Over 360 days overdue	0.9	0.8
Total	**522.6**	**583.0**

Impairments, included into ageing analysis of accounts receivable

MEUR	31 Dec 2015	31 Dec 2014
1–90 days overdue	0.4	0.9
91–360 days overdue	11.7	8.0
Over 360 days overdue	8.5	13.1
Total	**20.6**	**21.9**

23. Cash and cash equivalents

MEUR	31 Dec 2015	31 Dec 2014
Cash at bank and on hand	172.0	200.0
Short-term deposits	3.8	5.4
Total	**175.8**	**205.4**

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2015	31 Dec 2014
Cash and cash equivalents	175.8	205.4
Bank overdrafts used	-10.9	-2.0
Cash and cash equivalents in the statement of cash flows	**164.9**	**203.4**

24. Equity

Total equity consists of share capital, share premium account, translation differences, fair value reserves, reserve for invested non-restricted equity, retained earnings and non-controlling interest. The amount exceeding the accounting par value of shares received by the company in connection with share subscriptions was recorded in share premium account if the options had been decided on under the old Limited Liability Companies Act (29 Sep 1978/734). Under the new (1.9.2006) Limited Liability Companies Act (21 Jul 2006/624), when the stock options are exercised, the amount received is recorded in the reserve for invested non-restricted equity. Changes in treasury shares owned by the company are recorded in the reserve for invested non-restricted equity. Translation differences caused by translation of foreign subsidiaries' financial statements into euro are included in translation differences. Also exchange rate gains and losses of the intercompany loan agreements that form part of a net investment, and effective portion of foreign currency differences arising from hedges of net investment in a foreign operation are recognised in translation differences. Fair value reserve includes the changes in fair value of derivatives hedging cash flows and the changes in fair value of available-for-sale financial assets. Net income for the period and share-based payments are recorded in retained earnings.

Shares and share capital

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

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

Number of shares	Class A shares	Class B shares	Total
Number of shares 1 Jan 2014	9,526,089	54,788,505	64,314,594
Stock options exercised	-	122,704	122,704
Number of shares outstanding 31 Dec 2014	**9,526,089**	**54,911,209**	**64,437,298**
Number of shares 1 Jan 2015	9,526,089	54,911,209	64,437,298
Stock options exercised	-	253,774	253,774
Number of shares 31 Dec 2015	**9,526,089**	**55,164,983**	**64,691,072**
Treasury shares 31 Dec 2015	-	-92,700	-92,700
Number of shares outstanding 31 Dec 2015	**9,526,089**	**55,072,283**	**64,598,372**

Dividend distribution

After 31 December 2015 the following dividends were proposed by the Board of Directors to be paid: EUR 0.79 per each class A share and EUR 0.80 per outstanding class B share, a total of EUR 51,583,436.71.

25. Share-based payments

Share-based incentive programme 2015

In February 2015, the Board of Directors approved a new long-term incentive programme for the key personnel of Cargotec. The programme consists of two phases. The first phase includes business area specific financial performance targets for the year 2015 that are tied to return on capital employed, operating profit or order intake. The second phase consists of an additional earnings multiplier, which is based on total shareholder return (TSR) of Cargotec's class B share at the end of the performance period in the year-end 2017. The final amount of reward is a product of the reward earned during the first phase and the multiplier determined during the second phase. If the targets set for the program are met as expected, the cost of the programme will be approximately EUR 6.5 million. If the financial performance threshold levels are not met, there will not be any incentive payment, and for a maximum performance the cost of the programme is approximately EUR 19 million. The estimated cost of the plan at the grant date is based on the expected outcome of the financial performance targets of 2015, forfeiture rate, and the earnings multiplier at the end of 2017 that has been estimated with Black-Scholes option pricing model. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions will be delivered in Cargotec class B shares. If employment terminates before the share payment, the participant will lose the right to the share reward. The number of participants is 82 persons, including Cargotec's President and CEO, members of the Executive Board and other key executives. During the first phase of the incentive programme, the business area specific minimum earnings criterion were fulfilled for 62 participants.

Share-based incentive programme 2014

In February 2014, the Board of Directors approved a new long-term incentive programme for the key personnel of Cargotec. The programme consists of two phases. The first phase includes business area specific financial performance targets for the year 2014 that relate to operating profit order intake or working capital. The second phase consists of an additional earnings multiplier, which is based on the market value of the Cargotec class B share at the end of the three year performance period in 2016. The final amount of reward is a product of the reward earned during the first phase and the multiplier determined during the second phase. If the targets were fully met for the maximum number of participants, the cost of the programme for the three year period would be approximately EUR 12 million. The estimated cost of the plan at the grant date is based on the expected outcome of the financial performance targets of 2014, forfeiture rate, and the earnings multiplier at the end of 2016 that has been estimated with Black-Scholes option pricing model. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions will be delivered in Cargotec class B shares. If employment terminates before the share payment, the participant will lose the right to the share reward. The number of participants is 70 persons, including Cargotec's President and CEO, members of the Executive Board and other key executives. At the reporting date, the business area specific minimum earnings criterion were fulfilled for 49 (31 Dec 2014: 53) participants.

Restricted share-based incentive programme 2014–2016

As a part of total compensation, additional restricted share grants can be allocated for a selected few key employees during 2014–2016. The restricted share programme consists of three annual programmes. Each annual programme includes a one-year earnings period based on financial performance targets and a following one-year lock-up period. At the inception of the programme, the total cost of the programme was estimated at approximately EUR 3 million if the financial performance threshold levels were met for the maximum number of participants. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions is delivered in Cargotec class B shares. If the financial performance threshold levels are not met or a participant's employment terminates before the share grants are delivered after the vesting period, no share incentive will be paid.

- During 2014 restricted share grants were allocated to eight persons including Cargotec's President and CEO, and members of the Executive Board, and the minimum earnings criterion set for the plan was met. The cost of the 2014 plan was EUR 1.7 million.
- During 2015 restricted share grants were allocated to eight persons including Cargotec's President and CEO, and members of the Executive Board, and the minimum earnings criterion set for the plan was met.

Share-based incentive programme 2013

In August 2013, the Board of Directors approved a new share-based incentive programme for key personnel of Cargotec. The programme consisted of an earnings period based on the second half of 2013 financial performance and a holding period of approximately two years following the performance period. The minimum earnings criterion was corporate operative cash flow of EUR 127.8 million for the second half of 2013, which was fulfilled. Additionally, business area specific earnings criterion was fulfilled in one business area. The share reward was a gross reward before deduction for the applicable taxes and tax related expenses and the net reward after these deductions was delivered in Cargotec class B shares. The shares were delivered in spring 2014 and were released in two tranches during the year 2015. The number of the participants was 43 persons, including Cargotec’s President and CEO and members of the Executive Board, of which 20 were rewarded. The cost of the programme was EUR 1.6 million.

Option programme 2010

In March 2010, Cargotec Corporation's Annual General Meeting decided that stock options will be issued to the key personnel of Cargotec and its subsidiaries as part of Cargotec's rewarding and engagement system. The programme included 2010A, 2010B and 2010C stock options, with 400,000 stock options in each series. Stock options were given free of charge. Each stock option entitles its holder to subscribe for one (1) new class B share in Cargotec. For share subscription to commence, the required attainment of targets established for a financial performance criterion determined by the Board of Directors was required annually. The Board of Directors decided on the option issuance on an annual basis, in the spring of the years 2010, 2011 and 2012. A total of 378,864 2010B stock options and 400,000 2010C stock options held by the company were cancelled, as the earnings criteria for the stock options were not fulfilled. 2010B stock options are listed on the main list of NASDAQ OMX Helsinki Ltd.

The share subscription periods with the stock options are:
- for stock option 2010B 1 April 2014–30 April 2016

From the share subscription price of the stock options shall be deducted the amount of dividend or distributable unrestricted equity decided after the beginning of the period for determination of the share subscription price but before share subscription, as per the dividend record date or the record date of the repayment of equity. The share subscription price with the stock options are as follows:
- For stock option 2010A the original subscription price was EUR 21.35. The subscription price adjusted with 2010–2014 dividends was EUR 18.05 and with 2010–2013 dividends EUR 18.60.
- For stock option 2010B the original subscription price was EUR 31.23. The subscription price adjusted with 2011–2014 dividends is EUR 28.54 and with 2011–2013 dividends it was EUR 29.09.

Changes in the number of stock options outstanding

	2010B	2010A
Number of stock options outstanding 1 Jan 2014	25,456	390,286
Granted stock options	-	-
Forfeited stock options	4,320	-
Exercised stock options	640	122,064
Number of stock options outstanding 31 Dec 2014	**20,496**	**268,222**
Exercisable stock options 31 Dec 2014	20,496	268,222
Participants covered by the option programme 31 Dec 2014	-	-
Number of stock options outstanding 1 Jan 2015	20,496	268,222
Granted stock options	-	-
Forfeited stock options	-	-
Exercised stock options	640	253,134
Expired stock options	-	15,088
Number of stock options outstanding 31 Dec 2015	**19,856**	**-**
Exercisable stock options 31 Dec 2015	19,856	-
Participants covered by the option programme 31 Dec 2015	-	-

Impact of share-base incentives to the consolidated financial statements

Information on share-based payments recognised as expense in the statement of income is presented in note 9, Personnel expenses. The liability booked for the cash settlement was EUR 2.4 (31 Dec 2014: 0.5) million.

26. Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	31 Dec 2015	31 Dec 2014
Non-current		
Loans from financial institutions	428.8	432.0
Corporate bonds	337.5	317.8
Finance lease liabilities	1.9	3.4
Total	**768.1**	**753.2**
Current portion of long-term loans		
Loans from financial institutions	3.4	5.8
Corporate bonds	-	-
Finance lease liabilities	2.5	1.3
Total	**5.9**	**7.1**
Current		
Loans from financial institutions	21.0	35.8
Commercial papers	30.9	148.2
Bank overdrafts used	10.9	2.0
Total	**62.8**	**186.1**
Total interest-bearing liabilities	**836.8**	**946.4**

On 31 December 2015, the average interest rate of long-term loans and corporate bonds after hedging of USD denominated corporate bonds through cross-currency and interest rate swaps into EUR, was 2.3 (31 Dec 2014: 2.5) percent. The average interest rate of short-term loans was 1.9 (31 Dec 2014: 1.8) percent.

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

Corporate bonds

31 Dec 2015	Coupon rate, %	Nominal value	Fair value, MEUR	Book value, MEUR
2007–2017	5.6	120.0 MUSD	113.9	110.2
2007–2019	5.7	85.0 MUSD	81.4	78.0
2014–2020	3.4	150.0 MEUR	152.9	149.3

31 Dec 2014	Coupon rate, %	Nominal value	Fair value, MEUR	Book value, MEUR
2007–2017	5.6	120.0 MUSD	104.3	98.7
2007–2019	5.7	85.0 MUSD	73.4	70.0
2014–2020	3.4	150.0 MEUR	149.8	149.1

Interest-bearing liabilities per currency

MEUR	31 Dec 2015	31 Dec 2014
USD*	195.6	168.6
EUR	616.7	742.3
CNY	22.5	28.8
Other	2.0	6.6
Total	**836.8**	**946.4**

* USD denominated Private Placement corporate bonds are hedged through cross-currency and interest rate swaps defined as cash flow hedges.

Finance lease liabilities

Cargotec's finance lease liabilities are disclosed in note 32, Leases.

27. Employee benefits

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

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

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

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

MEUR	2015	2014
Present value of unfunded obligations	67.9	65.8
Present value of funded obligations	42.7	43.6
Fair value of benefit plan assets	39.3	37.9
Liability in the balance sheet	**71.3**	**71.6**
Expense related to defined contribution plans	41.2	34.5
Expense related to defined benefit plans and other post-employment benefits	6.7	6.0
Expense in the statement of income	**48.0**	**40.5**
Remeasurement of defined pension benefits and other post-employment benefits	3.0	-10.1
Remeasurement in the statement of comprehensive income	**3.0**	**-10.1**

Movement in the net defined benefit obligation over the year

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

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2014	91.6	-30.6	61.0
Current service cost	3.5	-	3.5
Interest expense (+)/income (-)	3.8	-1.4	2.4
Past service cost	0.1	-	0.1
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-2.0	-2.0
Gain (-)/loss (+) from change in demographic assumptions	-0.3	-	-0.3
Gain (-)/loss (+) from change in financial assumptions	11.5	-	11.5
Experience adjustment gain (-)/loss (+)	0.9	-	0.9
Foreign exchange rate gains (-)/losses (+)	-2.4	-0.6	-3.0
Contributions by employer	-	-1.8	-1.8
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-4.3	1.7	-2.5
Settlements	-	-	-
Companies acquired and sold	5.2	-3.3	1.9
31 Dec 2014	**109.5**	**-37.9**	**71.6**

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2015	66.2	21.1	9.7	13.6	110.6
2014	65.9	21.1	10.8	11.7	109.5
Fair value of plan assets:					
2015	5.9	21.1	7.6	4.7	39.3
2014	5.7	20.1	7.9	4.2	37.9

Allocation of plan assets

	2015		2014	
MEUR	Quoted	Unquoted	Quoted	Unquoted
Debt instruments	0.8	17.3	0.7	16.6
Investment funds	0.1	8.1	-	7.6
Qualifying insurance policies	-	5.6	-	5.5
Equity instruments	3.5	0.1	1.4	1.6
Other assets	2.9	1.0	1.4	3.2
Total plan assets	**7.3**	**32.1**	**3.6**	**34.3**

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

Defined benefit plans: applied actuarial assumptions

	Sweden	United Kingdom	Norway	Other countries*
Discount rate (%)				
2015	3.0	3.6	2.3	1.5
2014	2.8	3.3	2.4	1.9
Expected rate of salary increases (%)				
2015	2.3	3.4	2.5	2.7
2014	2.3	3.3	2.8	2.7
Expected pension growth rate (%)				
2015	1.5	3.3	1.9	1.7
2014	1.5	3.3	1.7	1.2

* Weighted average

The discount rate is determined separately for each plan and where available, the discount rate is based on a yield of high quality corporate bonds that are denominated in the same currency and have length that approximates the plan duration. The discount rate in Sweden is based on Swedish housing market bonds, the discount rate in the United Kingdom is based on iBoxx quoted for sterling corporate bonds and the discount rate in Norway is based on Norwegian covered bond yields. The discount rate in all euro countries is based on iBoxx quoted for euro bonds and the discount rate in the United States is based on a yield curve provided by Mercer.

Impact of changes in relevant actuarial assumptions to defined benefit obligation

MEUR	2015	2014
Effect of a 0.5%-point increase in the principal assumption would impact the overall liability as follows:		
Discount rate	-7.1	-7.8
Expected rate of salary increases	1.1	1.2
Expected pension growth rate	2.2	2.1
Effect of a 0.5%-point decrease in the principal assumption would impact the overall liability as follows:		
Discount rate	8.0	8.8
Expected rate of salary increases	-1.0	-1.0
Expected pension growth rate	-1.9	-1.9
Effect of 1 year increase in the life expectancy	3.2	3.4
Effect of 1 year decrease in the life expectancy	-3.3	-3.4

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

The analysis above assesses only the pension liability's sensitivity to given variables without considering the plan assets. Although the changes in the discount rate create the most significant risk to plan based on the sensitivity analysis, in practice, the interest rate sensitivity is partly offset by the plan assets that include investments in bonds. The plan assets also include instruments such as equities and funds that in the near term may be volatile, but on the long run are expected to outperform corporate bond yields. The risks related to asset performance are significant both due to the absolute size of plan assets and due to their relative size compared to plan liability. This risk is mitigated by suitable asset allocation and balancing between risk and return. The defined benefit obligation is determined based on the current best estimate of the life expectancy. If the assumed life expectancy proves to be underestimated, also the recognised plan liability will be insufficient. Uncertainty regarding the reliability of this estimate is also a risk to the plan.

Maturity analysis of expected undiscounted pension benefits

MEUR	Less than 1 year	1–5 years	5–10 years	Over 10 years	Total
Pension benefits:					
2015	3.8	16.6	21.0	126.7	168.1
2014	4.1	18.0	24.0	122.1	168.1

Expected contribution to defined benefit plans during the next reporting period is EUR 1.6 million as at 31 December 2015 (31 Dec 2014: EUR 1.2 million). The weighted average duration of the defined benefit obligations was 17.4 years at the reporting date (31.12.2014: 24.6 years).

28. Provisions

2015 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	56.0	5.2	12.1	28.8	3.0	105.0
Translation difference	2.5	0.5	-0.1	2.7	0.0	5.6
Increase	38.0	4.9	15.9	36.9	1.1	96.8
Companies acquired and sold	-	-	-	-	-	-
Provision used	-17.8	-1.4	-16.4	-51.8	-1.6	-88.9
Reversal of provision	-12.7	-2.6	-2.6	-1.6	-0.2	-19.7
Total provision 31 Dec	**66.0**	**6.5**	**8.9**	**15.0**	**2.4**	**98.8**

2014 MEUR	Provision for warranty	Provision for product claims	Provision for restructuring	Provision for loss contracts	Other provisions	Total
Total provision 1 Jan	62.0	4.3	18.2	18.2	1.8	104.5
Translation difference	-0.6	0.4	-0.1	-0.3	0.0	-0.6
Increase	42.3	2.7	18.3	28.1	1.8	93.2
Companies acquired and sold	1.4	-	-	0.0	0.0	1.4
Provision used	-26.1	-0.6	-22.0	-16.6	-0.1	-65.5
Reversal of provision	-23.1	-1.7	-2.3	-0.6	-0.4	-28.1
Total provision 31 Dec	**56.0**	**5.2**	**12.1**	**28.8**	**3.0**	**105.0**

MEUR	31 Dec 2015	31 Dec 2014
Non-current provisions	22.9	24.0
Current provisions	75.9	80.9
Total	**98.8**	**105.0**

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

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

Provisions for restructuring are based on plans approved and implemented by the management related to restructuring of operations. Provisions are expected to realise within 1–2 years. Information on restructuring costs can be found in note 8, Restructuring costs.

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

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

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

Non-current liabilities

MEUR	31 Dec 2015	31 Dec 2014
Buy-back obligations from customer finance arrangements	36.8	29.3
Other non-interest-bearing liabilities	5.4	5.4
Total	**42.3**	**34.7**

Current liabilities

MEUR	31 Dec 2015	31 Dec 2014
Accounts payable	359.9	403.1
Accrued salaries, wages and employment costs	71.3	95.0
Late cost reservations	100.0	76.9
Cost accruals related to construction contracts	63.8	48.5
Amount due to customers from construction contracts	28.9	13.5
Advance payments from customer financing arrangements	43.1	34.0
Advance payments from service contracts	12.7	18.5
Accrued interests	14.6	14.6
Share-based incentives	0.3	0.5
Other accrued expenses	177.3	149.6
Total	**872.1**	**854.1**

30. Derivatives

Fair values of derivative financial instruments

31 Dec 2015 MEUR	Positive fair value	Negative fair value	Net fair value
Currency forward contracts	36.7	14.2	22.5
Cash flow hedge accounting	7.8	0.6	7.1
Net investment hedge accounting	-	4.7	-4.7
Cross-currency and interest rate swaps	35.3	-	35.3
Total	**72.0**	**14.2**	**57.8**
Non-current portion			
Currency forward contracts	-	-	-
Cross-currency and interest rate swaps	35.3	-	35.3
Non-current portion	**35.3**	**-**	**35.3**
Current portion	**36.7**	**14.2**	**22.5**

31 Dec 2014 MEUR	Positive fair value	Negative fair value	Net fair value
Currency forward contracts	20.5	64.7	-44.2
Cash flow hedge accounting	0.4	20.8	-20.4
Net investment hedge accounting	-	-	-
Cross-currency and interest rate swaps	15.5	-	15.5
Total	**35.9**	**64.7**	**-28.8**
Non-current portion			
Currency forward contracts	-	0.2	-0.2
Cross-currency and interest rate swaps	15.5	-	15.5
Non-current portion	**15.5**	**0.2**	**15.3**
Current portion	**20.5**	**64.6**	**-44.1**

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

Nominal values of derivative financial instruments

MEUR	31 Dec 2015	31 Dec 2014
Currency forward contracts	3,874.5	3,277.3
Hedge accounting	1,749.8	1,165.0
Cross-currency and interest rate swaps	188.3	168.8
Total	**4,062.8**	**3,446.1**

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

31. Commitments

MEUR	31 Dec 2015	31 Dec 2014
Guarantees	-	0.7
End customer financing	13.1	16.4
Operating leases	165.9	150.6
Other contingent liabilities	5.2	5.8
Total	**184.2**	**173.5**

Cargotec Corporation has guaranteed obligations of Cargotec companies, arising from ordinary course of business EUR 494.1 (31 Dec 2014: 622.6) million.

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

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

Contingent liabilities

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

32. Leases

Cargotec as lessee

MEUR	31 Dec 2015	31 Dec 2014
Non-cancellable operating lease payables		
Less than 1 year	31.8	26.0
1–5 years	69.9	60.7
Over 5 years	64.2	64.0
Total	**165.9**	**150.6**
Non-cancellable finance lease payables		
Less than 1 year	2.7	1.5
1–5 years	1.8	3.2
Over 5 years	0.3	0.4
Total	**4.8**	**5.2**
Present value of non-cancellable finance lease payables		
Less than 1 year	2.5	1.3
1–5 years	1.6	3.0
Over 5 years	0.3	0.4
Total	**4.4**	**4.7**
Future finance charges	0.4	0.4

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

The aggregate operating lease expenses for the financial year totaled EUR 36.6 (2014: 30.8) million.

Cargotec as lessor

MEUR	31 Dec 2015	31 Dec 2014
Non-cancellable operating lease receivables		
Less than 1 year	8.0	4.3
1–5 years	13.8	16.2
Over 5 years	0.8	0.5
Total	**22.6**	**21.1**
Non-cancellable finance lease receivables		
Less than 1 year	0.6	1.2
1–5 years	0.8	1.8
Over 5 years	-	0.0
Total	**1.4**	**3.0**
Present value of non-cancellable finance lease receivables		
Less than 1 year	0.5	0.9
1–5 years	0.7	1.6
Over 5 years	-	0.0
Total	**1.2**	**2.6**
Future finance income	0.2	0.4

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

Rental income recognised in sales from operating leases was EUR 6.2 (2014: 8.6) million.

33. Related-party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties include also the members of the Board of Directors and the Executive Board, including the President and CEO. Ilkka Herlin together with Wipunen varainhallinta oy (in Ilkka Herlin's control), Mariatorp Oy (in Niklas Herlin's control) and Pivosto Oy (in Ilona Herlin's control, until 31 Aug 2015 D-sijoitus Oy) exercise through ownership in Cargotec significant influence over the company.

Transactions with associated companies and joint ventures

1 Jan–31 Dec 2015 MEUR	Associated companies	Joint ventures	Total
Sale of products	3.8	6.3	10.1
Sale of services	0.9	-	0.9
Purchase of products	5.9	168.2	174.1
Purchase of services	0.5	0.0	0.5

1 Jan–31 Dec 2014 MEUR	Associated companies	Joint ventures	Total
Sale of products	4.4	10.6	15.0
Sale of services	0.9	2.6	3.5
Purchase of products	14.0	106.8	120.8
Purchase of services	0.8	-	0.8

Balances with associated companies and joint ventures

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

31 Dec 2014 MEUR	Associated companies	Joint ventures	Total
Accounts receivable	1.6	5.4	7.0
Accounts payable	0.7	3.6	4.3

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

Key management compensation

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

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Wages, salaries and other short-term employee benefits	3.5	3.6
Share-based payments	2.7	0.8
Termination benefits	-	0.5
Total	**6.2**	**4.9**

The composition of Cargotec's Executive Board has changed during 2014 and 2015. The remuneration of the Executive Board members who left the Board is included in the table for the period they were members.

The President and CEO and members of the Executive Board are participants in the share-based incentive programme 2015 and 2014. If the financial performance threshold levels for the phase one are met, the second phase consisting of an additional earnings multiplier, which is based on total shareholder return (TSR) of Cargotec's class B share at the end of the performance period, will begin. The final amount of reward is a product of the reward earned during the first phase and the multiplier determined during the second phase. Taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions will be delivered in Cargotec class B shares during the spring of 2017 and 2018. Based on the first phase of both programmes, the President and CEO and four members of the Executive Board will be rewarded. If employment terminates before the share payment, the participant will lose the right to the share reward. Additionally, the President and CEO and five members of the Executive Board participate to restricted share programme 2014–2016. If the financial performance threshold levels are met, taxes and tax related expenses are deducted from the gross reward earned and the net reward after these deductions is delivered in Cargotec class B shares. As the financial targets for the earning period 2014 were fulfilled, the President and CEO was rewarded with 10,782 class B shares and other Executive Board members with 11,490 class B shares. These shares have a one-year restriction period. As the financial targets for the earning period 2015 were fulfilled, the reward shares will be delivered in spring 2016 and released in 2017.

Share-based incentive programme 2013 reward was delivered in spring 2014, when the President and CEO received 3,183 Cargotec class B shares and two other Executive Board members a total of 2,443 class B shares. In 2013 Cargotec's Board of Directors granted to the President and CEO 60,500 Cargotec 2010A stock options. The period, during which he was obliged to keep the stock options and shares possibly subscribed for with the stock options, ended on 1 April 2014. Further information on the incentive programmes is presented in note 25, Share-based payments.

The President and CEO and the Finnish members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. For Finnish members of the Executive Board, the statutory retirement age is 63 years in accordance with the current legislation. The pension cost recorded for the President and CEO's statutory pension in 2015 was EUR 0.2 (2014: 0.2) million. The Hiab and MacGregor Business Area Presidents have supplemental defined contribution pension plans, following the local market practice in Belgium and the Netherlands. The members of the Executive Board have a period of notice of 6 months and are entitled to compensation, for termination of employment, corresponding to 6 to 12 months' salary.

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec’s related party on 31 December 2015 or 2014.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Mika Vehviläinen	President and CEO*	2,536.9	1,438.1
Ilkka Herlin	Chairman of the Board	101.2	97.2
Tapio Hakakari	Vice Chairman of the Board	71.2	66.7
Jorma Eloranta	Member of the Board	54.0	47.5
Peter Immonen	Member of the Board	56.0	50.5
Antti Lagerroos	Member of the Board	52.0	51.5
Teuvo Salminen	Member of the Board	70.0	68.0
Anja Silvennoinen	Member of the Board	52.0	53.0

* In 2015 includes, in addition to the base salary and fringe benefits, also taxable income from the 2014 share-based incentive programme and the 2010 option programme. In 2014 includes, in addition to the base salary and fringe benefits, also taxable income from share-based incentive programme 2013.

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

34. Subsidiaries

31 Dec 2015	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Australia Pty Ltd	Australia		100
Cargotec Automation Solutions Australia Pty Ltd	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
MacGregor Australia Pty Ltd	Australia		100
Hiab Austria GmbH	Austria		100
Interhydraulik Zepro GmbH	Austria		100
Kalmar Austria GmbH	Austria		100
Cargotec Caribbean Services Ltd.	Bahamas		100
Cargotec Belgium NV	Belgium	100	100
MacGregor Belgium NV	Belgium		100
Cargotec Brazil Indústria e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Triplex Chile Ltda.	Chile		95
Cargotec Asia Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
Cargotec (Shanghai) Trading Company Limited	China		100
China Crane Investment Holdings Limited	China		100
HATLAPA Marine Equipment Shanghai Co. Ltd.	China		100
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China		100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China		100
MacGREGOR (CHN) Ltd	China		100
MacGREGOR (HKG) Limited	China		100
MacGREGOR (Shanghai) Trading Co., Ltd.	China		100
MacGregor (Tianjin) Co., Ltd	China		100
Hiab d.o.o.	Croatia	100	100
MacGregor Croatia d.o.o.	Croatia		100
HATLAPA (EastMed) Limited	Cyprus		70
HATLAPA Filtration Technology Ltd.	Cyprus		53
ISMS Holdings Limited	Cyprus		100
MacGregor Cyprus Limited	Cyprus		100
Cargotec Czech Republic s.r.o.	Czech Republic	100	100
MacGregor Denmark A/S	Denmark		100
Zepro Danmark A/S	Denmark		100
Cargotec Estonia AS	Estonia	100	100
Linda Properties OÜ	Estonia		45*
MacGREGOR BLRT Baltic OÜ	Estonia		51
Cargotec Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
Forastar Oy Ab	Finland	100	100
MacGregor Finland Oy	Finland		100
Oy Sisu Ab	Finland	100	100

31 Dec 2015	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec France SAS	France	100	100
Kalmar France SAS	France		100
MacGregor France S.A.S.	France		100
SRMP – Société Réunionaise de Maintenance Portuaire	France		51
Cargotec Germany GmbH	Germany		100
HATLAPA International Holding GmbH	Germany		100
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
MacGREGOR Beteiligungs GmbH	Germany		100
MacGregor Germany GmbH	Germany		100
MacGregor Hatlapa GmbH & Co. KG	Germany		100
Zepro Hebebühnen GmbH	Germany		100
MacGregor Greece Ltd	Greece		100
Cargotec India Private Limited	India		100
MacGregor Marine India Private Limited	India		100
PT MacGregor Indonesia	Indonesia		100
Cargotec Engineering Ireland Ltd	Ireland		100
Cargotec Research & Development Ireland Ltd	Ireland		100
Hiab Italia S.r.l.	Italy		100
Kalmar Italia S.r.l.	Italy		100
MacGregor Italy S.r.l.	Italy		100
Cargotec Japan Ltd	Japan		100
MacGregor Japan Ltd	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Cargotec Luxembourg S.a.r.l.	Luxembourg		100
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		70
Hiab Sdn Bhd	Malaysia		100
MacGregor Malaysia Sdn. Bhd.	Malaysia		100
Kalmar Mexico Equipos S.A. de C.V.	Mexico		100
MacGregor PCS Mexico S. de R.L. de C.V.	Mexico		100
Kalmar Maghreb S.A.	Morocco		100
HATLAPA Marine Equipment AS	Norway		100
Hiab Norway AS	Norway		100
Kalmar Holding Norway AS	Norway	100	100
Kalmar Norway AS	Norway		100
MacGregor Holding Norway AS	Norway	50	100
MacGregor MDH AS	Norway		100
MacGregor Norway AS	Norway		100
Cargotec Services Panama, S.A.	Panama		100
Cargotec Poland Sp. Z.o.o.	Poland		100
MacGregor Poland Sp. z.o.o.	Poland		100
Kalmar Portugal, Unipessoal Lda	Portugal		100
MacGregor Doha WLL	Qatar		49*
Cargotec Korea Limited	Republic of Korea		100
HATLAPA Korea Co. Ltd	Republic of Korea		100
MacGregor Korea Ltd	Republic of Korea		100

31 Dec 2015	Country	Shareholding (%) Parent company	Shareholding (%) Group
MacGregor Pusnes Korea Co., Ltd.	Republic of Korea		100
Cargotec RUS LLC	Russia		100
Cargotec CHS Pte. Ltd.	Singapore		100
HATLAPA Asia Pacific Pte. Ltd.	Singapore		100
ISMS Services Pte. Ltd.	Singapore		100
MacGREGOR Plimsoll Offshore Services Pte Ltd	Singapore		100
MacGREGOR Plimsoll Pte Ltd	Singapore		100
MacGregor Pte Ltd	Singapore	100	100
MacGREGOR (SGP) Pte Ltd.	Singapore		100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Hiab (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Iberia, S.A.	Spain		100
Hiab Cranes, S.L. Unipersonal	Spain		100
Cargotec Holding Sweden AB	Sweden	100	100
Cargotec Patenter AB	Sweden		100
Cargotec Patenter HB	Sweden		100
Cargotec Sweden AB	Sweden	100	100
Hiab AB	Sweden		100
Koffert Sverige AB	Sweden		100
MacGregor Sweden AB	Sweden		100
Siwertell AB	Sweden		100
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Cargotec Switzerland S.A.	Switzerland		100
Cargotec (Thailand) Co., Ltd.	Thailand		100
Cargotec Holding Netherlands B.V.	The Netherlands	100	100
Cargotec Netherlands B.V.	The Netherlands		100
MacGregor Netherlands B.V.	The Netherlands		100
MacGregor Netherlands Holding B.V.	The Netherlands		100
Bringeven Limited	UK		100
Cargotec UK Limited	UK		100
Company 1234 Limited	UK		100
Del Equipment (U.K.) Limited	UK		100
Grampian Hydraulics Limited	UK		100
Hiab Limited	UK	100	100
Kalmar Limited	UK	100	100
MacGregor (GBR) Limited	UK		100
MacGregor Marine Equipment Ltd.	UK		100
MacGregor Marine Service UK Limited	UK		100
Moffett Limited	UK		100
P&C Compressor Spares Ltd	UK		100
Player and Cornish Marine Limited	UK		100
Woodfield Rochester Engineering Limited	UK		100
Woodfield Rochester Limited	UK		100
Woodfield Systems Limited	UK		100
Cargotec Ukraine, LLC	Ukraine		100

31 Dec 2015	Country	Shareholding (%) Parent company	Shareholding (%) Group
Bromma Middle East DMCC	United Arab Emirates		100
Kalmar Middle East DMCC	United Arab Emirates		100
MacGregor (ARE) Gulf LLC	United Arab Emirates		49*
MacGregor (ARE) LLC	United Arab Emirates		49*
Cargotec Crane and Electrical Services Inc.	USA		100
Cargotec Holding, Inc.	USA	100	100
Cargotec Port Security LLC	USA		100
Hiab USA Inc.	USA		100
Kalmar RT Center LLC	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Inc.	USA		100
MacGregor USA Inc.	USA		100
Navis LLC	USA		100
Waltco Lift Corp.	USA		100

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

35. Events after the balance sheet date

In January 2016, Cargotec agreed to acquire full control of INTERSCHALT maritime systems AG, the leading specialist software and related service provider to the maritime industry. The acquisition will complement Cargotec's strategic aim of being the leader in intelligent cargo handling. Cargotec will gain more competence in technologically advanced software and service solutions and attain a global footprint with branch offices, services stations and partner representations. INTERSCHALT's sales in 2014 amounted to EUR 42 million and it employs over 200 people. The closing of the transaction is expected to take place in the first quarter of 2016 and is subject to the approval of competition authorities.

Financial statements of the parent company (FAS)

Parent company income statement

MEUR	Note	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Sales		**142.3**	**117.5**
Administration expenses	2, 3, 4	-138.8	-139.3
Other operating income		1.0	0.1
Operating profit/loss		**4.5**	**-21.6**
Financing income and expenses	5	104.7	263.9
Profit before extraordinary items		**109.2**	**242.2**
Extraordinary items	6	56.7	10.6
Profit before appropriations and taxes		**165.9**	**252.8**
Income taxes	7	-11.2	8.3
Profit for the period		**154.7**	**261.1**

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

Parent company balance sheet

MEUR	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Non-current assets			
Intangible assets	8, 9	33.5	31.8
Tangible assets	10	0.1	0.8
Investments			
Investments in subsidiaries	11	2,720.5	1,936.5
Investments in joint ventures	11	45.8	40.0
Other investments	11	3.8	3.8
Total non-current assets		**2,803.8**	**2,012.8**
Current assets			
Non-current receivables	12, 18	537.6	625.1
Current receivables	13, 18	915.4	1,712.1
Cash and cash equivalents		86.9	111.3
Total current assets		**1,539.9**	**2,448.5**
Total assets		**4,343.7**	**4,461.3**

MEUR	Note	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES			
Equity			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Fair value reserves		1.0	0.7
Reserve for invested non-restricted equity		78.0	75.9
Retained earnings		955.3	729.6
Net income for the period		154.7	261.1
Total equity	14	**1,351.3**	**1,229.5**
Provisions		**0.1**	**0.2**
Liabilities			
Non-current liabilities			
Other non-current liabilities	15, 18	762.3	745.1
Current liabilities	16, 18	2,230.0	2,486.5
Total liabilities		**2,992.3**	**3,231.6**
Total equity and liabilities		**4,343.7**	**4,461.3**

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

Parent company cash flow statement

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Operating profit/loss	4.5	-21.6
Adjustments to the operating profit/loss for the period	4.9	5.4
Change in working capital:		
Change in non-interest-bearing receivables	10.9	-3.4
Change in non-interest-bearing payables	19.7	-1.0
Interest paid	-23.1	-40.3
Interest received	20.1	30.2
Dividends received	103.3	365.1
Taxes paid	0.0	0.0
Derivatives	-118.6	-48.4
Cash flow from operating activities	**21.7**	**285.9**
Investments to tangible and intangible assets	-6.6	-8.6
Investments to subsidiaries and other companies	-782.9	-231.0
Proceeds from sales of intangible and tangible assets	1.6	-
Proceeds from sales of group companies	2.0	-
Cash flow from investing activities	**-785.9**	**-239.6**
Received and paid group contributions	10.6	90.1
Stock options exercised	4.6	2.3
Acquisition of treasury shares	-3.4	-0.9
Proceeds from sale of treasury shares	0.2	0.5
Increase in loans receivable	-822.9	-1,034.2
Disbursement of loans receivable	1,767.1	549.5
Proceeds from short-term borrowings	1,007.3	1,669.5
Repayments of short-term borrowings	-1,183.4	-1,416.2
Proceeds from long-term borrowings	100.0	749.9
Repayments of long-term borrowings	-105.0	-675.8
Dividends paid	-35.3	-26.9
Cash flow from financing activities	**739.8**	**-92.1**
Change in cash and cash equivalents	-24.5	-45.9
Cash and cash equivalents 1 Jan	111.3	157.2
Cash and cash equivalents 31 Dec	**86.9**	**111.3**

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

Notes to the parent company financial statements

Contents

1. Accounting principles for the parent company financial statements

Basis of preparation

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

Foreign currency transactions

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

Revenue recognition

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

Income taxes

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

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

Intangible and tangible assets, depreciation and amortisation

Intangible and tangible assets are stated at original acquisition cost less accumulated depreciation and amortisation, and impairment. Depreciation and amortisation are determined based on a predetermined plan that is based on the expected useful life of the asset. The depreciation and amortisation periods based on expected useful economic lives are as follows:

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

Derivative instruments

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

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

Changes in the fair value of effective cash flow hedges are recognised in fair value reserve of the equity. Ineffective portion is recognised immediately in the income statement. Cumulative gain or loss on the hedge deferred to equity is recognised in the income statement as an adjustment to the hedged item during the same period when the hedged item is recognised. Changes in the fair value of hedging instruments relating to operative items that no longer are expected to materialise are recognised immediately in the income statement in other operating income/expenses. If the hedging instrument matures, is sold, the contract is revoked or exercised or the relation of the hedging instrument and the underlying item is revoked, the cumulative change in the fair value of the hedging instrument remains in equity and is recognised in the income statement when the underlying operative item materialises.

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

Equity

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

Provisions

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

2. Personnel expenses

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Wages and salaries	15.1	13.2
Pension costs	2.1	1.6
Other statutory employer costs	1.5	0.8
Total	**18.7**	**15.6**

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

Average number of employees

	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Administrative employees	160	139

Key management compensation

Remunerations including fringe benefits paid to members of Cargotec's Board of Directors related to their Board work during the financial period totalled EUR 0.5 (2014: 0.4) million.

The salaries and remunerations paid to the President and CEO, including base salary, fringe benefits, short-term incentive payout and taxable income from share-based incentive programme 2014 and option programme 2010 (2014: share-based incentive programme 2013), totalled EUR 2.5 (2014: 1.4) million. The President and CEO is entitled to a statutory pension, of which a pension cost of EUR 0.2 (2014: 0.2) million was recorded. The statutory retirement age is 63 years in accordance with the current legislation. Key management's compensation is described in more detail in note 33, Related-party transactions in the consolidated financial statements.

3. Depreciation, amortisation and impairment charges

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Planned depreciation and amortisation		
Intangible rights	0.6	0.5
Goodwill	0.4	0.4
Other capitalised expenditure	3.8	4.4
Buildings	0.0	0.0
Machinery and equipment	0.0	0.0
Total	**4.9**	**5.3**
Impairments		
Other capitalised expenditure	-	0.5
Total	**4.9**	**5.9**

4. Audit fees

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Annual audit	0.4	0.4
Tax advice	0.2	0.2
Other services	0.3	0.4
Total	**0.9**	**0.9**

5. Financing income and expenses

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Interest income		
From group companies	21.0	25.3
From third parties	0.1	2.5
Total	**21.1**	**27.8**
Other financing income		
From group companies	10.8	1.6
Dividend from group companies	103.3	365.1
Exchange rate differences	-3.8	-17.9
Total	**110.3**	**348.8**
Interest expenses		
From group companies	-2.7	-9.6
From third parties	-20.8	-28.2
Total	**-23.5**	**-37.8**
Other financing expenses		
From group companies	-4.6	-42.7
From third parties	-3.0	-3.3
Total	**-7.5**	**-46.0**
Reversals of impairments of investments in subsidiaries	25.0	30.0
Impairments of investments in subsidiaries	-20.7	-58.9
Total financing income and expenses	**104.7**	**263.9**

Interest expenses in 2014 include EUR 8.0 million interest of the capital loan originating from the acquisition of Hatlapa.

6. Extraordinary items

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Extraordinary income		
Group contributions	56.7	10.6

7. Income taxes

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Current year tax expense	0.2	0.0
Change in deferred tax asset	11.0	-8.3
Total	**11.2**	**-8.3**

8. Intangible assets

MEUR	Intangible rights	Goodwill	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2015	4.6	2.2	45.8	1.9	54.5
Additions	-	-	-	6.6	6.6
Transfer between groups	1.7	-	4.3	-6.1	0.0
Acquisition cost 31 Dec 2015	**6.4**	**2.2**	**50.1**	**2.5**	**61.1**
Accumulated amortisation 1 Jan 2015	3.9	0.4	18.3	-	22.7
Amortisation during the period	0.6	0.4	3.8	-	4.8
Accumulated amortisation and impairments 31 Dec 2015	**4.5**	**0.9**	**22.2**	**-**	**27.5**
Book value on 31 Dec 2015	**1.9**	**1.3**	**27.9**	**2.5**	**33.5**
Acquisition cost 1 Jan 2014	4.3	-	39.5	1.3	45.0
Additions	-	2.2	0.5	6.7	9.4
Transfer between groups	0.3	-	5.8	-6.1	0.0
Acquisition cost 31 Dec 2014	**4.6**	**2.2**	**45.8**	**1.9**	**54.5**
Accumulated amortisation 1 Jan 2014	3.5	-	13.4	-	16.9
Amortisation during the period	0.5	0.4	4.4	-	5.3
Impairments during the period	-	-	0.5	-	0.5
Accumulated amortisation 31 Dec 2014	**3.9**	**0.4**	**18.3**	**-**	**22.7**
Book value 31 Dec 2014	**0.7**	**1.7**	**27.4**	**1.9**	**31.8**

9. Capitalised interest

MEUR	2015	2014
Undepreciated capitalised interest	0.2	0.3

Capitalised interest relate to ERP project and they are included in other capitalised expenditure. Capitalised interest are depreciated according to the depreciation plan for other capitalised expenditure.

10. Tangible assets

MEUR	Land	Buildings	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan 2015	0.4	0.4	1.1	0.1	2.0
Disposals	0.4	0.4	0.0	0.0	0.8
Acquisition cost on 31 Dec 2015	**-**	**-**	**1.1**	**0.1**	**1.2**
Accumulated depreciation on 1 Jan 2015	-	0.1	1.0	0.1	1.2
Depreciation during the period	-	0.0	0.0	-	0.1
Disposals	-	-0.1	-	-	-0.1
Accumulated depreciation on 31 Dec 2015	**-**	**-**	**1.1**	**0.1**	**1.1**
Book value on 31 Dec 2015	**-**	**-**	**0.1**	**0.0**	**0.1**
Acquisition cost on 1 Jan 2014	0.4	0.4	1.0	0.1	1.9
Additions	-	-	0.1	-	0.1
Disposals	-	-	-	-	-
Acquisition cost on 31 Dec 2014	**0.4**	**0.4**	**1.1**	**0.1**	**2.0**
Accumulated depreciation on 1 Jan 2014	-	0.1	1.0	0.1	1.2
Depreciation during the period	-	0.0	0.0	-	0.1
Accumulated depreciation on 31 Dec 2014	**-**	**0.1**	**1.0**	**0.1**	**1.2**
Book value on 31 Dec 2014	**0.4**	**0.3**	**0.1**	**0.0**	**0.8**

11. Investments

MEUR	2015	2014
Investments in subsidiaries		
Acquisition cost 1 Jan	2,112.9	1,884.3
Accumulated impairments 1 Jan	-176.4	-147.5
Additions	782.7	228.6
Disposals	-2.9	-
Reversal of impairments/impairments	4.3	-28.9
Book value 31 Dec	**2,720.5**	**1,936.5**

MEUR	2015	2014
Investments in joint ventures		
Acquisition cost 1 Jan	40.0	37.6
Additions	5.9	2.4
Book value 31 Dec	**45.8**	**40.0**

MEUR	2015	2014
Other investments		
Acquisition cost 1 Jan	3.8	3.8
Book value 31 Dec	**3.8**	**3.8**

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

12. Non-current receivables

MEUR	31 Dec 2015	31 Dec 2014
Loans receivable from group companies	499.8	596.1
Deferred tax asset	2.5	13.5
Derivative assets	35.3	15.5
Total	**537.6**	**625.1**

13. Current receivables

MEUR	31 Dec 2015	31 Dec 2014
From group companies		
Loans receivable	723.2	1,566.1
Accounts receivable	12.9	11.7
Derivative assets	69.0	79.4
Deferred assets	60.3	16.2
Total	**865.4**	**1,673.4**
From third parties		
Loans receivable	0.1	0.1
Accounts receivable	0.0	0.2
Derivative assets	36.5	19.8
Deferred assets	13.4	18.7
Total	**50.0**	**38.7**
Total current receivables	**915.4**	**1,712.1**

14. Equity

MEUR	2015	2014
Restricted equity		
Share capital 1 Jan	64.3	64.3
Share capital 31 Dec	**64.3**	**64.3**
Share premium account 1 Jan	98.0	98.0
Share premium account 31 Dec	**98.0**	**98.0**
Fair value reserves 1 Jan	0.7	2.1
Cash flow hedges	0.4	-1.7
Change in deferred taxes	-0.1	0.3
Fair value reserve 31 Dec	**1.0**	**0.7**
Total restricted equity	**163.3**	**163.0**
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	75.9	73.7
Acquisition of treasury shares	-3.4	-0.9
Proceeds from sale of treasury shares	0.9	0.8
Stock options excercised	4.6	2.3
Reserve for invested non-restricted equity 31 Dec	**78.0**	**75.9**
Retained earnings 1 Jan	990.6	756.5
Dividens paid	-35.3	-26.9
Retained earnings 31 Dec	**955.3**	**729.6**
Profit/loss for the period	154.7	261.1
Total non-restricted equity	**1,188.0**	**1,066.5**
Total equity	**1,351.3**	**1,229.5**
Distributable equity	**1,188.0**	**1,066.5**

15. Non-current liabilities

MEUR	31 Dec 2015	31 Dec 2014
Corporate bonds	337.5	317.8
Loans from financial institutions	424.5	426.9
Deferred tax liability	0.3	0.2
Derivative liabilities	-	0.2
Total non-current liabilities	**762.3**	**745.1**

Maturity after 5 years

MEUR	31 Dec 2015	31 Dec 2014
Corporate bonds	-	149.1
Loans from financial institutions	58.7	100.6
Total	**58.7**	**249.8**

16. Current liabilities

MEUR	31 Dec 2015	31 Dec 2014
To group companies		
Loans from group companies	2,088.1	2,147.6
Accounts payable	12.3	0.3
Derivative liabilities	31.5	37.7
Accruals	13.7	53.8
Total	**2,145.6**	**2,239.4**
To third parties		
Loans from financial institutions	2.5	5.0
Commercial papers	30.9	148.2
Bank overdrafts used	1.4	0.0
Accounts payable	8.7	8.2
Derivative liabilities	14.0	64.5
Accruals	26.9	21.3
Total	**84.5**	**247.2**
Total current liabilities	**2,230.0**	**2,486.5**

Accruals

MEUR	31 Dec 2015	31 Dec 2014
Accrued salaries, wages and employment costs	4.9	4.0
Accrued interests	14.4	14.5
Other accruals	21.2	56.6
Total	**40.6**	**75.0**

17. Commitments

MEUR	31 Dec 2015	31 Dec 2014
Security for guarantees		
Guarantees given on behalf of group companies	494.1	622.6
Guarantees given on behalf of others	-	0.7
Total	**494.1**	**623.3**
Contingencies		
Rental commitments given on behalf of others	2.0	2.2
Leasing commitments		
Maturity within the next financial period	2.1	2.2
Maturity after next financial period	2.2	2.6
Total	**6.3**	**7.0**

18. Derivatives

Fair values of derivative financial instruments

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

31 Dec 2014 MEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	79.4	37.7	41.6
Currency forward contracts	19.8	64.6	-44.9
Cross-currency and interest rate swaps	15.5	-	15.5
Total	**114.6**	**102.3**	**12.2**

Nominal values of derivative financial instruments

MEUR	31 Dec 2015	31 Dec 2014
Intra-group currency forward contracts	2,436.9	2,140.7
Currency forward contracts	3,853.5	3,255.6
Cross-currency and interest rate swaps	188.3	168.8
Total	**6,478.7**	**5,565.1**

Key figures

Key financial figures

Consolidated statement of income		2015	2014	2013	2012	2011
Sales	MEUR	3,729	3,358	3,181	3,327	3,139
Exports from and sales outside Finland	MEUR	3,673	3,307	3,131	3,260	3,078
Operating profit	MEUR	213	127	93	131	207
% of sales	%	5.7	3.8	2.9	3.9	6.6
Operating profit excluding restructuring costs	MEUR	231	149	127	158	207
% of sales	%	6.2	4.4	4.0	4.7	6.6
Income before taxes	MEUR	186	98	79	123	192
% of sales	%	5.0	2.9	2.5	3.7	6.1
Net income for the period	MEUR	143	72	55	89	149
% of sales	%	3.8	2.1	1.7	2.7	4.8

Other key figures		2015	2014	2013	2012	2011
Wages and salaries	MEUR	538	506	460	452	419
Depreciation, amortisation and impairment	MEUR	77	81	77	70	63
Capital expenditure in intangible assets and property, plant and equipment	MEUR	38	38	69	76	47
Capital expenditure in customer financing	MEUR	41	42	39	34	30
Capital expenditure total % of sales	%	2.1	2.4	3.4	3.3	2.4
Research and development costs	MEUR	83	67	63	75	60
% of sales	%	2.2	2.0	2.0	2.3	1.9
Equity	MEUR	1,342	1,214	1,239	1,219	1,168
Total assets	MEUR	3,571	3,652	3,336	3,298	3,124
Interest-bearing net debt [1]	MEUR	622	719	578	478	299
Return on equity	%	11.2	5.9	4.5	7.5	13.3
Return on capital employed	%	9.8	6.2	5.0	8.2	13.3
Total equity/total assets	%	39.8	35.9	39.5	40.8	42.9
Gearing [1]	%	46.4	59.2	46.7	39.2	25.6
Orders received	MEUR	3,557	3,599	3,307	3,058	3,233
Order book	MEUR	2,064	2,200	1,980	2,021	2,426
Average number of employees		10,772	10,838	10,210	10,522	10,692
Number of employees 31 Dec		10,837	10,703	10,610	10,294	10,928
Dividends	MEUR	52 [2]	35	27	44	61

1 Including cross-currency hedging of the 205 (31 Dec 2011–31 Dec 2013: 300 and 31 Dec 2014: 205) million USD Private Placement corporate bonds. Additional information is disclosed in Capital structure management section under note 3, Financial risk management.
2 Board's proposal.

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods 2012 and 2011 has been restated accordingly.

Share-related key figures

		2015	2014	2013	2012	2011
Earnings per share						
Basic earnings per share	EUR	2.21	1.11	0.89	1.45	2.42
Diluted earnings per share	EUR	2.21	1.11	0.89	1.45	2.42
Equity per share	EUR	20.73	18.76	19.18	19.80	18.97
Dividend per class B share	EUR	0.80 [4]	0.55	0.42	0.72	1.00
Dividend per class A share	EUR	0.79 [4]	0.54	0.41	0.71	0.99
Dividend per earnings, class B share	%	36.1 [4]	49.6	47.1	49.7	41.3
Dividend per earnings, class A share	%	35.7 [4]	48.7	46.0	49.1	40.9
Effective dividend yield, class B share	%	2.3 [4]	2.2	1.6	3.6	4.4
Price per earnings, class B share	EUR	15.6	23.0	30.4	13.8	9.5
Development of share price, class B share						
Average share price	EUR	31.58	27.65	24.49	22.70	26.79
Highest share price	EUR	37.37	34.67	29.69	33.62	39.60
Lowest share price	EUR	23.70	20.57	19.35	15.65	16.35
Closing price at the end of period	EUR	34.50	25.55	27.09	19.95	22.98
Market capitalisation 31 Dec [1]	MEUR	2,228	1,647	1,743	1,223	1,410
Market capitalisation of class B shares 31 Dec [2]	MEUR	1,900	1,403	1,484	1,034	1,191
Trading volume, number of class B shares traded	('000)	58,340	53,641	41,105	64,275	58,290
Trading volume, number of class B shares traded	%	104.5	96.0	74.0	118.8	98.5
Weighted average number of class A shares [3]	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares 31 Dec [3]	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares [2]	('000)	55,042	54,861	51,995	51,819	51,819
Number of class B shares 31 Dec [2]	('000)	55,072	54,911	54,789	51,819	51,819
Diluted weighted average number of class B shares [2]	('000)	55,072	54,949	52,082	51,819	51,819

Trading information is based on NASDAQ OMX Helsinki Ltd statistics.

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

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods 2012 and 2011 has been restated accordingly.

Calculation of key figures

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

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

Key exchange rates for the Euro

Closing rate	31 Dec 2015	31 Dec 2014
SEK	9.190	9.393
USD	1.089	1.214

Average rate	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
SEK	9.341	9.100
USD	1.113	1.326

Shares and shareholders

Cargotec Corporation's class B shares are quoted on the Nasdaq Helsinki Large Cap list since 1 June 2005. The trading code is CGCBV. The shares are registered in the book-entry securities system maintained by Euroclear Finland Ltd., which also maintains the official shareholder register of Cargotec Corporation.

Share-related key figures 2011–2015, EUR

	2015	2014	2013	2012	2011
Basic earnings per share	2.21	1.11	0.89	1.45	2.42
Equity per share	20.73	18.76	19.18	19.80	18.97
Dividend per class B share	0.80*	0.55	0.42	0.72	1.00
Dividend per class A share	0.79*	0.54	0.41	0.71	0.99
Effective dividend yield, class B share, %	2.3*	2.2	1.6	3.6	4.4
Price per earnings, class B share	15.6	23.0	30.4	13.8	9.5
Development of share price, class B share					
Average share price	31.58	27.65	24.49	22.70	26.79
Highest share price	37.37	34.67	29.69	33.62	39.60
Lowest share price	23.70	20.57	19.35	15.65	16.35
Closing price at the end of the period	34.50	25.55	27.09	19.95	22.98

* Board's proposal

From the beginning of 2013, Cargotec applies the amendment to IAS 19 Employee benefits. The data for the comparison periods 2012 and 2011 has been restated accordingly.

Shares and share capital

Cargotec has two classes of shares, of which class B shares are listed and class A shares are unlisted. At the Annual General Meeting, each class A share is assigned one vote, as is each block of ten class B shares, with the provision that each shareholder is entitled to at least one vote. The total number of votes attached to all shares was 15,039,972 at the end of 2015.

There were no changes in Cargotec Corporation's share capital in 2015. On 31 December 2015, share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 55,164,983 class B shares and 9,526,089 class A shares. During the financial period, the number of class B shares grew by 253,774 shares subscribed with 2010 option rights. The entire subscription price of EUR 4,588,185.70 was credited to the reserve for invested non-restricted equity. As a consequence, Cargotec's share capital remained unchanged.

Dividend distribution

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

Dividend proposal

The Board of Directors proposes to the Annual General Meeting (AGM), that of the distributable profit, a dividend of EUR 0.79 for each class A shares and EUR 0.80 for each class B shares outstanding be paid for the financial year 2015.

Own shares and share issue

In September, Cargotec repurchased a total of 92,700 of its own class B shares based on the authorisation of the AGM on 18 March 2015 for a total cost of EUR 2,409,009.00. The shares were repurchased for use as reward payments for the share-based incentive programme 2014 and for restricted share grants 2015 and 2016. Payments and grants will be realised as per their respective terms and conditions, starting on 1 March 2016 at the earliest.

On 19 March 2015, Cargotec repurchased 28,030 of its own class B shares based on the authorisation of the AGM on 18 March 2015 for a total cost of EUR 940,317.79. Shares were repurchased for the share-based incentive programme 2014. Based on the authorisation granted by the 2014 AGM, the Board decided on 18 March 2015 on a directed share issue as a reward payment for the restricted shares under this share-based incentive programme. These shares were transferred without consideration to those employees participating in the restricted shares programme who fulfilled the earnings criteria.

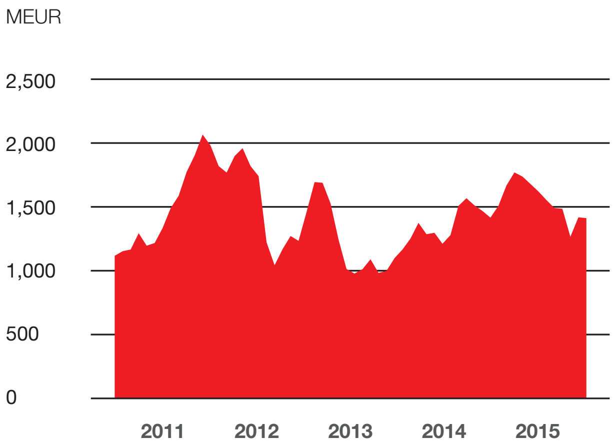
At the end of 2015, Cargotec held a total of 92,700 own class B shares, accounting for 0.14 percent of the total number of shares and 0.06 percent of the total number of votes, and the number of outstanding class B shares totalled 55,072,283.

Share price development and trading

In 2015, Cargotec's class B share price rose 35 percent, from EUR 25.55 to EUR 34.50. Over the same period, the OMX Helsinki Benchmark Cap Index rose 13 percent.

At the end of 2015, the total market value of class B shares, calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 1,900 (1,403) million, excluding own shares held by the company. Cargotec's year-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the year, was EUR 2,228 (1,647) million, excluding own shares held by the company.

Market capitalisation, class B shares



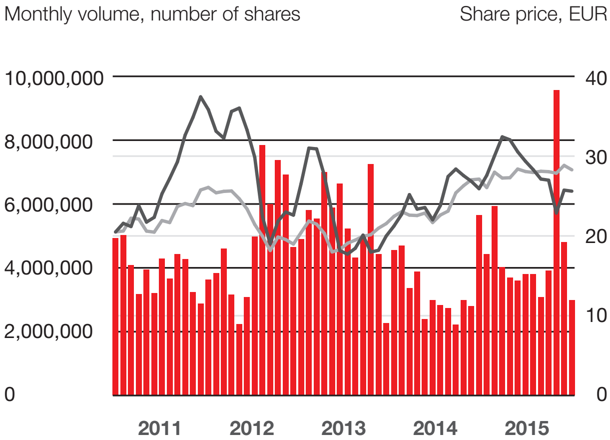
The class B share closed at EUR 34.50 (25.55) on the last trading day of 2015. The highest quotation for 2015 was EUR 37.37 (34.67) and the lowest EUR 23.70 (20.57). The volume weighted average price for the financial period was EUR 31.58 (27.65).

In 2015, a total of 58 (54) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,837 (1,486) million. The average daily trading volume of class B shares was 232,429 (214,565) shares or EUR 7 (6) million.

In addition, according to Fidessa, a total of 62 (61) million class B shares were traded in several alternative market-places, such as BATS Chi-X CXE and BATS OTC, corresponding to a turnover of EUR 1,966 (1,743) million.

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

Share price and volume



Shareholders

At the end of 2015, Cargotec had 25,000 (28,000) registered shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin was the largest owner when including shares owned directly as well as through companies in which a controlling interest is held. There were 13,127,208 (10,023,740) nominee-registered shares, representing 20.29 (15.56) percent of the total number of shares, which corresponds to 8.73 (6.68) percent of all votes.

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

Major shareholders on 31 December 2015

	Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1	Ownership of Ilkka Herlin, total	2,940,067	6,206,476	9,146,543	14.14	3,560,714	23.68
	Wipunen varainhallinta oy	2,940,067	6,200,000	9,140,067	14.13	3,560,067	23.67
	Herlin Ilkka, direct ownership		6,476	6,476	0.01	647	0.00
2	Mariatorp Oy (in Niklas Herlin's controlling power)	2,940,067	5,000,000	7,940,067	12.27	3,440,067	22.87
3	Pivosto Oy (in Ilona Herlin's controlling power)	2,940,067	3,850,000	6,790,067	10.50	3,325,067	22.11
4	Varma Mutual Pension Insurance Company		1,516,098	1,516,098	2.34	151,609	1.01
5	Kone Foundation	705,888	1,232,454	1,938,342	3.00	829,133	5.51
6	The State Pension Fund		1,159,000	1,159,000	1.79	115,900	0.77
7	Ilmarinen Mutual Pension Insurance Company		861,953	861,953	1.33	86,195	0.57
8	Svenska litteraturskällskapet i Finland r.f.		569,800	569,800	0.88	56,980	0.38
9	SEB Finlandia Fund		485,050	485,050	0.75	48,505	0.32
10	Keva		466,910	466,910	0.72	46,691	0.31
11	Herlin Heikki		400,000	400,000	0.62	40,000	0.27
12	Sigrid Jusélius Foundation		367,600	367,600	0.57	36,760	0.24
13	Nordea Finland Fund		358,451	358,451	0.55	35,845	0.24
14	Aktia Capital Fund		350,000	350,000	0.54	35,000	0.23
15	Fondita Nordic Small Cap Fund		340,000	340,000	0.53	34,000	0.23
16	Nurminen Hanna		270,268	270,268	0.42	27,026	0.18
17	Evli Finnish Small Cap Fund		241,622	241,622	0.37	24,162	0.16
18	Nordea Life Assurance Finland Ltd.		239,044	239,044	0.37	23,904	0.16
19	Mandatum Life Unit-Linked		214,590	214,590	0.33	21,459	0.14
20	OP-Finland Value Fund		204,379	204,379	0.32	20,437	0.14
	Total	**9,526,089**	**24,333,695**	**33,859,784**	**52.34**	**11,959,454**	**79.52**
	Nominee registered			13,127,208			
	Other owners			17,704,080			
	Total number of shares issued on 31 Dec 2015			**64,691,072**			

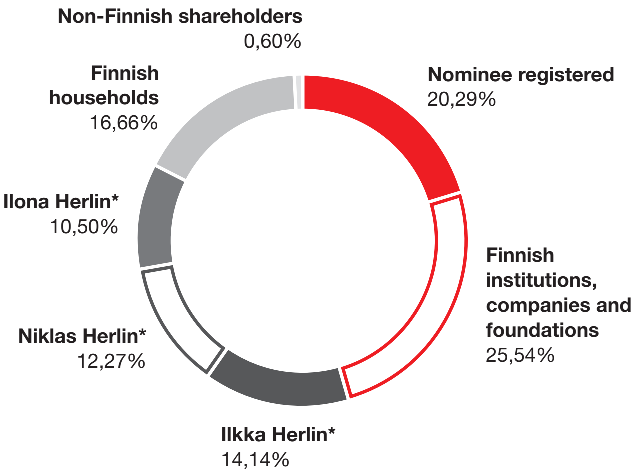
Based on ownership records of Euroclear Finland Ltd.

Breakdown of share ownership on 31 December 2015

Number of shares	Number of shareholder	% of shareholders	Total shares	% of total number of shares
1–100	10,832	43.85	594,720	0.92
101–500	9,610	38.90	2,480,001	3.83
501–1,000	2,193	8.88	1,695,667	2.62
1,001–10,000	1,851	7.49	5,032,517	7.78
10,001–100,000	176	0.71	5,434,463	8.40
100,001–1,000,000	34	0.14	8,987,376	13.89
over 1,000,000	8	0.03	40,368,237	62.40
Total	24,704	100.00	64,592,981	99.85
of which nominee registered	12			
In the joint book-entry account			5,391	0.01
Number of outstanding shares on 31 Dec 2015				
Own shares on 31 Dec 2015	1		92,700	0.14
Total number of shares on 31 Dec 2015			64,691,072	100.00

Based on ownership records of Euroclear Finland Ltd.

Breakdown by shareholder category on 31 December 2015



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

Based on ownership records of Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2015, the aggregate shareholding of the Board of Directors, the President and CEO and companies in which they have a controlling interest was 2,940,067 (2,940,067) class A shares and 6,492,309 (6,115,792) class B shares, which correspond to 14.58 (14.05) percent of the total number of all shares and 23.87 (23.66) percent of all votes.

The President and CEO Mika Vehviläinen is a beneficiary of the share-based incentive programme 2014 and 2015.

Up-to-date information on the shares held by the Board of Directors and management is available on Cargotec's website at www.cargotec.com/investors.

Additional links

Corporate Governance statement 2015 (pdf)
Remuneration statement 2015 (pdf)
CVs of Board members (Cargotec.com)
CVs of Executive Board members (Cargotec.com)

Board authorisations

The 2015 Annual General Meeting authorised the Board of Directors to decide on the repurchase of Cargotec's shares with non-restricted equity. Altogether no more than 952,000 class A shares and 5,448,000 class B shares may be purchased. The authorisation shall remain in effect for a period of 18 months from the resolution by the Annual General Meeting.

The five-year authorisation to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act, granted by the 2014 Annual General Meeting, was also in effect during the financial period. The amount of shares to be issued based on this authorisation share not exceed 952,000 class A shares and 5,448,000 class B shares.

Share-based incentive programmes

Shere-based incentive programme 2015

In February 2015, Cargotec's Board of Directors approved a new long-term incentive programme for key personnel at Cargotec for 2015–2018. The programme is similar in form to the one approved a year earlier covering 2014–2017. The number of participants is 85 persons, including Cargotec's President and CEO and members of the Executive Board. This new programme consists of two phases. The first phase included specific financial performance targets for the year 2015 (business area or corporate return on capital employed, ROCE). The second phase consists of an additional earnings multiplier, which is based on Cargotec's total shareholder return (TSR) at the end of a three-year performance period in 2017.

The potential reward will be delivered in Cargotec class B shares in the beginning of 2018. The gross reward, before deduction for the applicable taxes and employment related expenses, is in the range of 25–120 percent of the annual base salary for on-target performance (for maximum performance the range is 75–360 percent of the annual base salary). If the performance remains on target for the maximum number of participants, the cost of the programme for the three-year period would be approximately EUR 6.5 million (for maximum performance approximately EUR 19 million). If the financial performance threshold levels are not met, there will not be any incentive payment.

Based on the first phase of the programme, 62 participants will be rewarded.

Share-based incentive programme 2014

In February 2014, Cargotec's Board of Directors approved a long-term incentive programme for key personnel at Cargotec. The number of participants is 70 persons, including Cargotec's President and CEO and members of the Executive Board. The programme's first phase included specific financial performance targets for the year 2014 (business area or corporate operating profit and working capital). The second phase consists of an additional earnings multiplier, which is based on Cargotec's market value (including both class A and class B shares) at the end of a three year performance period in 2016.

The potential reward will be delivered in Cargotec class B shares at the beginning of 2017. If the targets are fully met for the maximum number of participants, the cost of the programme for the three-year period will be approximately EUR 12 million. If the financial performance threshold levels are not met, there will not be any incentive payment.

As part of overall compensation, additional restricted share grants can be allocated for a selected few key employees during 2014–2016. If the financial performance threshold levels are met for the maximum number of participants, the cost of the programme for the three-year period will be approximately EUR 2.9 million. If the financial performance threshold levels are not met, there will not be any incentive payment.

Based on the first phase of the programme, 53 participants will be rewarded.

More information about the incentive programmes is available in the Remuneration statement 2015 and on Cargotec's website www.cargotec.com/investors.

Option programme 2010

The 2010 Annual General Meeting confirmed that stock options will be issued for the key personnel at Cargotec and its subsidiaries. The programme includes 2010A, 2010B and 2010C stock options, with 400,000 stock options in each series. For share subscription to commence, the required attainment of targets is determined by the Board of Directors. In 2014, a total of 378,864 2010B stock options and 400,000 2010C stock options held by the company were cancelled, as the earnings criteria for the stock options were not fulfilled. 2010A and 2010B stock options are listed on the main list of Nasdaq Helsinki Ltd.

The share subscription period with 2010A stock options ended on 30 April 2015. During the subscription period, a total of 384,912 class B shares were subscribed for. After the end of the share subscription period, the unused 2010A stock options were null and void.

The share subscription period for 2010B stock options is from 1 April 2014 to 30 April 2016. The share subscription price at the end of the financial period EUR 28.54 per share, and the number of 2010B stock options was 19,856.

More information on stock options is available in the Remuneration statement 2015 and on Cargotec's website at www.cargotec.com/investors.

Signatures for Board of Directors' report and financial statements

Helsinki, 9 February 2016

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board

Jorma Eloranta
Member of the Board

Peter Immonen
Member of the Board

Antti Lagerroos
Member of the Board

Teuvo Salminen
Member of the Board

Anja Silvennoinen
Member of the Board

Mika Vehviläinen
President and CEO

Our Auditor's report has been issued today.

Helsinki, 9 February 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Tomi Hyryläinen
Authorised Public Accountant

Auditor's Report

(Translation from the Finnish Original)

To the Annual General Meeting of Cargotec Corporation

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Cargotec Corporation for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 9 February, 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Ylva Eriksson
Authorised Public Accountant

Tomi Hyryläinen
Authorised Public Accountant

Cargotec corporate governance statement 2015

Cargotec's governance and management are based on the Finnish Limited Liability Companies Act and Securities Markets Act, the company's Articles of Association and the rules and guidelines of Nasdaq Helsinki Ltd. Cargotec complies without exception with the Finnish Corporate Governance Code 2010 (www.cgfinland.fi/en).

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

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

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

Shareholders' meeting

Cargotec's Shareholders' meeting is convened by the Board of Directors and held in the company's domicile, Helsinki, Finland. The Annual General Meeting (AGM) is held annually within three months of the closing of the financial period, on a day designated by the Board. An Extraordinary Shareholders' meeting in respect of specific matters shall be held when considered necessary by the Board, or when required by law. The issues decided on by the AGM include the adoption of the financial statements, distribution of profit, granting of release from liability to the members of the Board of Directors and to the President and CEO, the election of and remuneration payable to the members of the Board and auditor. The Shareholders' meeting also has the right to amend the Articles of Association, and make decisions and authorise the Board of Directors to make decisions on the acquisition of treasury shares, on share issues and on option programmes.

Notice of the Shareholders' meeting is published as a stock exchange release and on Cargotec's website. This notice includes the agenda for the meeting, proposals made by the Board and the Board committees to the meeting and instructions regarding registration and attendance. Shareholders have the right to attend the Shareholders' meeting if they have been entered into the register of shareholders at least eight working days before the meeting and if they have notified the company of their intention to attend in the manner specified in the notice of the meeting. Holders of nominee-registered shares can also attend the Shareholders' meeting by registering themselves in the register of shareholders on a temporary basis. A shareholder can attend the Shareholders' meeting either in person or via a representative authorised by the shareholder. In the meeting, all shareholders have the right to raise questions and propose resolutions regarding issues on the agenda. Shareholders have the right to have matters falling within the competence of the Shareholders' meeting dealt with by the meeting, if they so request in writing from the Board no later than four weeks before the notice of the Shareholders' meeting is published.

Cargotec has two share classes, each with different voting rights. In the Shareholders' meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote.

2015

The AGM held in Helsinki on 18 March 2015 was attended by 535 shareholders representing 80 percent of the total voting rights of the company. In addition to decisions taken on an annual basis, the AGM authorised the Board of Directors to decide on the acquisition of treasury shares. The minutes of meeting and all other documents related to the AGM are available in the AGM archives on the company website at www.cargotec.com > Investors > Governance > Shareholders' meeting.

Board of Directors

Composition

Cargotec's Board of Directors includes a minimum of five and a maximum of eight regular members, as well as a maximum of three deputy members. Board members are elected in the AGM for a one-year term of office that expires at the end of the first AGM following the election. The Board elects the Chairman and Vice Chairman from among its members. The majority of Board members shall be independent of the company and a minimum of two of the independent directors are to be independent of significant shareholders. In the election of Board members, due attention is paid to ensuring that members mutually complement one another in terms of experience and expertise in the company's line of business, strategic focus areas and Board work.

Responsibilities

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

Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. The Board also conducts, annually and when necessary, an assessment of its members as regards their independence of the company and major shareholders.

2015

Name	Born, nationality	Education/Title	Main position	Independence
Ilkka Herlin Chairman	1959, Finnish	Ph.D., D.Sc. (Tech) h.c., D.Sc. (Agr & For) h.c.	Chairman and owner of Wipunen varainhallinta oy, Chairman of Foundation for a Living Baltic Sea	Independent of the company, significant shareholder
Tapio Hakakari Vice Chairman	1953, Finnish	LL.M.	Non-executive director	Independent
Jorma Eloranta	1951, Finnish	M.Sc. (Tech), D.Sc. (Tech) h.c.	Non-executive director	Independent
Peter Immonen	1959, Finnish	M.Sc. (Econ)	Chairman, WIP Asset Management Oy	Independent of the company, non-independent of significant shareholders
Antti Lagerroos	1945, Finnish	LL.Lic.	Non-executive director	Independent
Teuvo Salminen	1954, Finnish	M.Sc. (Econ), APA exam 1983	Non-executive director	Independent
Anja Silvennoinen	1960, Finnish	M.Sc. (Eng), MBA	Vice President, Pöyry Management Consulting Oy	Independent

In 2015, the Board met ten times. The attendance in the meetings is reported in the table on page 3. The key themes on the Board's agenda were the development and monitoring of Cargotec's portfolio and strategy. Corporate level must-win battles are services, digitalisation and people leadership, which were discussed in specific theme meetings. The Board evaluated its work in December with help of a self-evaluation questionnaire. Among other things, the members considered the role of the Board and members of the Board, decision-making process, the strategy work and the Board's ability to perceive the social and environmental effects of its resolutions.

Outi Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Board of Directors. The CV details of the Board members and information of the ownership in Cargotec, updated every stock exchange trading day, are available on the company website www.cargotec.com.

Board Committees

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

Audit and Risk Management Committee

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

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

2015

The Audit and Risk Management Committee was chaired by Teuvo Salminen and its members were Ilkka Herlin and Anja Silvennoinen. Committee members are independent of the company and, with the exception of Ilkka Herlin, independent of major shareholders. Committee members possess years of experience in business management duties.

In 2015, the committee met five times and the attendance in the meetings is reported in the table below. Along with the financial, treasury, tax and risk management issues, the committee monitored the implementation of the enterprise resource planning system for the sales and service network as well as the corporate-wide development programme concerning controls.

Nomination and Compensation Committee

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

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

2015

Ilkka Herlin acted as chairman of the committee, and the members were Tapio Hakakari, Peter Immonen, Antti Lagerroos until 18 March 2015 and Jorma Eloranta as of 19 March 2015. Committee members are independent of the company. The President and CEO and the Senior Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2015, the Nomination and Compensation Committee convened six times and the attendance in the meetings is presented in the table below. In accordance with the annual cycle, the committee's agenda comprised top management incentive programmes and their outcome, top management reviews and compensation as well as talent review follow-up.

Participation in meetings, Board and committees 2015

Name	Board of Directors	Audit and risk management committee	Nomination and compensation committee
Ilkka Herlin	10/10 (Chairman)	5/5	6/6 (Chairman)
Tapio Hakakari	10/10 (Vice Chairman)		6/6
Jorma Eloranta	10/10		4/4 (member as of 19 March 2015)
Peter Immonen	10/10		6/6
Antti Lagerroos	10/10		2/2 (member until 18 March 2015)
Teuvo Salminen	10/10	5/5 (Chairman)	
Anja Silvennoinen	9/10	3/5	

President and CEO

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

Executive Board

Supporting the President and CEO in his duties, the Executive Board is responsible for business development and the company's operational activities in accordance with targets set by the Board of Directors and the President and CEO. The Executive Board also defines operative principles and procedures in accordance with guidelines set by the Board. The Executive Board convenes every month and whenever necessary and concentrates on the strategic issues of the group and the business areas. On the agenda there are regular reports and questions concerning the development of the financials, governance, corporate responsibility and development projects. The President and CEO acts as Chairman of the Executive Board. Outi Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Executive Board. The Executive Board's CV details and information of the ownership in Cargotec, updated every stock exchange trading day, are available on the company website www.cargotec.com.

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

Name	Born, nationality	Position	Education
Mika Vehviläinen	1961, Finnish	President and CEO, Acting President, MacGregor 6/2014–7/2015	M. Sc. (Econ)
Eeva Sipilä	1973, Finnish	Chief Financial Officer	M.Sc. (Econ), CEFA
Mikael Laine	1964, Finnish	Senior Vice President, Strategy	M.Sc. (Econ)
Mikko Pelkonen	1970, Finnish	Senior Vice President, Human Resources	B.A.
Olli Isotalo	1959, Finnish	President, Kalmar	M.Sc. (Eng)
Roland Sundén	1953, Swedish	President, Hiab	M.Sc. (Mech Eng)
Michel van Roozendaal	1963, Netherlandish	President, MacGregor as of 8/2015	M.Sc. (Aero-space Eng), MBA

Insiders

Cargotec applies the insider guidelines of Nasdaq Helsinki Ltd, in addition to which Cargotec's Board of Directors has approved internal insider guidelines based on the Nasdaq Helsinki guidelines.

Insider registers

In compliance with the Finnish Securities Markets Act, Cargotec's permanent public insiders due to their positions are the members of the Board, the President and CEO, the auditors, and members of the Executive Board as defined by the company. Information in the public register of insiders is updated every stock exchange trading day and is available on the company website www.cargotec.com > Investors > Shareholders > Insider register.

The company's permanent company-specific group of insiders includes people employed by the company, and people who work for it under contract, and who, due to their duties, have regular access to insider information. People who, on the basis of an employment or other contract, work for the company and obtain insider information associated with a specific project, are entered in the company's project-specific insider register, which is established when necessary.

Trading rules

Permanent insiders are prohibited from trading in Cargotec's securities for 21 days prior to the publication of Cargotec's interim reports or financial statement releases (closed window). Project-specific insiders are prohibited from trading in the company's securities until the project concerned has been cancelled or disclosed.

Insider administration

Corporate Legal is responsible for adherence to insider guidelines and for monitoring the duty to declare as well as the maintenance of insider registers. The company maintains its insider registers in Euroclear Finland Oy's SIRE system.

External audit

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

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

2015

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

Auditors' fees

MEUR	1 Jan–31 Dec 2015	1 Jan–31 Dec 2014
Annual audit	2.6	2.6
Tax advice	1.5	1.1
Other services	0.9	1.2
Total	5.0	4.9

Internal control of the financial reporting process

Cargotec compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Securities Markets Act, the Finnish Accounting Act and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of Nasdaq Helsinki Ltd. The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the company's financial reporting process, have been designed to ensure that the financial reports disclosed by Cargotec are reliable and meet the requirements of the law, regulations and company principles.

Instructions regarding the publication of financial information and external communications are included in Cargotec´s disclosure policy approved by the Board of Directors. This is available in Cargotec's intranet and on the company website at www.cargotec.com > Investors > Investor services. Investor Relations together with Corporate Communications are responsible for ensuring the accuracy of and compliance with the policy.

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the code of conduct. With respect to the financial reporting process, these are supported by Cargotec's policies and guidelines, as well as its internal financial reporting process and communication. Cargotec's internal control policy, which is approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. Similarly to other Cargotec operations, responsibility for internal control is divided into three tiers. The line management is principally responsible for internal control. This is backed by corporate support functions, which define instructions applicable across the company and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers function effectively.

Cargotec's Corporate Audit is an independent and objective assurance and consulting activity that operates separately from the operative organisation and reports to the Board Audit and Risk Management Committee and, administratively, to the President and CEO. Corporate Audit takes account of the major risks identified in the company's risk map when developing the audit plan and monitors the mitigation of selected risks. The audits of the operations of subsidiaries and business units assess the effectiveness of internal control and risk management, as well as compliance with operating principles and guidelines. Furthermore, Corporate Audit audits and assesses financial reporting processes and compliance with the related control measures in Cargotec units. It regularly reports on its findings and audit activities to the company management and the Board Audit and Risk Management Committee.

Risk management

In Cargotec, risk management forms part of internal control operations. Approved by the Board of Directors and based on Cargotec's values, the risk management policy specifies the objectives and principles of the risk management as well as the responsibilities involved. A core principle is continuous, systematic and preventive action taken to identify risks, define the company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively. The President and CEO and the Executive Board are responsible for the methods, implementation and supervision of risk management, and report on these to the Board of Directors. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and which are in charge of identifying, managing and reporting risks. Financial risks are centrally managed by the Corporate Treasury, and reported on for corporate management and the Board of Directors on a regular basis.

Financial reporting process

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

Cargotec's financial reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are first reviewed at reporting unit level, and then in review meetings of operative management on division level, followed by business area level and group management level reviews. Finally, the reports are discussed at the Extended Executive Board's meeting. Financial information is also reported to the Board of Directors on a monthly basis. Controllers report any deviations from the plans to the management teams, analyse the reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and financial forecasts are up to date.

The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them.

2015

A corporate-wide development programme was launched, aiming to clarify and reinforce shared principles and ways of working and to strengthen internal control. The roll-out of the common enterprise resource planning (ERP) system for the sales and service network of Hiab and Kalmar continued and it was decided to start planning the expansion of the system to MacGregor. Multifaceted reporting tools, based on common systems, were developed to support the financial performance monitoring and comparability. As part of the common system, countries have started to make use of Cargotec's Service Centre for financial services. The common system and process improve transparency and the internal controls of the reporting process.

Cargotec remuneration statement 2015

The remuneration statement presents Cargotec's decision-making procedure, remuneration principles and the remuneration paid to members of the Board of Directors, President and CEO and the Executive Board in 2015.

Decision-making procedure

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

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

Main principles of remuneration

Cargotec's remuneration policy is characterised by five key principles:

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

Board of Directors

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

President and CEO and the Executive Board

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

Cargotec Executive Board remuneration consists of the following elements:

Remuneration element	Description
Base salary	Fixed salary including taxable fringe benefits
Short-term Incentives (STI)	Performance targets: • Financial (2015 cash flow and EBIT) • Strategic individual targets • Threshold, target and maximum performance levels defined Target/maximum incentive level as a % of annual base salary: • President and CEO: 60%/120% • Business Area President: 50%/100% • Other Executive Board member: 40%/80%
Long-term Incentives (LTI)	Three-year earning period, performance measurement in two phases. Performance targets: • Phase 1: 2015 ROCE • Phase 2: Cargotec 2015–2017 Total Shareholder Return • Threshold, target and maximum performance levels defined Target/maximum incentive level as a % of annual base salary: • President and CEO: 120%/360% • Business Area President: 80%/240% • Other Executive Board member: 80%/240% Phase 1 threshold financial performance level needs to be reached for any share reward. The LTI reward vests and is delivered in shares after Phase 2, in the spring 2018. No restriction period after the shares have been delivered. No share delivery if a termination notice has been delivered by either party prior to the share delivery. Share ownership recommendation: One-year gross base salary, the recommendation is to be fulfilled through refraining from transferring shares received under the Cargotec share-based incentive programmes. Claw-back provision: The Board may decide to cut or cancel rewards and recover already delivered rewards from the participant in case of misconduct.
Restricted shares	Additional restricted share grants may be allocated for selected Executive Board members. Gross reward, before deduction for the applicable taxes and employment related expenses, is in the range of 20–60% of annual base salary. Threshold level for financial performance (ROCE) is set by the Board. One-year earning period is followed by one-year restriction period.
Pension	Finnish members of the Executive Board are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme. For the Finnish members of the Executive Board, the statutory retirement age is 63 years in accordance with the current legislation. Hiab and MacGregor Business Area Presidents have supplemental defined contribution pension plans, following the local market practice in Belgium and the Netherlands.
Severance pay	The members of the Executive Board have a period of notice of six months and are entitled to compensation, for termination of employment, corresponding to 6 to 12 months' salary.

Remuneration report

Board of Directors

Based on the decision of the AGM of 18 March 2015, the Board's annual remunerations for the year 2015 are as follows:

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

In addition, a fee of EUR 1,000 is paid for attendance of meetings of the Board and its committees. Remuneration paid to Board members in 2015 is shown in the following table:

Member of the Board	Remuneration for Board membership and Board work, EUR*	Number of class B shares obtained as remuneration**
Ilkka Herlin, Chairman	101,240	741
Tapio Hakakari, Vice Chairman	71,240	509
Jorma Eloranta, member	54,000	369
Peter Immonen, member	56,000	369
Antti Lagerroos, member	52,000	369
Teuvo Salminen, member	70,000	509
Anja Silvennoinen, member	52,000	369
Total	456,480	3,235

* Including annual remuneration, meeting attendance fees and fringe benefits
** Value included in remuneration for Board membership and Board work

President and CEO and the Executive Board

For the financial period 2015, the base salary of Cargotec's President and CEO Mika Vehviläinen was EUR 625,088 including fringe benefits. In addition, he received a short-term incentive payout of EUR 345,149 (payout is based on 2014 performance). The President and CEO is covered by Cargotec's share-based incentive programmes and short-term incentive programme. The monetary remuneration paid to the President and CEO and the Executive Board members in 2015 is stated in the following table:

	Base salary including fringe benefits, EUR	Short-term incentive payout (based on 2014 performance), EUR
President and CEO Mika Vehviläinen 1 Jan - 31 Dec 2015*	625,088	345,149
Other members of the Executive Board 1 Jan - 31 Dec 2015**	1,540,269	564,167

* There was no increase in base salary in 2015. Accrued number of vacation days and holiday pay was higher in 2015 when comparing to previous year.
** Olli Isotalo, Roland Sundén, Michel van Roozendaal (as of 1 August 2015), Mikael Laine, Mikko Pelkonen, Eeva Sipilä.

The following table summarises the total number of shares (gross) granted to the President and CEO and other members of the Executive Board in 2015:

Gross number of shares granted in 2015	President and CEO Mika Vehviläinen	Other members of Executive Board
2015 share-based incentive programme; earning period 2015–2017, on target performance, class B shares (gross, before deduction of taxes and employment related expenses)	20,123	38,168
2014–2016 restricted shares programme; earning period 2015, class B shares (gross, before deduction of taxes and employment-related expenses)	10,106	21,075

The following table summarises the actual number of class B shares delivered (net, after deduction of taxes and employment-related expenses) to the President and CEO and other members of the Executive Board in 2015:

Actual number of shares delivered in 2015	President and CEO Mika Vehviläinen	Other members of Executive Board
2014–2016 restricted shares programme; 2014 earning period, 2015 restriction period; class B shares	10,782	11,490

The following table summarises Cargotec 2010 A and B options exercised by the President and CEO and other members of the Executive Board in 2015:

Options exercised in 2015	President and CEO Mika Vehviläinen	Other members of Executive Board
2015 opening/closing balance: 2010 A options	60,500/0	6,000/0
2015 opening/closing balance: 2010 B options	0/0	640/640

Cargotec (Nasdaq Helsinki: CGCBV) is a leading provider of cargo and load handling solutions with the goal of becoming the leader in intelligent cargo handling. Cargotec's business areas Kalmar, Hiab and MacGregor offer products and services that ensure our customers a continuous, reliable and sustainable performance. Cargotec's sales in 2015 totalled approximately EUR 3.7 billion and it employs almost 11,000 people. www.cargotec.com

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See also the Cargotec annual review 2015.