CARGOTEC

ANNUAL REPORT 2021

Smarter cargo flow for a better everyday

CONTENTS

Cargotec's Annual Report 2021 is published in February 2022. The report consists of the annual review, financial review, corporate governance statement and remuneration report. The financial review includes the Board of Directors' report, the financial statements, and the auditor's report.

The Annual Review 2021 highlights Cargotec's strategy and performance in 2021, providing links to additional information on the company website, for example. We also want to describe our impacts on the surrounding world in broader terms around value creation and key impacts, as well as acknowledge the various types of value created, eroded and preserved for our key stakeholders. We want to provide a more cohesive approach to corporate reporting, concisely communicating all relevant aspects of a company's operations and impacts and promoting understanding of interdependency. The approach is inspired by the Integrated Reporting framework, which builds on recognising both positive and negative impacts on stakeholders, the society and the surrounding world beyond the reporting year.

Together with the annual report, Cargotec also publishes its GRI index for the year 2021. The independent limited assurance report is included in the GRI index. In addition, in accordance with European Single Electronic Format (ESEF) reporting requirements, Cargotec publishes the Board of Directors' report and the consolidated financial statements as an XHTML file. Authorised Public Accountant Firm Ernst & Young Oy has provided an independent auditor's reasonable assurance report on Cargotec's ESEF consolidated financial statements. The XHTML file is available in Finnish. All materials are available on the company website at **www.cargotec.com**.

CARGOTEC

Smarter cargo flow for a better everyday

Cargotec enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields, optimising global cargo flows and creating sustainable customer value through their unique position in ports, at sea and on roads. Cargotec has signed the United Nations Global Compact Business Ambition for 1.5°C. Our vision is to become the global leader in sustainable cargo flow.

SUSTAINABLE DEVELOPMENT GOALS

WE SUPPORT UN GLOBAL COMPACT

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

17 PARTNERSHIPS FOR THE GOALS

OUR BUSINESS

CARGOTEC IN BRIEF

Sales, MEUR
3,315

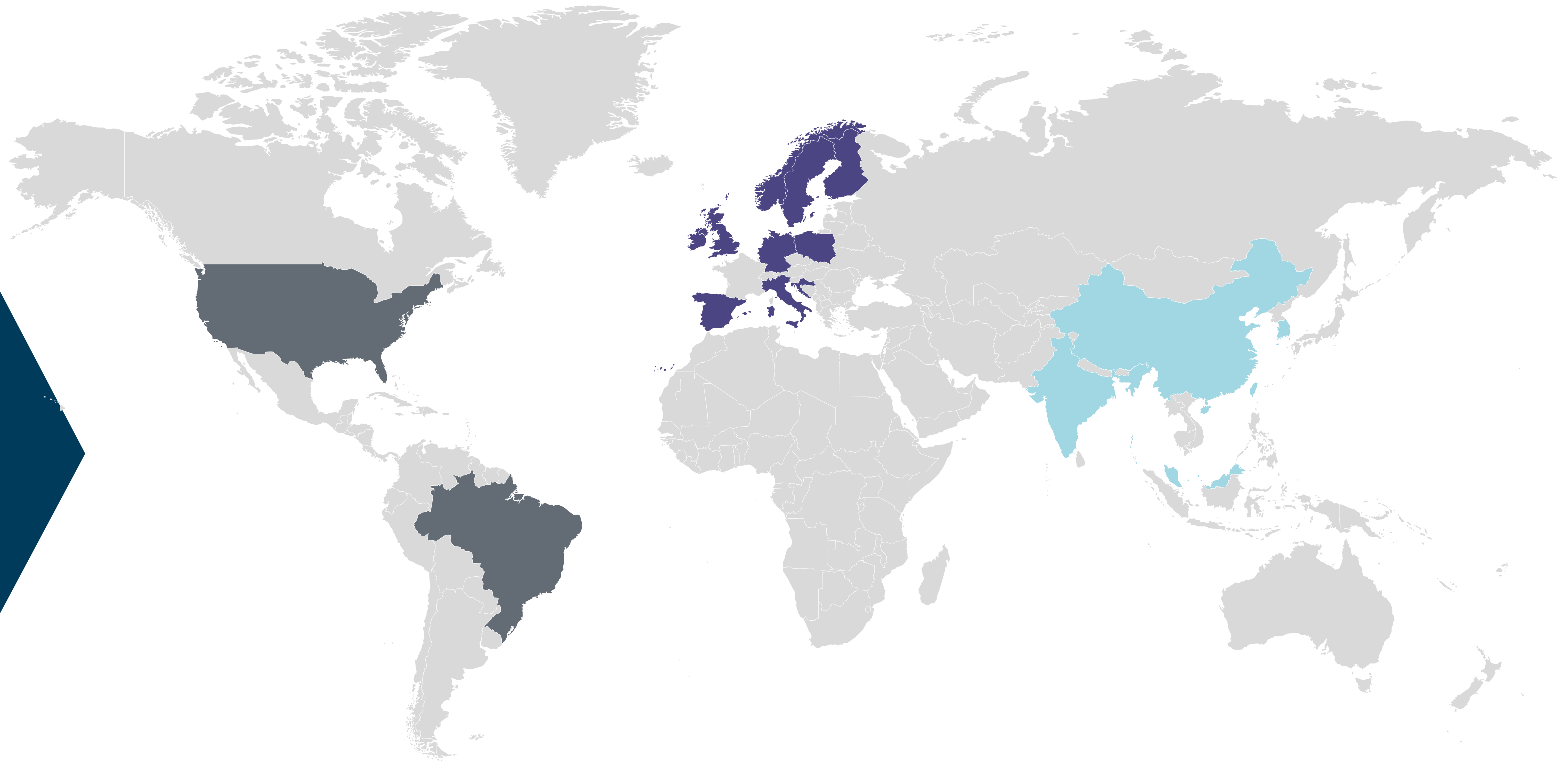
Comparable operating profit, MEUR
232

Total personnel
11,174

Services and software, share of total sales
35%

Eco portfolio sales, MEUR
626

Eco portfolio, share of total sales
19%



AMERICAS
(AMER)

Share of sales
31%

Personnel **1,478**

Assembly/R&D

Brazil
United States

EUROPE, MIDDLE EAST AND AFRICA
(EMEA)

Share of sales
50%

Personnel **7,648**

Assembly/R&D

Croatia
Finland
Germany
Ireland
Italy
Netherlands
Norway
Poland
Spain
Sweden
United Kingdom

ASIA-PACIFIC
(APAC)

Share of sales
19%

Personnel **2,048**

Assembly/R&D

China
Malaysia
South Korea
Singapore
Vietnam

Cargotec has operations in about 100 countries

Cargotec and Konecranes to merge

On 1 October 2020, Cargotec Corporation and Konecranes Plc announced their combination agreement and a merger plan to combine the two companies through a merger. Extraordinary General Meetings of Cargotec and Konecranes held on 18 December 2020 approved the merger.

Various competition authorities in the EU, UK, and US, among others, have reviewed the proposed transaction. In July 2021, the European Commission and the UK Competition and Markets Authority opened a phase II review in connection with the planned transaction. In August, an unconditional approval for the planned merger was received from the competition authority in China, the State Administration for Market Regulation.

In August 2021, Cargotec and Konecranes announced that the Boards of Directors of Cargotec and Konecranes agreed to select Cargotec's present CEO Mika Vehviläinen as the President and CEO of the Future Company, and that the Board of Directors of Cargotec has made the appointment accordingly. The appointment of Mika Vehviläinen will become effective upon completion of the transaction.

In November, Cargotec and Konecranes announced the planned high-level operating model and leadership team for the future company. The future company aims to be a customer-centric organisation of top global talent with a customer-centric high-level operating model. After the completion of the merger, the future company is planned to consist of four businesses, namely industrial business, maritime business, ports business, and roads business. In addition, the future company would have group operations, namely finance, HR, technology, integration, strategy and M&A, legal and compliance, and public affairs and communications.

In December, Cargotec and Konecranes submitted a remedy package to the European Commission, comprising a commitment to divest Konecranes' Lift Truck business and Cargotec's Kalmar Automation Solutions. Companies stated that the proposed divestitures would eliminate overlaps between the parties' container handling equipment businesses but allow the future company to combine their other businesses and continue to be a strong player in all aspects in container handling equipment. Should clearance be obtained based on the offered remedy package, the merger would proceed comprising of Konecranes' Industrial Equipment and Service businesses as currently operated, Cargotec's MacGregor and Hiab businesses as currently operated as well as the operations of Konecranes' Port Solutions and Cargotec's Kalmar businesses other than the areas subject to the offered remedies.

Cargotec and Konecranes are awaiting the authorities' decisions and continue to work towards the merger being completed by the end of H1 2022. Until all merger closing conditions are met and the deal is completed, both companies continue to operate fully separately and independently. More information is available at www.sustainablematerialflow.com.

Konecranes Chairman of the Board Christoph Vitzthum (left), Cargotec CEO Mika Vehviläinen and Cargotec Chairman of the Board Ilkka Herlin

BUSINESS AREAS IN BRIEF

KALMAR

Kalmar offers cargo handling equipment and automated terminal solutions, software and services that are used in ports, terminals, distribution centres and various industries.

Kalmar's orders received in 2021 were EUR 2,063 million, and its sales amounted to EUR 1,512 million. Service sales was EUR 468 million while software sales amounted to EUR 95 million. Kalmar's comparable operating profit was EUR 120 million, representing 8 percent of sales.

Share of Cargotec sales
46%

Services and software, share of Kalmar's sales
37%

Number of personnel
4,876

More about Kalmar in 2021

HIAB

Hiab is a leading provider of smart and sustainable on-road load handling solutions with customers operating in logistics, construction and a variety of industries.

Hiab's orders received in 2021 were EUR 1,713 million, and its sales amounted to EUR 1,250 million. Service sales was EUR 351 million. Hiab's comparable operating profit amounted to EUR 166 million, representing 13 percent of sales.

Share of Cargotec sales
38%

Services, share of Hiab's sales
28%

Number of personnel
3,585

More about Hiab in 2021

MACGREGOR

MacGregor is a world-leading provider of maritime cargo and load handling products, services and solutions.

MacGregor's orders received in 2021 were EUR 652 million, and its sales amounted to EUR 553 million. Service sales was EUR 257 million. MacGregor's comparable operating profit amounted to EUR -15 million, representing -3 percent of sales.

Share of Cargotec sales
17%

Services, share of MacGregor's sales
47%

Number of personnel
1,909

More about MacGregor in 2021

Kalmar's software sales include automation software and, until 1 July 2021, Navis strategic business unit. Business areas' share percentages are rounded.

Cargotec's CEO Mika Vehviläinen

CEO's review

TOWARDS SUSTAINABILITY AND PROFITABLE GROWTH

In 2021, our market situation improved, global economic activity picked up, and the demand for our products and solutions strengthened significantly. As the year progressed, however, component shortages and supply chain challenges delayed our deliveries. The continuing Covid-19 pandemic also hampered both our operations and those of our customers.

Orders received increased by 42 percent compared to the comparison period. The order increase was particularly noticeable in short-cycle products (Hiab and Kalmar's mobile equipment), but the project business orders also increased clearly both in Kalmar and MacGregor. The order book grew by 56 percent.

Despite the strong demand, our sales increased by only 2 percent. This was due to lower project deliveries in Kalmar and MacGregor as well as the sale of the Navis business. Component shortages and global logistics challenges limited our ability to respond to the demand.

I am satisfied with the progress of our service business. It reached a new record with services sales increasing by 7 percent and services orders received by 18 percent compared to the previous year. Service and software business sales constituted 35 percent of our total sales in 2021.

Cargotec's comparable operating profit increased by 2 percent to EUR 232 million, driven by higher comparable operating profit in Hiab. Challenges in the delivery chain and added costs thereof impacted Kalmar's result in particular, causing its comparable operating profit to decrease by 5 percent. MacGregor's market developed positively but, due to one-time cost overruns related to new product developments in offshore wind energy vessel projects during the last quarter, MacGregor's result for the whole year turned negative.

Safety is key during pandemic

The Covid-19 pandemic began more than two years ago, and in early 2021, it still tested global societal resilience. At the beginning of the year, the rapid progress of vaccination programmes raised hopes that the pandemic would be over within a year. However, towards the end of the year it became clear that we would still have to continue with precautions and restrictions in terms of travelling, and with meetings with our customers, for example.

During the pandemic, ensuring the health and safety of our employees, customers and suppliers has been a key priority for us. I am proud and grateful that our personnel have been able to operate efficiently and safely even in these difficult conditions, securing our operational continuity and financial result and that of our customers.

Our strategy emphasises sustainability and profitable growth

We announced our refined strategy and vision in April. Our breakthrough objectives are sustainability and profitable growth and, with our business areas Kalmar, Hiab and MacGregor, we share the vision to become the global leader in sustainable cargo flow. Sustainable business is key to us: in concrete terms, we aim to reduce the CO_2 emissions of our value chain by 1 million tons by 2024.

The refined strategy was the outcome of a tightly-knit process that embraced the whole company, ensuring tangible, measurable targets and ownerships. I can already see that the refined strategy will further clarify our actions and gather us together to execute our common goals.

Several significant strategic actions during 2021

In July, we completed the sale of the Navis business to Accel-KKR, a Silicon Valley-based investment firm for an enterprise value of EUR 380 million. The transaction had an approximately EUR 230 million positive impact on our operating profit.

The proceeds enable further investments in acquisitions and R&D investments in the fields of electrification, digitalisation, robotisation, and automation.

During the year, we announced our agreement with SSAB to work on the introduction of fossil-free steel to the cargo handling industry. This is a significant milestone in moving toward sustainable development and a fossil-free product offering.

The year 2021 marked a considerable milestone for Kalmar as its entire portfolio became available as electrically powered versions. As a culmination of the year, Kalmar launched three new fully electrically powered solutions in December: Kalmar Electric Reachstacker, Kalmar Electric Heavy Forklift and Kalmar Ottawa Electric Terminal Tractor. With these launches Cargotec can offer electric products in all of its product categories.

Hiab strengthened its position in the US with the acquisition of Galfab, a US manufacturer of demountables. To meet the growing demand for truck-mounted forklifts, Hiab is also expanding its production to the United States and increasing its truck-mounted forklift production capacity in Dundalk, Ireland.

In terms of MacGregor, the focus of new offshore vessel orders has shifted to vessels supporting wind power. Despite the year-end difficulties in new product developments in the offshore wind energy field, I firmly believe that MacGregor is well positioned to strengthen its position as a provider of wind power solutions in the future.

R&D focused on emission-reducing solutions

Research and product development expenditure in 2021 totalled EUR 102 million, representing 3.1 percent of sales. In development, our focus was on solutions that support our customers' efforts to reduce their operational emissions. A good example of this is Kalmar's commitment to provide an electric version of all its solutions, which I mentioned earlier. During the year, Kalmar also introduced a future range of robotised mobile equipment solutions and an automated container information solution for reachstackers for safer and more efficient container movement management.

Along with its product launches during the year, Hiab announced that, in addition to the new multi-assembly unit investment in Dundalk, Ireland, the new facility will also house a global innovation and R&D centre.

MacGregor's extensive R&D activities in 2021 included next generation variable frequency drive (VFD) electric cranes and a fully electrically driven heavy lift crane, among others. The VFD increases efficiency by up to 50 percent, with additional benefits achieved through weight reduction.

Commitment to sustainability is the right thing to do

Cargotec has a long tradition in sustainability. We signed the UN Global Compact as early as in 2007, and in 2020 we committed to the United Nations Global Compact's Business Ambition for 1.5°C to mitigate climate change. Our strategy clearly reflects this by aiming to reduce the CO_2 emissions in our value chain.

At the end of the year, we received a B rating from the prestigious CDP in its assessment of environmental management levels of companies and cities. This is the second year in a row for Cargotec to receive this rating, which indicates that we have taken coordinated actions on climate issues. The interest our customers and shareholders have shown in this theme during the year proves that our commitment to sustainable operation has been the right decision to make.

Our eco portfolio consists of products and services that can enhance our customers' sustainability with tangible environmental benefits. In 2021, the eco portfolio sales represented 19 percent of our total sales. Customer interest towards eco-efficient equipment is increasing, which offers us a clear business opportunity. As an example, more than a quarter of the forklift truck orders in 2021 were fully electric.

Our safety performance declined slightly in 2021. The Industrial Injury Frequency Rate (IIFR) weakened at assembly sites due to disturbances in production processes, caused by component shortage. On the other hand, the IIFR improved at service organisations and at non-assembly sites. We continue our determined actions to improve occupational safety.

The year 2022 looks challenging, yet interesting

It seems that we will have to live with the Covid-19 pandemic for a while still. It is important that we protect ourselves and our fellow human beings in compliance with official guidelines. At the same time, however, we must be able to ensure the continuity of social and economic activity both globally and locally, and make sure that everyday life goes as smoothly as possible for us all.

Component shortages and global logistics challenges will continue in 2022, which may limit Cargotec's ability to respond to the growing demand. We work in close cooperation with our suppliers to ensure component availability, production and deliveries also in 2022. Our order book is strong, which gives us a good setup for 2022.

The year 2022 looks challenging, yet interesting.

In October 2020, Cargotec and Konecranes announced their combination agreement and a merger plan to combine the two companies through a merger. The extraordinary general meetings of Cargotec and Konecranes held in December 2020 approved the merger. Various competition authorities are currently reviewing the proposed transaction.

Cargotec and Konecranes are awaiting the authorities' decisions and continue to work towards the merger being completed by the end of H1 2022. Until all the merger closing conditions are met and the deal is completed, both companies continue to operate fully separately and independently. More information about the merger is available in this report and at www.sustainablematerialflow.com.

I would like to thank our employees for a job well done in a challenging environment as well as our customers, partners and shareholders for their trust during the year 2021.

Mika Vehviläinen
CEO, CARGOTEC

HIGHLIGHTS OF THE YEAR

Cargotec

Cargotec refined its vision and strategy. The breakthrough objectives are sustainability and profitable growth. More about the topic in the Strategy section.

Cargotec

Cargotec completed the sale of its Navis software business. The transaction had a positive impact of approximately EUR 230 million on Cargotec's operating profit.

Cargotec

Cargotec announced an agreement with SSAB to work on the introduction of fossil-free steel to the cargo handling industry in the future. This is a significant milestone in moving towards a fossil-free product offering.

Kalmar

Kalmar fulfilled its commitment to deliver a fully electric portfolio in 2021. This demonstrates Kalmar's continuing track record of developing and innovating eco-efficient cargo and material handling solutions.

Kalmar

Kalmar launched a new digital MyKalmar platform, a single point of access for Kalmar customers to oversee their Kalmar fleets. The platform provides further customer support with value-adding digital solutions.

Kalmar

Kalmar entered a new era of smarter logistics by showcasing Kalmar Robotic Portfolio, a range of intelligent, flexible and autonomous mobile equipment solutions. A global prototype testing has started.

Kalmar

Kalmar introduced new remote services for container terminals. The new services enable terminal operators to leverage Kalmar's in-depth expertise to optimise equipment and software availability and continuously improve their operations, no matter where they are in the world.

Hiab

Hiab completed the acquisition of the US demountables manufacturer Galfab, which makes roll-off hoists and related equipment for the domestic waste industry. The acquisition broadens Hiab's demountable portfolio while Galfab's equipment will be included in Hiab's nationwide US sales and service network.

Hiab

To meet the increasing demand for truck mounted forklifts, Hiab expands its forklift manufacturing to the US. At the same time, the production capacity in Dundalk, Ireland, is being increased.

Hiab

Hiab's electric MOFFETT E4-25.3NX truck mounted forklift, won an IFOY AWARD in the special vehicle category. The jury noted that it offers an excellent alternative to diesel-powered truck mounted forklifts from an ecological as well as an economic point of view.

Hiab

Hiab acquired the sales, installation and service activities of the Netherlands' largest Hiab dealer, Damen Hydrauliek.

MacGregor

MacGregor continued to demonstrate its commitment to the development of sustainable solutions that help customers to reduce emissions whilst also increasing their profits, securing important Cargo Boost containership upgrade contracts and orders for electrically-operated equipment.

MacGregor

MacGregor introduced a range of next generation electric cranes that increase cargo loading and unloading efficiency, and reduce energy consumption by up to 50 percent compared to hydraulic cranes.

MacGregor

MacGregor secured further Service Operation Vessel equipment orders which support offshore wind energy market growth, and the increasing demand for more sustainable energy sources.

MacGregor

MacGregor received further orders for its OnWatch Scout predictive maintenance service, which enables its customers to maximise critical equipment availability and minimise unplanned downtime.

KEY FIGURES

Market activity was at a high level in 2021. This was reflected on the record-high demand of our solutions and high use rates of our equipment, but also on price increases and availability challenges related to raw materials, product components, and freight.

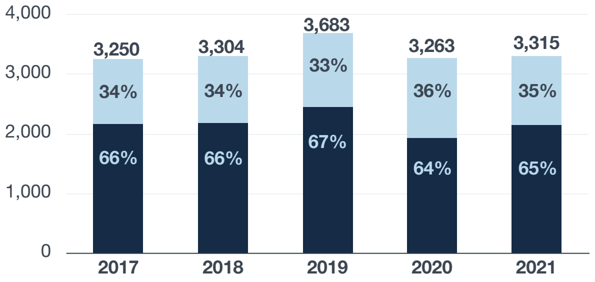
Orders received increased by 42 percent compared to the comparison period. The order increase was particularly noticeable in short-cycle products (Hiab and Kalmar's mobile equipment) but also the project business orders increased. The order book grew by 56 percent.

Despite the strong demand, our sales increased by only 2 percent to 3.3 billion euros due to lower project deliveries in Kalmar and MacGregor as well as the sale of the Navis business. In 2021, the eco portfolio sales constituted 19 percent of consolidated sales. The share of service and software business sales was 35 percent of the total sales.

Cargotec's comparable operating profit increased by 2 percent to EUR 232 million, driven by higher comparable operating profit in Hiab. The comparable operating profits decreased in Kalmar and MacGregor. Earnings per share in 2021 was EUR 3.82.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.07 for class A shares and EUR 1.08 for outstanding class B shares be paid.

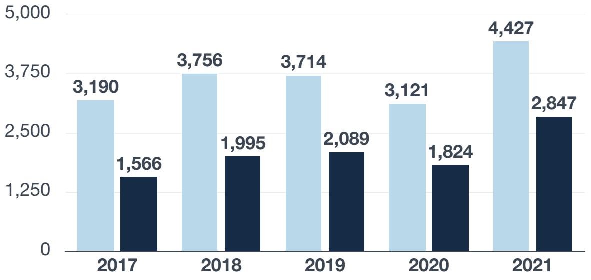
SALES



Services and software*
Equipment

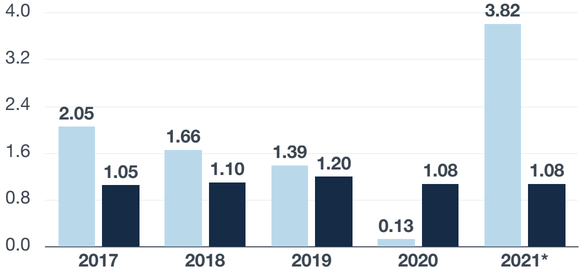
* Software sales include automation software and, until 1 July 2021, the strategic business unit Navis.

ORDERS RECEIVED AND ORDER BOOK



Orders received
Order book, end of period

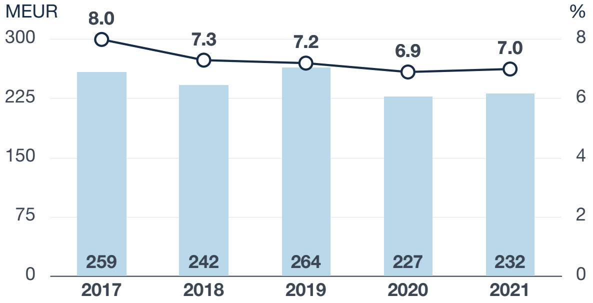
EARNINGS PER SHARE (EPS) AND DIVIDEND



Earnings per share (EPS)
Dividend per B class share

* Board's proposal for dividend

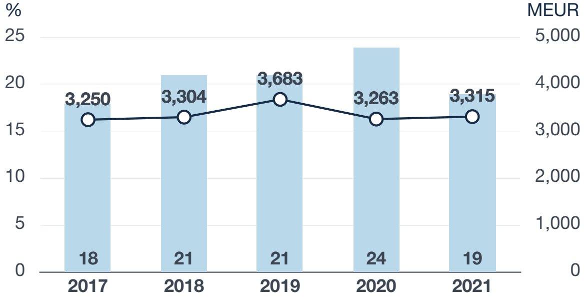
COMPARABLE OPERATING PROFIT*



Comparable operating profit
Comparable operating profit margin, %

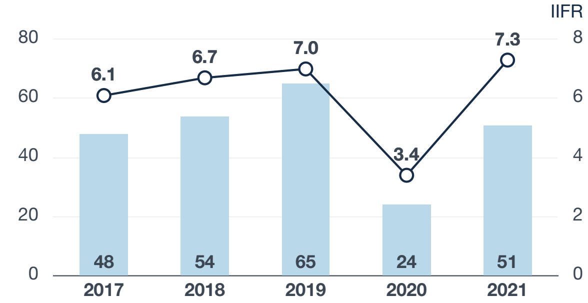
* Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation. 2020 comparison figures have been restated according to the new definition.

ECO PORTFOLIO



Eco portfolio, % of sales
Total sales

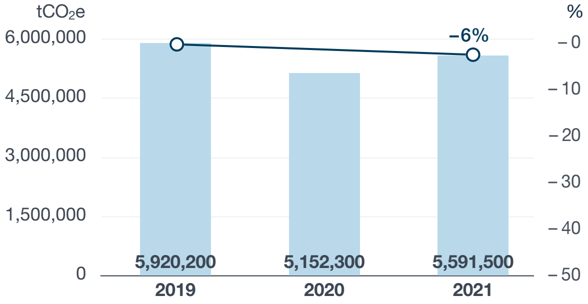
INDUSTRIAL INJURY FREQUENCY RATE*



Number of lost time injuries
Cargotec IIFR**

* Cargotec assembly sites ** Number of injuries per million hours worked

PROGRESS TOWARDS THE SCIENCE BASED TARGET



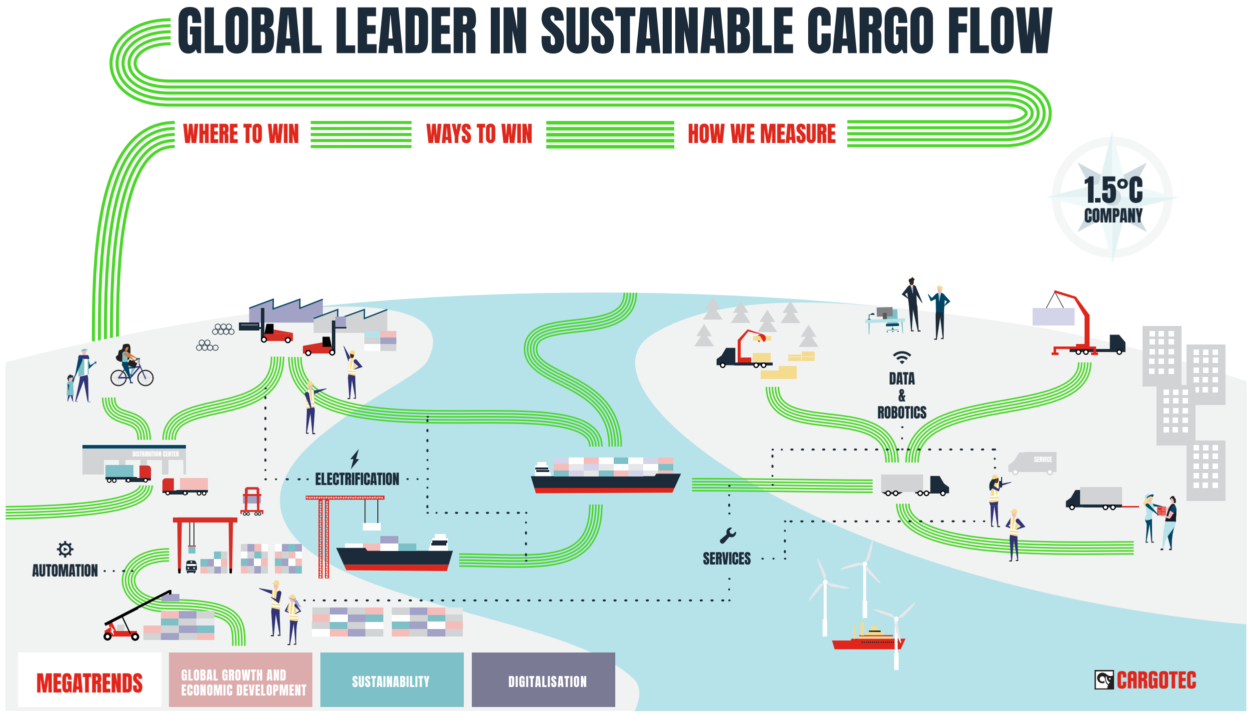
Total absolute emissions
Emission reduction against base year 2019

STRATEGY

Cargotec refined its strategy in 2021. Our vision is to be a global leader in sustainable cargo flow and our purpose is to enable smarter cargo flow for a better everyday. Our breakthrough objectives are sustainability and profitable growth, further strengthening our 1.5 degree business ambition. In practice, our aim is to reduce the CO_2 emissions of our value chain by 1 million tonnes by 2024, while growing faster than the market.

Cargotec's purpose is **smarter cargo flow for a better everyday**. We solve inefficiencies in the logistics industry by making it safer and more sustainable. We do this through our smart solutions and by improving the global goods flow, which will positively impact people's daily lives.

Our vision is to become **a global leader in sustainable cargo flow**. We want to retain our position as a global leader and see sustainability as a fantastic opportunity to innovate and grow. We influence the flow of the world's supply chains, making them more efficient.



› Where to win

Grow in core and adjacent businesses

We will continue to seek growth within our core and adjacent businesses. Emphasis is on organic growth, but we also actively look for opportunities through M&A.

Solve customer challenges in climate change and sustainability

Our customers are facing increasing pressure from regulation and their customers to start providing a sustainable offering. We want to provide intelligent solutions that will help our customers solve their climate change and sustainability related challenges and reduce the burden on the climate.

Invest in industry innovation and transformation

Continuous investments in innovation are a prerequisite for long-term success. New technologies in terms of AI, robotics and automation are transforming Cargotec's industries. To retain our leadership position, further investments are needed. On the other hand, these investments and technologies enable us to create new climate solutions for our customers.

Expand life cycle services

Service business offers growth opportunities due to the low capture rate in many areas of traditional services. We seek growth from extended service offerings and life cycle services.

› Ways to win

People and leadership

Cultivating good leadership to empower our people to perform at the highest level is at the core of everything we do. We continue to improve our organisational climate index.

Customer collaboration

Working closely together with our customers is the key to becoming the global leader in sustainable cargo flow. Close customer relationships and smooth collaboration are key differentiators that make us stand out from our competition.

Mission Climate

To address our breakthrough objective focusing on sustainability, we have launched Mission Climate. The programme targets to reduce our carbon footprint as well as creating new innovations within sustainability and climate change.

Innovations and new business models

We are on a mission to solve industry-wide problems through intelligent solutions. We aim to develop new innovations and business models through our Digital Solutions Hub, Emerging Business Accelerator and world-class R&D.

Life cycle solutions

Expanding our service offering from traditional maintenance and spare parts sales to providing intelligent solutions throughout the equipment life cycle. Digital offerings to address customer challenges are still a big opportunity. Through our innovative offering, we are able to serve our customers better.

Operational excellence

We are committed to delivering on the existing productivity improvement programmes to improve profits and to ensure a good position to invest in new innovations. Introducing a lean toolkit to support our management practices is another step on our journey towards operational excellence.

› How to measure

We measure our success against the following metrics:

- Customer satisfaction
- Reduction of CO_2 equivalent emissions
- Share of eco portfolio sales
- Leadership index
- Financial performance

› To learn more about Cargotec's refined strategy, watch this video

MEGATRENDS DRIVE GROWTH

Long-term macroeconomic and societal development trends impact and change the world around us. The following megatrends support our strategy and journey to become a global leader in sustainable cargo flow.

Global growth & economic development

Description
Population growth, urbanisation, rising economic wealth and productivity shape the global economic development. The world's population today is about 7.9 billion and estimated to reach 9.7 billion by 2050. Simultaneously, the share of the world's population living in cities is expected to grow from 55 percent to almost 70 percent. At the same time, global GDP per capita is predicted to grow by roughly five percent annually between 2020–2025.

Implications
Global and economic growth drives consumption, world trade and demand for cargo transportation. Urbanisation requires infrastructure and construction, with logistics to sustain cities. In densely populated cities, load handling solutions must be quiet, safe and low in emissions.

Examples:
Kalmar One, MacGregor Cargo Boost solution, Hiab electric MOFFETT truck-mounted forklifts.

Sustainability

Description
Today, environmental, social and governance dimensions of sustainability increasingly guide consumer and investor behaviour. Governments, investors, companies and consumers now demand concrete actions to address climate change and protect ecosystems. Sustainability is increasingly also perceived as a good business opportunity.

Implications
Our customers face increasing pressure from stakeholders to address climate change in their operations and industries. Other aspects of ESG, for instance safety, are key challenges customers need to solve and mitigate. Sustainability presents great opportunities for us to innovate new solutions that tackle the customers' challenges.

Examples:
Kalmar's fully electric portfolio, MacGregor's offshore wind offering.

Digitalisation

Description
Rapid development of digital solutions continues in all areas of the society. Today we see greater emergence of disruptive technologies, such as 5G and artificial intelligence, which enable data-based services and new business models.

Implications
Customers seek intelligent solutions that can support them in optimising their operations, improve productivity and safety and reduce inefficiencies and emissions. Our business areas are present across the cargo flow network, enabling us to draw valuable insights across the value chain. With these insights, we are able to shape the cargo handling industry by providing value adding software, automation and intelligent solutions.

An example:
Kalmar Insight, MacGregor OnWatch Scout, Hiab HiConnect platform

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Climate change is expected to have an increasing environmental and financial impact on businesses. We have identified the greatest climate-related risks and opportunities for us.

- **Investment in the right technology**
  Sustainable technologies are evolving and maturing rapidly but for now there are no clear winners defined. Transforming the industry and mitigating climate change with low-carbon solutions is a great opportunity, but on the contrary, failing to invest in the right technology can result in increased indirect costs if the R&D investments are not realised.
- **Offering intelligent solutions improving climate resilience**
  There will be a growing demand for climate change adaptation and resiliency solutions. Automation, robotisation, digitalisation and remote services remove the need to be physically present, increasing the climate change adaptation and resilience of customers' operations.
- **Extreme weather affecting operations**
  Intensity and frequency of extreme weather events is expected to increase. A major weather event in one region may impact our suppliers, causing delays to trickle down. Business continuity plans are essential to mitigate risks.
- **Steel and lithium battery prices and availability**
  Steel prices may increase due to more aggressive CO_2 taxation or more expensive production of low emission alternatives. The demand for lithium batteries is expected to increase as a result of the electrification trend.
- **Increase in offshore wind installations**
  Wind power generation is estimated to increase, providing great growth opportunities for MacGregor's offshore business.

Read more

› Climate risks and opportunities (article at Cargotec's website)
› Risks and uncertainties (Board of Directors report)

MANAGING SUSTAINABILITY AT CARGOTEC

OUR SUSTAINABILITY FOCUS AREAS

PEOPLE AND SOCIETY

“We operate in an ethical and safe manner and develop our employees”

Safety and well-being
Employee engagement
Diversity and inclusion
Responsible sourcing

ENVIRONMENT

“We take the environment into consideration throughout our value chain”

Greenhouse gas emissions
Own operations
Circular economy
Eco-efficient solutions

GOVERNANCE

“We promote good corporate governance and respect our stakeholders”

Compliant and transparent
Climate risks and opportunities
Business ethics
Financial sustainability

Cargotec’s sustainability work is based on a holistic and balanced approach, taking into account the aspects of environment, people and society, and governance. We are committed to the United Nations Global Compact’s Business Ambition for 1.5°C, in a promise to pursue science-based measures to limit global temperature rise to 1.5°C. Managing and mitigating climate change is the greatest challenge of our time and we sense the urgency of immediate climate action.

During the year, the 26th UN Climate Change Conference of the Parties was held in Glasgow, uniting the world to tackle climate change. We are currently facing more pressure than ever to transform the industry towards a low-carbon economy. We consider the transformation towards a sustainable world as a major phenomenon that will have an impact on how we do business.

In 2021, we have worked intensively on our climate ambition that aligns our operations with the most ambitious goal of the Paris Agreement. The consequences of climate change are not only environmental, but there are also significant financial and social impacts. To ensure financial stability and global wellbeing also for future generations, it is our obligation to act on climate now.

With our purpose – smarter cargo flow for a better everyday – we drive resource efficiency in our industry to reach a low-carbon economy and thus turn environmental challenges into business opportunities.

Our climate ambition can only be achieved via inclusive cooperation with all participants in the value chain. We constantly seek to improve engagement with our stakeholders, as this enables us to identify more opportunities to create value for them. Making the transition just and inclusive for all ties social and good governance aspects into our climate ambition.

We take the environment into consideration throughout our value chain

Climate change mitigation and the reduction of greenhouse gas emissions are our key focus areas within the environment theme. The logistics industry is causing a significant share of the global emissions. At Cargotec, this challenge is actually perceived as a business opportunity.

Manufacturing products and solutions that enable avoiding or reducing greenhouse gas emissions in other sectors (the transportation sector, for example) is pivotal in the transition towards a low-carbon economy. Cargo handling solutions are essential in ports, on trucks and on vessels. As the wellbeing of people is dependent on uninterrupted cargo flows, our products and solutions are necessary to keep modern society running. Global trade is expected to increase in the future and Cargotec has great potential in supporting its customers to more efficient and cleaner business processes.

Moreover, our intelligent solutions are an enabler for a wider societal change towards a more circular economy. Cargotec’s eco portfolio consists of climate and circular solutions that enhance customers’ sustainability with tangible environmental benefits. Read more about our eco portfolio on page 28.

We operate in an ethical and safe manner and develop our employees and suppliers

We realise that a successful and sustainable business is not only about what we do, but also about how we do things. We want to be a responsible employer with high ethical working practices, promoting equal opportunities and ensuring a safe work environment for all.

Cargotec is dedicated to protecting safety and wellbeing within our operations, but also through our products, services and solutions. We are a knowledge and engineering company, and our employees are an integral part of our competitiveness.

In a complex and ever-changing world, we trust our people to be the key in creating customer value through innovation, experimentation, learning and adapting new skills. It is imperative that our employees continuously evolve and keep developing themselves. For these purposes Cargotec has a Learning Experience Platform (LEARN), a place where all our employees can develop and expand their knowledge on a multitude of topics through comprehensive learning materials.

Identifying and selecting good suppliers is the basis for our responsible sourcing process. We expect all our suppliers to acknowledge our Supplier Code of Conduct that sets the standards for conducting sustainable business. Respecting human rights and good working conditions throughout the complete value chain is a crucial part of how we do business.

We promote good corporate governance and respect our stakeholders

We consider good governance practices, including efficient risk management processes, the foundation for conducting business. Cargotec's culture of integrity starts at the top. The spirit of our compliance work is best captured by the words 'integrity' and 'transparency'. The Code of Conduct is the foundation of our corporate culture and establishes high ethical standards on how we do business on a daily basis. Most important of all, through strong management commitment, the value of integrity – the quality of upholding strong moral principles – has become a part of Cargotec's culture.

At Cargotec, high performance is not only about exceeding our goals and targets. We acknowledge that successful and sustainable business is also about how we interact with each other and the world around us. We want to be a trusted partner – to our customers, shareholders and the communities where we operate. Therefore, transparency and keeping an open dialogue both internally and externally is of high importance. Our business depends on this trust and we are committed to conducting our business in a responsible, ethical and lawful manner. We take concerns of misconduct seriously. We promote a speak-up culture and awareness of the reporting channels, including the SpeakUp line, through a variety of means.

Cargotec signed the UN Global Compact in 2007. The Global Compact is a call for companies to align their strategy and operations with 10 principles on human rights, labour, environment and anti-corruption. The UN Global Compact helps businesses contribute towards the Sustainable Development Goals (SDGs). The SDGs are a set of 17 goals that target achieving prosperity for the people and the planet by 2030. Since these goals cannot be reached with only the actions of the public sector, companies have an important role to play. Consequently, our top priority is to minimise our negative operational impacts while aiming to optimise the positive ones. We firmly believe that, with our vision to become a leader in sustainable cargo flow, we are especially contributing to six of the SDGs. More information about these six goals can be found in the Smarter cargo flow for a better everyday section.

› Read more about how non-financial matters are managed at Cargotec in the Board of Directors' report

› We acknowledge that successful and sustainable business is also about how we interact with each other and the world around us.

SUSTAINABILITY TARGETS

BUSINESS AMBITION FOR 1.5°C

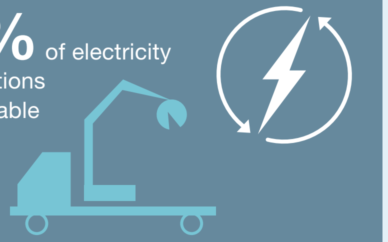
2021 targets	2021 progress
IIFR **<5.0** in all operations	**NOT ACHIEVED** IIFR **6.0** in all operations
Renew the supplier sustainability risk assessment process	**PARTLY ACHIEVED** In progress and will be finalised during 2022
>50% of electricity in own operations will be renewable	**NOT ACHIEVED** **47%** of electricity in own operation was renewable
Process for global chemical risk management defined and implemented	**PARTLY ACHIEVED** Implementation will continue through responsible sourcing and other compliance programmes (REACH)
Revise eco portfolio criteria to align with upcoming EU Taxonomy regulation	**PARTLY ACHIEVED** The eco portfolio criteria has been drafted for the climate solutions category
Improvement of Integrity index* to **>75%** favourable	**ACHIEVED** Integrity index* 2021 **>76%** favourable
Code of Conduct online training completion rate **100%**	**NOT ACHIEVED** Code of Conduct online training completion rate **84%**

2022 targets

IIFR
<5.0 in all operations

Implement a Responsible Sourcing Programme

>55% of electricity in own operations will be renewable



Assess offering against revised eco portfolio criteria to prove EU Taxonomy-alignment

Sustaining the Integrity index* to
>76% favourable

Code of Conduct online training completion rate
100%

Medium- and long-term targets

IIFR
<3.5 in all operations by 2026

Reduce CO_2 emissions in our value chain by
1 million by 2024 from a 2019 base year

>75% of electricity in own operations will be renewable by 2026

Science based target: Reduce Cargotec's greenhouse gas emissions at least
50% across all three emission scopes by 2030 from a 2019 base year

Achieve carbon neutrality in our own operations by 2030

* The Integrity index is a comprehensive measure built from three key categories in the Cargotec annual engagement survey: 1) Sustainability, 2) Pride and Hope, and 3) Leadership. Sustainability captures employee perceptions of aspects such as code of conduct, fair treatment, safety and environmental sustainability. Pride and Hope shows to what extent employees are proud to be part of the company and hold a positive outlook of their respective Business Areas. Leadership builds on Cargotec's Leadership Profile and measures the quality of leadership our employees receive. In 2021 the Integrity index improved by around 3% in comparison to last year*, reaching a favourability score of 76%. Every individual category and question comprising the Integrity index also showed an improvement. An analysis shows that the favourability increase comes mostly from an improved perception among the employees of: 1) the Business Areas' future outlook, and 2) the relationship with the managers. This signals an improvement in the communication of the organisational goals and vision with the employees at both organisation and micro team level.

SMARTER CARGO FLOW FOR A BETTER EVERYDAY

TOWARDS POSITIVE NET IMPACTS

Cargotec and the solutions, services, and products of its business areas Kalmar, Hiab and MacGregor make global trade smarter, keeping essential cargo and load handling logistics processes running every day of the year. In pursuing our mission we create a range of impacts on the world around us.

We cannot ignore the fact that we operate in a dangerous and emission-causing industry, where there is room for further improvement. However, by providing safe, quiet and clean high-quality equipment and solutions, we can have a positive impact on millions of people and on the environment and nature at large.

Our single most significant positive impact is brought on by our role in providing essential societal infrastructure. Every day, our solutions, services and products make global trade smarter and keep cargo and load handling processes running. Our continuous efforts to innovate and develop world-class cargo handling practices means we are also creating and distributing knowledge. Our capabilities in increasing the efficiency of our solutions and optimised maintenance helps save energy and resources, thus reducing the strain the logistic sector has on the environment. We also provide a fair working environment with high ethical standards for our employees.

On the other hand, our operations also create negative impacts on the world around us. As an engineering company, Cargotec employs a highly educated and talented workforce – engineers, technicians, and business professionals – whose skill and time have an opportunity cost. In addition, the use of environmental resources causes emissions throughout the value chain, particularly within the production of raw materials, as well as when Cargotec's equipment and solutions are being used.

To better understand our concrete impacts on our stakeholders and to report more transparently, we have quantified our net impact by utilising the Upright model, which is one way to measure and follow up on the organisation's impact and value created.

IMPACT	NEGATIVE	SCORE	POSITIVE
Society	-0.1	+3.2	+3.3
Jobs		+0.7	+0.7
Taxes		+1.3	+1.3
Societal infrastructure		+1.3	+1.3
Societal stability	-0.0	-0.0	+0.0
Equality & human rights	-0.0	-0.0	+0.0
Knowledge	-0.9	-0.5	+0.4
Knowledge infrastructure		+0.1	+0.1
Creating knowledge		+0.2	+0.2
Distributing knowledge	-0.0	+0.1	+0.1
Scarce human capital	-0.9	-0.9	
Health	-0.3	-0.2	+0.1
Physical diseases	-0.2	-0.2	+0.0
Mental diseases	-0.0	-0.0	+0.0
Nutrition	-0.0	+0.0	+0.0
Relationships	-0.0	+0.0	+0.0
Meaning & joy	-0.0	-0.0	+0.0
Environment	-3.2	-2.5	+0.6
GHG emissions	-2.0	-1.6	+0.4
Non-GHG emissions	-0.6	-0.4	+0.2
Scarce natural resources	-0.1	-0.1	+0.0
Biodiversity	-0.3	-0.3	+0.0
Waste	-0.3	-0.2	+0.1
NET IMPACT RATIO		**+0%**	

Cargotec's net impact this year

Cargotec's net impact profile for 2021 is very similar to the profile of 2020. Overall, the net impact ratio has not changed, and the shape of the profile remains the same.

The biggest single change is within the environmental impacts. Over the last year, Upright has recalibrated the way all environmental impacts are calculated. This results in larger positive and negative environmental impacts. The biggest negative impact comes from the GHG emissions. This has been recognised and the target is to influence this through our climate actions.

Another note can be made of positive knowledge impacts, which have grown slightly. This results from the fact that the Upright model is now better at capturing the knowledge contained within engineered machinery and equipment.

An explanation of the net impact profile

The value our business creates can be summarised into the image above: a net impact profile. This is a bird's eye view of Cargotec's business's holistic impact on society, knowledge, human health, and the environment.

In the image, the bars on the left illustrate the resources used and the negative impacts created by Cargotec, while the bars on the right depict the positive impact created and achieved with the use of those resources. The analysis is based on Cargotec's core business, meaning the products and services offered, and it takes into consideration the entire value chain of those products, from component materials to the use and product end-of-life.

The profile has been calculated and produced by the Upright Project's net impact quantification model, which uses machine-learning-based technology to process knowledge contained in millions of scientific articles.

› Read more about the Upright Project model

Our stakeholders

Understanding our stakeholders' needs and expectations is a must for us to perform in the best possible way. Our operations impact several of our stakeholders – employees, customers and their customers, suppliers, the general public and people using Cargotec's equipment, among others – both positively but, nevertheless, also negatively.

As an example, we acknowledge that through interaction and communication, our customers and suppliers set the basis on how we conduct our business sustainably. When considering the wellbeing of our stakeholders, we aim to secure safe and good working conditions, maintain high ethical standards, and respect human rights throughout the value chain. Moreover, by constantly collaborating with local communities and cities and providing smooth, quiet and clean solutions, we can impact the general public and city residents, thereby making the living surroundings safer, more quiet and less polluting. By adopting and developing new technology and producing sustainable solutions we help mitigate climate change. We take pride in developing net zero emission solutions that contribute to the battle against climate change, and support in securing the future of coming generations.

SOCIETY AND TRADE

Cargotec's positive impact builds from our role as a responsible corporate citizen and employer as well as from the key role of our solutions and services which enable an efficient flow of goods. By driving the transformation of the logistic sector towards a low-carbon economy, our impact is evident both globally and locally in all areas of the logistics chain. As a key player in world trade, we secure the delivery of everyday necessities to millions of people and provide sustainable, safe and efficient material flows.

Through our global scale and presence in all areas of the logistics chain, we can have a significant impact on individuals and communities globally. We realise that, as a responsible employer, we need to conduct business in an ethical and compliant manner throughout the value chain. By conducting sustainable business and sourcing responsibly, we can contribute to societal stability and fair trade.

Our contribution to societal infrastructure stems mainly from the impact created when our solutions and services are being used. Our solutions enable the trade the world relies on, and contribute to making logistics processes more efficient, sustainable, and safe on roads, in ports, and on seas around the globe.

Societal benefits

With our global partnerships and presence, we can contribute to building strong and inclusive societies. Cargotec is committed to respecting human rights and our human rights work is based on the UN Guiding Principles of Human Rights. Hence, positive contribution to society through improved infrastructure is our greatest societal impact.

We contribute to the financial well-being of many sectors of society with tax payments, wages and dividends. Globally, we do our part in providing employment in 49 countries. In 2021, wages and benefits to employees totalled 756 million euros.

Society and trade

- Good governance and global commitments strengthen societal prosperity
- High compliance standards and commitment to ethical behaviour
- Building a strong, just and inclusive society with jobs, paid taxes and cooperation with global partnerships
- Engaged in initiatives advancing sustainable development
- Supporting recovery from COVID-19 by safeguarding efficient cargo flow to ensure a functioning society
- Creating a positive contribution to employee well-being and local economies with jobs and paid taxes
- Solid financial performance adds value to shareholders and society

Compliance and ethics

Our high compliance standards are based on our Nordic roots, and we want to be a sustainability forerunner in our industry. With our good governance and global commitments to sustainability, we strengthen societal prosperity in our operation. By encouraging our suppliers to also act sustainably, we contribute to a positive impact not only through our own global value chains but also on an industry level. We also engage with local authorities to ensure regulatory compliance in our operations, wherever we operate.

In 2021, we renewed the Cargotec Code of Conduct to ensure that our ethical standards would reflect the changing operational environment. The Code of Conduct is the foundation of our corporate culture, establishing high standards of integrity on how we do business and how we behave in our daily work. The Code of Conduct helps us make informed decisions, and it explains where to go for more information and guidance. The new Code of Conduct was launched in October 2021 together with an e-learning course, which all employees were required to complete by the end of the year. The Code of Conduct e-learning is designed to help us to identify potential conflicts of interest and red flags and guide us in our daily decision making, regardless of the function or level in the company.

Cargotec Code of Conduct Principles

- We follow laws and company policies
- We are honest
- We are responsible
- We act with respect
- We speak up

Violations of Cargotec's Code of Conduct may put our people and business at risk. Hence, our speak-up culture and non-retaliation policy encourage us to openly raise and discuss compliance concerns and questions, as well as to seek guidance. At Cargotec, there are several channels for raising a concern. One can talk directly with line manager, HR or Ethics & Compliance, or use the SpeakUp line. The SpeakUp line is designed for reporting serious breaches of non-compliance, and it also allows anonymous reporting. When receiving an identifiable report, we do our best to maintain the reporter's anonymity.

Responsible sourcing

Fully aligned with Cargotec's own Code of Conduct, Cargotec has a specific Supplier Code of Conduct, which focuses on managing sustainability risks in our supply chain. Freedom of association, abolition of child labour, human rights and forced and compulsory labour are examples of the basic principles Cargotec demands from its suppliers. The Supplier Code of Conduct process is part of Cargotec's supplier sustainability management programme, with which Cargotec aims to mitigate any risks for breaching international human rights.

The target for 2021 was to renew the supplier sustainability risk assessment process, including the supplier approval and the existing suppliers assessments processes. The renewal process was initiated with refining the following tools: the pre-evaluation checklist, the Supplier Code of Conduct and the Supplier Requirements, the audit checklist and the third-party self-assessment tool. Approximately 20 percent of the questions in the supplier audit checklist are related to sustainability topics. The Supplier Code of Conduct was refined to cover not only suppliers but also other third parties and is, once implemented, referred to as the Business Partner Code of Conduct (BPCoC). The refined code is aligned with Cargotec's own Code of Conduct, which was also updated during the year. The refined BPCoC addresses a broader aspect of ESG topics, including CO_2 related disclosure, as well as disclosure on the usage of conflict minerals. The supplier risk assessment renewal process will be finalised during 2022 and the target for 2022 is to have all the refined processes implemented as part of a wider responsible sourcing programme.

During the year, Cargotec applied for membership in the Responsible Minerals Initiative (RMI), a cross-industry initiative, whose goal is to evolve business practice to support responsible mineral sourcing globally. The membership was approved and will take effect starting from 2022. Although Cargotec does not directly source minerals from mines or smelters/refiners, we recognise that from our position as a downstream company we are able to play a role in addressing conflicts, human rights abuses, as well as environmental issues related to the mining of minerals only through a strong multi-stakeholder partnership. We intend to use the RMI tools to increase transparency of the origin of so called Conflict Minerals and Cobalt, including a due-diligence tool for companies and the Responsible Minerals Assurance Process (RMAP) to audit smelters/refiners, which are a key element in the supply chain for determining the origin of the relevant minerals.

We also focused our efforts on the management of hazardous substances in our products. We have taken into usage a database that helps us communicate both our legal obligations to the authorities when it comes to REACH, SCIP and other regulations, but also supports us in the communication with our suppliers of different components. During 2022, we plan to continue the dialogue on hazardous substances with our suppliers, having in mind the long-term goal of minimising and eliminating the presence of such substances in our products.

Stakeholders mainly impacted

Cities and their residents, the general public

KNOWLEDGE

As an engineering company, Cargotec's business can have a positive impact on both the creation and distribution of knowledge, as well as in providing a knowledge infrastructure. Knowledge here refers to all information, technological innovation, and expertise Cargotec has and develops on cargo and load handling solutions and procedures.

The knowledge category also holds one of our greatest resources: our employees. In terms of the net impact quantification, we value our employees also as an important resource. We employ many highly skilled engineers, technicians, and business professionals globally, whose efforts and time make all of Cargotec's positive impacts happen. We are creating and distributing knowledge among our employees, customers and research partners.

Strong industry knowledge and data transferred into action

Cargotec and its business areas Kalmar, Hiab and MacGregor support their customers to perform their business efficiently and sustainably by combining solutions, service, software and equipment into intelligent offerings. We are a global provider of solutions for sustainable and intelligent cargo and load handling and our products and services are present in major cargo hubs worldwide. The positive impact of our solutions and services stems from the strong knowledge creation and distribution of our R&D and innovation efforts.

Cargotec is not just an equipment provider - much of our business focuses on digitalisation, equipment connectivity and intelligent solutions. In enabling the efficient flow of information between people and systems, many of our solutions form a part

Knowledge

- Intelligent cargo flow shapes world trade
- More efficient and resilient through connectivity and digitalisation
- Reduced emissions and higher safety with sustainable solutions
- New technologies and process improvements maximise the energy efficiency of transport
- Supporting our customers to optimise their operations
- Strategic partnerships and innovations increase intellectual capital in the industry

of knowledge infrastructure, ie. the backbone of equipment and systems through which the digital economy performs and the digitalisation of cargo handling is made possible. In particular, our freight management, optimisation and automation software ensure timely and smooth cargo handling operations. We are committed to solve industry-wide sustainability issues through intelligent solutions, making use of data and robotics.

As new technologies (AI, robotics, automation, etc.) are transforming the industry, we believe that continuous investments in innovations are a prerequisite to long-term success. Boosting the industry knowledge contributes to solving the climate crisis.

Innovation actions

Cargotec's strategy was refined during the year with the vision to become a global leader in sustainable cargo flow. In reaching that goal, innovation investments and R&D ambitions lie in a central position.

We invest in industry innovation and transformation in order to secure our long-term success and retain our leadership position in the industry. In 2021, research and development investments focused on themes supporting climate targets such as digitalisation, electrification, automation and robotisation as well as projects that aim to improve the competitiveness and cost efficiency of products. Our research and product development expenditure in 2021 totalled EUR 102 million. New innovations and business models are developed through our Digital Solutions Hub, Emerging Business Accelerator and world-class R&D functions.

Cargotec frequently collaborates with universities and other research institutions around the world. This collaboration provides a strategic framework for greater cooperation between both organisations in the areas of workforce training, graduate talent pathway development, joint sponsorship initiatives as well as research and innovation projects.

Cargotec Digital Solutions Hub (DiSH) creates data-driven software and services for intelligent cargo handling for Cargotec business areas Kalmar, Hiab and MacGregor. By using cutting-edge cloud technologies and industry best practices, DiSH drives digital transformation and accelerates the development of software solutions across Cargotec. Recent DiSH projects include MacGregor OnWatch Scout condition monitoring solution, which transforms the predictive maintenance of maritime equipment, and Kalmar Insight performance management tool for cargo handling operations, which turns data into actionable and impactful insights.

Cargotec Emerging Business Accelerator unit (EBA) focuses on driving future growth and business innovation development hands-on together with all Cargotec businesses. The unit does this by providing business and service designers and product owners to work on new initiatives. Previously, the EBA accelerated MacGregor Onwatch Scout, and recently it helped to bring the Kalmar Remote Services and MacGregor's simulator offerings rapidly to the market. At the core of the EBA method are modern, systematic ways to investigate, build, and scale both internal and external new products or services. In addition, the unit leads collaboration with startups and industry-leading peer companies to drive an entrepreneurial and customer-centric culture within Cargotec.

Stakeholders mainly impacted

Employees, customers and research organisations

Innovation example: In December, Kalmar launched three 100% electric-powered solutions. The electric reachstacker was one of them.

PEOPLE, HEALTH AND SAFETY

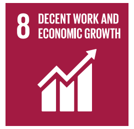
Cargotec provides fair and just working environments with ethical working practices and equal opportunities for its employees. A safety-first attitude is at our core, and we are constantly looking for ways to progress further. Continuous development is possible with content and competent employees and, for example, different leadership development programmes are a vital part of our strategy. As such, Cargotec's core business poses only relatively minor impacts on people's health.

However, negative impacts are still being created in the value chain. Negative health impacts of pollutants are created in the combustion of diesel-powered machinery, both from our own products as well as from equipment that our solutions enable. By providing safe, quiet and clean high-quality equipment and solutions, we can have a positive impact on millions of people.

Health and safety

In its own operations, Cargotec strives to eliminate any risks and negative health impacts employees face at work. We are aware that the range of roles and locations at Cargotec – from an office environment to assembly facilities, ports, and terminals – places different types of risks on our employees. With the help of regular health and safety training and safety campaigns, we minimise production-related injuries and accidents, as well as in the ports and terminals where our solutions are used.

Cargotec's safety performance declined slightly in 2021. The Industrial Injury Frequency Rate (IIFR) for Cargotec total, including our assembly sites and non-assembly sites, increased slightly to 6.0 (2020: 5.2). The IIFR weakened in the assembly sites and was 7.3 (3.4). The decline was caused by disturbances in the production processes, caused by component shortages. On the other hand, the IIFR figure improved to 5.3 (6.2) in service organisations and at the non-assembly sites. Our target for 2021 was to have the IIFR rate less than 5 across the whole organisation.



People, health and safety

- Strong focus on health and safety at all sites, providing a safe working environment
- High supplier standards and requirements for labour rights
- Digitalisation and automatisation reduces risk of human error and accidents at work

Our IIFR target for 2022 is less than 5 across all operations, which is the same as in 2021. We are pursuing this goal with targeted actions and through health and safety policies that encourage proactive reporting and enhance transparency. Our efforts are focused on building a high safety culture, including raising safety performance awareness amongst our employees and establishing an even stronger leadership commitment to safety topics. During the year, we organised various safety campaigns and launched global trainings across the organisation, aiming at strengthening the safety knowledge and culture. Due to the COVID-19 pandemic, more attention was given to the wellbeing and mental health aspects of our employees. We promote a high safety culture and work continuously towards zero accident level in all our operations and through our products, services, and solutions.

Focus on wellbeing through COVID-19

The challenging COVID-19 pandemic situation continued throughout the year. From the onset of the outbreak, our first priority has been to maintain a safe working environment for our employees. During 2021, we continued the monthly pulse surveys, launched at the beginning of the pandemic, to tap onto the sentiments of our personnel, and to better support the wellbeing of our people.

The pandemic has changed the way of working which has required resilience and modification of existing policies and practices. Throughout the year 2021, the majority of our employees have been working remotely and the pandemic has brought additional complexity to the safety management. To offer more flexible ways of working, the employment policy was renewed. For us there is value in both working in the office as well as remotely. We believe that we can capture the best of two worlds by balancing flexibility with the needs to stay physically connected. To further protect our employees, an array of preventive measures has been deployed throughout the year, such as travel bans, limiting the access of external guests, providing additional personal protective equipment and guidance for the employees.

We continued to recognise that we can only fully succeed as a company by engaging and motivating our people and continuing to offer them opportunities to enhance their expertise. Inspirational and highly skilled leaders are indispensable if we are to fully enable our talented personnel to turn our company strategy into results-oriented reality. Empowering the local management has been crucial to enable them to act according to the guidance from their national governments and local health authorities.

> Despite the COVID-19 pandemic, the Cargotec Integrity index improved by around 3 percent compared to the previous year, reaching a favourability score of 76 percent.

Despite the COVID-19 pandemic, the Cargotec Integrity index improved by around 3 percent compared to the previous year, reaching a favourability score of 76 percent. According to the results, the favourability increase comes from an improved employee perception towards the relationship with managers. This can be explained with managers being more present, which signals an improvement in the communication and collaboration between line managers and employees. Read more about our integrity index on page 15.

Other actions to support the well-being of our people included corporate and business area well-being webinars, well-being community with stories, blogs and articles for everyone to participate in the discussion, just to name a few.

Diversity and equal opportunity

Diversity is recognised as an important factor, and we have signed the Diversity Charter Finland to reflect that commitment. We support diversity by ensuring equal opportunities, rights, and treatment for all. Furthermore, as stipulated in the charter, we support fair and inclusive organisation, customer orientation, transparent interaction, and cooperation, as well as fair management. We believe that diversity is a driver for creativity, innovation, growth and productivity and an incentive for individuals to fully reveal their knowledge, competences, talents, and skills. By promoting diversity, we strive to create a better social climate and overall environment of acceptance and tolerance. Diversity offers us greater productivity, innovation, and flexibility.

Team work is our stronghold

Cargotec's annual Compass Employee Engagement survey provides valuable information on work-related feelings and thoughts of our employees. The completion rate of the Compass 2021 survey was 76 (2020: 79) percent. With the exception of one new open-ended question, the questions in the 2021 Compass were identical to those of 2020.

The overall favourability of all answers was 75 (2020: 73) percent. With an 82 (2020: 81) percent favourability on the team climate and performance category, team work clearly remains to be our stronghold. The result shows that the vast majority of Cargotec employees are satisfied with the working environment of the team closest to them.

According to the results, topics such as work-life balance, stress, and the direction of the company require more attention. As per Cargotec's personnel procedures, managers organise feedback sessions and plan actions with their teams, focusing especially on items where improvement is needed.

Our investments in multi-skilled leadership continued

Our leaders are in continuous contact with individual teams, team members, and the rest of the organisation. Therefore, competent and inspiring leaders are essential to enable our people to turn our strategy into reality. Fair and consistent leadership is also an important element of work wellbeing.

Already at the beginning of 2016, we set an ambitious goal of becoming a company with world-class leadership skills. Since then, we have invested heavily in developing the leadership skills of our managers through Cargotec's leadership development programmes LEAD and GROW.

With our leadership survey, we regularly measure the leadership styles and climate our leaders create in their teams. In 2021, we achieved our long-term goal when the share of Cargotec leaders creating positive team climates rose over 60 percent. The results of our annual Compass Employee Engagement survey show that persistent leadership development work bears fruit. The leadership index score was 76 percent, up by about 3 percent compared to 2020. This shows that our personnel feels their managers are available and present.

Enhancing our learning and development opportunities

Developing our people is based on our long-running Performance and Development Plan (PDP) process, which continues to be a fundamentally important operational cornerstone of our personnel-related actions. PDP supports us in performance management, setting of future targets, personal development, as well as in promoting a feedback-rich culture. In 2021, managers were trained to take an even more developmental and coaching-oriented focus in their discussions with their team members. The feedback from our people has been very positive. Our target is to provide everyone a dedicated, personal development plan.

According to the 2021 Compass survey, our people have a strong drive to continuously develop their skills. During COVID-19 related challenges, our e-learning platform LEARN enabled virtual training when organising face-to-face training was not possible. As an example, we managed to fully virtualise our leadership training programmes LEAD and GROW. The usage of LEARN has grown by 24 percent from 2020.

To support the growth and development of our people, we launched a new Cargotec-wide mentoring programme. Target was to enhance collaboration and create a network across our businesses, functions, and organisational levels. The programme is an ideal way to accelerate internal rotation and share knowledge across businesses. We also continued with our existing mentoring programmes within all business areas and functions.

To collaborate and contribute to Cargotec's strategic ambitions, group wide Communities of Practice (also known as Tribes) were launched in 2019. Communities of Practices are learning communities with a free entry for all employees at Cargotec. This year, Lean, Project Management and Climate Tribes have been especially active and successful with their efforts of collecting and encouraging people to share knowledge and solve problems together.

> To support the growth and development of our people, we launched a new Cargotec-wide mentoring programme.

Motivating high performance with rewards

In 2021, our agile performance management process and related incentive programmes continued to reinforce our high-performance culture and pay-for-performance philosophy. Performance-based compensation and incentives continued to be implemented in all parts of our operations, and they remain an integral part of our compensation philosophy. During 2021, approximately 7,000 of our employees were covered by our incentive programmes.

CBS seamlessly harmonises global processes

Cargotec Business Services (CBS) is our internal service centre. Now operational for over four years, it harnesses all the transactional finance, indirect procurement, and HR activities from different countries, centralising them to use a same IT, policy and service centre landscape. From the HR perspective, CBS covers our entire global headcount at the end of 2021.

As fully operational, CBS presently allows us to deliver a completely unified way of working across the whole company. Our HR master data system ZONE is an IT platform that serves as the backbone of our operations, making it possible for us to run our people-related processes.

Stakeholders mainly impacted

Employees, customers and their customers, general public and people using Cargotec's equipment.

CLIMATE AND ENVIRONMENT

For Cargotec, managing our environmental impact is a priority, lying at the heart of our operations. There is no denying that Cargotec's business requires environmental resources to operate, and an environmental footprint is created in all steps of our value chain.

Cargotec's most significant negative environmental impact stems from the greenhouse gas emissions and other pollutants created during the use of our products and from the manufacture of components, mostly steel. As a key player in the cargo and load handling industry, Cargotec is also for its own part responsible for the emissions created by freight traffic.

We work actively on reducing the environmental impact throughout our value chain. The efforts and activities done to reduce the environmental impact of our products and services is visible in our eco portfolio. It consists of solutions, services and products enabling a more sustainable cargo flow.

Towards our climate target

During the year, we have worked intensively towards our climate target, which is validated and approved by the Science Based Targets initiative. We are committed to reducing greenhouse gas emissions in line with the 1.5°C warming scenario, which is the most ambitious goal of the Paris Agreement. The near-term Science Based Target is to reduce Cargotec's greenhouse gas emissions at least 50 percent across all three emission scopes by 2030 from a 2019 base year. Read more about our Science Based Target here.

Cargotec's internal goal is to become carbon neutral in its own operations by 2030, which goes beyond the required ambition level of the Science Based Targets initiative. Moreover, since more than 95 percent of the emissions occur in Cargotec's value chain (upstream

Climate and environment

- 1.5°C climate ambition transforms the industry to enable a low-carbon society
- Our eco-efficient offering presents our greatest opportunity to mitigate climate change
- With the 1.5°C target, committed to urgent actions to combat climate change in partnership with other actors in the value chain
- Acknowledgement and evaluation of climate change risks to the business and appropriate mitigating actions

and downstream activities), setting the 50 percent absolute emission reduction target in that area is vital in tackling climate change.

Offering solutions that enable a low-carbon economy and support the principles of the circular economy is a great business opportunity for us, while at the same time we are also proud and excited to contribute to the global efforts of safeguarding the environment.

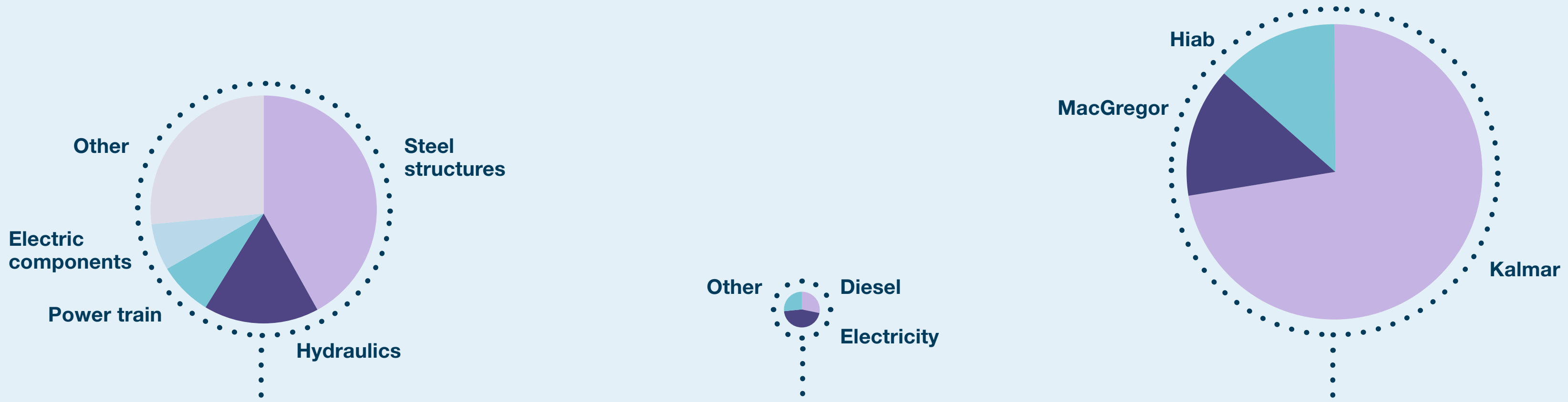
Cargotec's strategic climate target for 2024 is to reduce emissions by 1 million CO_2 tonnes from the 2019 baseline. This ambition is particularly aspiring as it does not only focus on reducing our own negative climate impact but also strives to mitigate the negative impacts of our customers and suppliers.

Climate Programme

Cargotec's climate programme, Mission Climate, was founded in May 2021. The programme's ultimate goal is to get Cargotec on the path of achieving a net zero-emission value chain in the future. By doing this, we want to future proof our business and ensure that we stay on top of the game when it comes to providing carbon-neutral solutions. Climate is at the heart of our refined strategy and, to test its strategic resilience, we have analysed how climate change may impact our operations and value chain. Part of Mission Climate, is Cargotec's emission reduction initiative.

> The emission reduction initiative focuses on decarbonising the supply chain, decarbonising our own operations and boosting our sustainable offering.

CARGOTEC'S CARBON FOOTPRINT 2019 (BASELINE)



PURCHASED GOODS*
scope 3 upstream

2,200,000
t CO_2e

- Supplier engagement
- Alternative materials with lower climate impact (fossil free steel)

OWN OPERATIONS
scope 1 & 2

50,000
t CO_2e

- Increasing renewable energy
- Transition to low-carbon vehicles
- Improved energy efficiency

USE OF SOLD PRODUCTS
scope 3 downstream

3,700,000
t CO_2e

- From diesel to electric and low carbon technologies
- Automation, digitalisation and robotics to eliminate inefficiencies
- Data driven solutions

* Estimated based on spend

Based on our tentative emission study, nearly 40 percent of our carbon footprint comes from purchased goods and services, almost 60 percent from the use of sold products, and only one percent from own operations. The emission reduction initiative focuses on decarbonising the supply chain, decarbonising our own operations and boosting our sustainable offering. To enable this, ongoing work streams are focusing on climate data and systems, funding and partnerships, and sustainable product design through life cycle assessments. These will further support our transformation and emission reduction targets.

1. Decarbonising the supply chain
By innovating and collaborating across the entire value chain, Cargotec is aiming to have its supply chain decarbonised. This work focuses on finding alternative sustainable materials and solutions, creating transparency in data and capturing innovative ideas from our partners. By innovating together, the joint target is to significantly reduce the emissions of the products we are purchasing from our suppliers.

Steel is the main emission contributor from purchased goods and services. We aim to secure early access to low-emission steel when this is available on the market and re-engineer Cargotec products by using alternative green materials.

As an example, Cargotec and SSAB have formed a partnership and agreed to work on the introduction of fossil-free steel to the cargo and load handling industry in the future. The intent outlines that the companies will start coordinated development toward the use of SSAB's fossil-free steel in Cargotec's cargo handling equipment. Fossil-free steel has a significantly lower environmental impact than traditional steel. The steel demand is estimated to increase in the future and meeting this demand requires development and usage of fossil-free steel alternatives.

We have designed a broader supplier engagement model to create transparency to our purchased goods and services emissions, identify emission reduction opportunities and future proof our supply chain by setting climate requirements to our suppliers. Through this engagement we will understand the maturity level of our suppliers and their climate strategies, and the climate impact of their supplied components. To this end, we have started engaging with our top emission suppliers and will gradually roll this out to cover all our strategic suppliers.

2. Decarbonising our own operations
With full control over our own operations, we want to be ambitious and make carbon neutrality our target. About 40 percent of the emissions from our own operations are related to electricity use. We are committed to increasing the share of renewable electricity to 75 percent by 2026 and to 100 percent by 2030. At the end of 2021, the share of renewable electricity reached 47 percent in our own operations. The fuel usage by our service fleet is the second largest contributor to the emissions in our own operations. To mitigate those emissions and reach carbon neutrality, we aim to increase remote services and transition to using biofuels or electric vehicles. Reaching carbon neutrality may require compensation for the residual emissions which cannot be mitigated.

3. Boosting our sustainable offering
Boosting our sustainable offering is at the core of our business. By providing products that enhance our customers' sustainability with low carbon technologies, intelligent solutions and services promoting a circular economy, we can create a positive impact on the operations of our customers and suppliers. During the year, our work focused on improving our climate data and systems as well as revising the criteria of our eco portfolio so that it is aligned with the upcoming EU Taxonomy regulation. As part of the project, several product life cycle assessments (LCA) for the equipment have been conducted. The pilot LCA's confirmed the hypothesis that electric versions of the equipment result in substantial life cycle GHG savings.

Eco portfolio

Our eco portfolio draws attention to solutions with potential to help our customers become low-carbon in their operations. The portfolio was established in 2017 and contains the equipment, service and software that enhance our customers' sustainability. The share of the eco portfolio sales is closely monitored and in 2021, it accounted for 19 percent (2020: 24%) of our total sales.

Besides electrification, automation and connectivity are also considered as very promising measures to improve the efficiency of our customers' operations. We believe that utilising software and digitalisation in the business will enable making cargo and load handling more efficient. We also foresee an increasing demand for efficient solutions in the future. This will also be a major enabler in the transition towards a circular economy. Data sharing, common platforms, and collaboration act as key drivers in achieving these targets and connecting industries. Our modernisation and maintenance services ensure optimised maintenance cycles which can then support our customers to maximise the life cycle of their products, thereby saving resources.

The solutions included in the eco portfolio have passed an external review process. During the year, as our focus was mainly on revising the eco portfolio criteria to align with the upcoming EU Taxonomy regulation, no new products were added to the portfolio. The EU Taxonomy regulation establishes a classification system to define which economic activities are environmentally sustainable.

Cargotec can contribute to at least two of the environmental objectives of the EU Taxonomy: the climate change mitigation and the transition to a circular economy. To support the EU Taxonomy alignment, the eco portfolio is primarily being revised into two categories: climate solutions and circular solutions. The climate solutions contribute to significant emission reductions, aligned with the 1.5C climate ambition, whereas the circular solutions are considered contributing to the transition to a circular economy.

During 2021, Cargotec's EU Taxonomy alignment work was initialised by revising the eco portfolio criteria for the climate solution category. The target for 2022 is to enable taxonomy-aligned reporting by finalising the development of the eco portfolio criteria for the climate solution category, developing the eco portfolio criteria for the circular solutions category, and by conducting product life cycle assessments to prove their life cycle GHG emissions savings against the revised criteria. Cargotec's eco portfolio sales figure 2021, is still reported according to the old criteria.

Stakeholders mainly impacted

Nature and environment, suppliers and future generations

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2021

Governance

The governance and management of Cargotec Corporation ("Cargotec" or "Company") are based on the Finnish Limited Liability Companies Act and Securities Markets Act, as well as the Company's Articles of Association and Code of Conduct. The Cargotec class B share is listed at Nasdaq Helsinki and the Company complies with the rules and guidelines of Helsinki Stock Exchange and the Finnish Financial Supervision Authority as well as with all the recommendations of the Finnish Corporate Governance Code 2020, published by the Securities Markets Association (www.cgfinland.fi/en).

The corporate governance statement has been reviewed by the Board's Audit and Risk Management Committee on 1 February 2022. It is issued as a separate report and disclosed, together with the financial statements, Board of Directors' report and the remuneration report, on the Company website. Up-to-date information on governance and remuneration is available on the website.

Cargotec's shareholders exercise the highest decision making power at the Shareholders' meeting. The Annual General Meeting (AGM) appoints the members of the Board and the Auditors. The Company is managed by the Board of Directors and the CEO, appointed by the Board. Cargotec has three business areas, Kalmar, Hiab and MacGregor.

The Annual General Meeting is held annually within three months of the closing of the financial period, on a day designated by the Board. 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 CEO as well as 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, decide on merger and demerger 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.

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.

Cargotec's AGM was held on 23 March 2021. The Company's Board of Directors resolved on exceptional general meeting procedures based on the Act (667/2020) on temporary derogation from, e.g. the Limited Liability Companies Act, to prevent the spread of the COVID-19 pandemic. The shareholders and their proxy representatives were able to participate in the general meeting and exercise shareholder rights by voting in advance and by making counter proposals and asking questions in advance. The meeting adopted the financial statements, consolidated financial statements and the remuneration report as well as granted discharge from liability to the CEO and the members of the Board of Directors for the financial year 1 January–31 December 2020. The meeting approved the distribution of dividends and appointed members of the Board of Directors and the Auditor.

Board of Directors

Responsibilities

The Board confirms Cargotec's strategy and monitors 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 for representing the Company. The Board has compiled a written charter for its work that defines its main duties and operating principles. The Board's responsibilities include approving the Company's annual, half-year and interim financial statements and ensuring that the supervision of the Company's accounting and financial matters is properly organised. The Board decides on significant loans, acquisitions and investments and approves the annual and long term operational and financial plans as well as risk management principles. Violations against Cargotec's Code of Conduct are reported to the Board. The Board approves the long- and short-term incentive programmes and their outcome. The Board appoints Cargotec's CEO and determines the related terms of employment. As defined in the Board's annual plan, the Board has theme meetings in which issues associated with the execution of the strategy or another current theme are discussed. In connection with each meeting, the Board holds discussions also without the presence of the executive management.

In 2021, the Board had 17 meetings. Some of these meetings were held remotely or the resolutions were recorded without convening. Attendance in the meetings is reported in the table further below. The Board agrees annually on focus areas for the coming year. The key themes on the Board's agenda are Cargotec's strategic focus areas, which in the strategy period 2019–2021 have been customer centricity, services, digitalisation and productivity. The Board confirmed Cargotec's strategy breakthrough objectives, sustainability and profitable growth, for the next strategy period. Cargotec's business areas Kalmar, Hiab and MacGregor and their R&D activities as well as supply chain development were discussed in specific theme meetings. Reports on the climate and sustainability work and business area climate actions were presented to the Board regularly. The Board followed the sale process of the Navis business initiated in 2020 and finalised in 2021. The Board approved the renewed Code of Conduct which was launched in the autumn 2021, together with an e-learning tool for all employees. Due to the planned merger of Cargotec with Konecranes Plc., regular reports on the merger control process and the integration planning were on the Board's agenda.

Composition

According to the Articles of Association, Cargotec's Board of Directors includes a minimum of six and a maximum of twelve members. Board members are elected at the AGM for a one-year term of office that expires at the end of the first AGM following the election. The Board elects a Chairman and a Vice Chairman from among its members.

The Board's composition shall support the overall goal of implementing Cargotec's strategy. According to the Board's diversity principles, board diversity is not a static concept but evolves over time and reflect the operations strategy and the future needs of the Company. The diversity factors include work experience in Cargotec's strategic business areas and of the cultures in which Cargotec operates, as well as educational background, age and gender. There shall be both genders in the Board, the target being at least two directors representing each gender.

At the AGM in 2021, the number of Board members was confirmed to nine and the current Board members Tapio Hakakari, Ilkka Herlin, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. Jaakko

Eskola and Casimir Lindholm were elected as new members, both of them independent of the company and its significant shareholders. The former Board member Peter Immonen had informed that he will not stand for re-election to the Board of Directors. In its organising meeting, the Board re-elected Ilkka Herlin as Chairman and Tapio Hakakari as Vice Chairman.

At the end of 2021, the age range of the members was between 50 and 68 years. Three Board members were women and six were men. Six of the members have been on the Board for five years or less and three members for more than ten years. The gender target the Board had set has been reached. The Board members have a wide range of educational backgrounds and they have executive experience in international companies in different cultures.

Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. In the self-evaluation discussion conducted in December under the direction of the Chairman, the members commented how they especially value the open discussions, pragmatic approach to the matters on the agenda, as well as the possibility to meet face to face during the year. The members feel that they work to achieve a common goal.

The majority of the Board members shall be independent of the Company and a minimum of two of the independent directors are to be independent of significant shareholders. The Board conducts, annually and when necessary, an assessment of its members as regards their independence of the Company and major shareholders, as defined in the Corporate Governance Code. In 2021, the members were independent of the Company and all except Ilkka Herlin independent of major shareholders. Ilkka Herlin controls the company Wipunen varainhallinta oy, which is a significant shareholder of Cargotec, and he also is Board member of Mariatorp Oy, another significant shareholder.

The Board considers that also Ilkka Herlin, Tapio Hakakari and Teuvo Salminen, who have been on the Board for more than ten years, are independent of the Company.

Outi Aaltonen, Senior Vice President, General Counsel, served as the Secretary to the Board of Directors. The CV details of the Board members are available on the Company website and the remuneration of the Board is described in the Remuneration report 2021.

Board and committee members’ participation in meetings 2021

Name	Board of Directors	Audit and Risk Management Committee	Nomination and Compensation Committee
Ilkka Herlin	17/17	5/5	4/4
Tapio Hakakari	16/17		4/4
Teuvo Salminen	16/17	5/5	
Jaakko Eskola*	13/13		2/2
Peter Immonen**	4/4		2/2
Teresa Kemppi-Vasama	17/17		4/4
Johanna Lamminen	17/17		
Casimir Lindholm***	13/13		
Kaisa Olkkonen	16/17	5/5	
Heikki Soljama	16/17		

* Member of the Board and the Nomination and Compensation Committee as of 23 March 2021
** Member of the Board and the Nomination and Compensation Committee until 23 March 2021
*** Member of the Board as of 23 March 2021

Board members 31 Dec 2021

Ilkka Herlin
Chairman, b. 1959

Ph.D., D.Sc. (Tech) h.c., D.Sc. (Agr & For) h.c.

Board Chairman since 2005

Chairman of the Nomination and Compensation Committee

Member of the Audit and Risk Management Committee

Independent of the Company, significant shareholder (Wipunen varainhallinta oy), not independent of significant shareholder (Board member of Mariatorp Oy)

Main position: Chairman and owner, Wipunen varainhallinta oy; Board member, Foundation for a Living Baltic Sea

Ownership 31 Dec 2021*:
2,940,067 A shares,
6,211,020 B shares

Tapio Hakakari
Vice chairman, b. 1953

LL.M

Board member since 2005,
Vice Chairman since 2009

Member of the Nomination and Compensation Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2021*:
161,525 B shares

Teuvo Salminen
member, b. 1954

M.Sc. (Econ), APA exam 1983

Board member since 2010

Chairman of the Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2021*:
11,047 B shares

Jaakko Eskola
member, b. 1958

M.Sc. (Eng.)

Member of the Board 2021–

Member of the Nomination and Compensation Committee

Independent of the company and largest shareholders

Main position: Non-executive director

Ownership 31 Dec 2021*:
318 B shares

Teresa Kemppi-Vasama
member, b. 1970

M.Pol.Sc. (social psychology), MBA

Board member since 2017

Member of the Nomination and Compensation Committee

Independent of the Company and significant shareholders

Main position: Executive Chairman of the Board, Kemppi Oy

Ownership 31 Dec 2021*:
1,895 B shares

* Direct ownership and the ownership of controlled corporations

Board members 31 Dec 2021

Johanna Lamminen
member, b. 1966

D. Sc. (Tech.), MBA

Board member since 2017

Independent of the Company
and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2021*:
1,895 B shares

Casimir Lindholm
member, b. 1971

M.Sc. (Econ.), MBA

Member of the Board since 2021

Independent of the company
and largest shareholders

Main position: President and CEO, Eltel Group

Ownership 31 Dec 2021*:
288 B shares

Kaisa Olkkonen
member, b. 1964

LL.M

Board member since 2016

Member of the Audit and
Risk Management Committee

Independent of the Company
and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2021*:
2,185 B shares

Heikki Soljama
member, b. 1954

M.Sc. (power electronics)

Board member since 2016

Independent of the Company
and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2021*:
2,185 B shares

Board member until 23 March 2021:
Peter Immonen, b. 1958, M.Sc. (Econ)
Board member 2005-2021

* Direct ownership and the ownership of controlled corporations

Board Committees

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

Audit and Risk Management Committee

The committee's duty is to supervise the financial reporting executed by the management, and to monitor the financial statement and interim reporting process. In accordance with its charter, the committee supervises the adequacy and appropriateness of the Company's internal control, internal audit and risk management, the development of operative and strategic risks and risk management, and handles Internal Audit plans and reports. Furthermore, the committee prepares a proposal to the AGM regarding the election and fees of the external auditor, and monitors the statutory audit of financial statements and consolidated financial statements. Cargotec's Board has confirmed a Non-audit services policy for defining the permitted non-audit services purchased from the auditors and the committee defines and monitors the non-audit services to ensure the auditor's independence. Violations against Cargotec's Code of Conduct are reported to the committee. The committee also reviews the Corporate governance statement and the Non-financial information report.

The Audit and Risk Management Committee consists of a minimum of three members of the Board of Directors. In addition, the CEO, CFO, Chief Compliance Officer and Head of Internal Audit as well as representatives of the auditing firm attend the meetings. The directors of Group Control, Treasury, Taxes, Legal, Information Management and Risk Management report to the committee on a regular basis. If the matters to be dealt with so require, the committee convenes without the presence of the Company's management.

The Audit and Risk Management Committee was chaired by Teuvo Salminen and its members were Ilkka Herlin and Kaisa Olkkonen. 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 2021, the committee met 5 times. The meeting attendance is reported in the above table. The committee handled and prepared financial and treasury topics for Board approval. Based on the competitive tendering for the audit of the Company, the committee made a proposal to the AGM on 23 March 2021 to appoint the auditing firm Ernst & Young Oy as the Company's auditor. The representatives of the auditing firm presented their work and observations to the committee in connection with the Company's annual and interim reports. Reports on risk management, internal audit and compliance were presented quarterly to the committee. The committee received reports on tax and treasury issues, information security management, project risk management development, internal controls, as well as the use of the non-audit services. The committee reviewed goodwill impairment testing results, related party transactions as well as actions to comply with any forthcoming IFRS and ESG reporting requirements. The committee held an annual self-assessment discussion to review whether its performance needs to be developed.

Nomination and Compensation Committee

The committee prepares a proposal to Cargotec's AGM concerning the composition and remuneration of the Board of Directors. The committee prepares the remuneration policy and remuneration report for the Company's governing bodies, i.e. the Board, the CEO and the deputy CEO, if such is appointed. The committee discusses annually the Board's diversity principles and follows if the diversity target is met. The committee prepares a proposal to the Board regarding the appointment of the CEO and the terms of employment. The committee prepares Cargotec's long- and short-term incentive programmes and follows their outcome and functionality, and prepares the nomination and remuneration issues of other top management members as needed before Board approval.

The committee consists of a minimum of three Board members. The committee convenes as needed but at least three times a year. Ilkka Herlin acted as chairman of the committee, and the members were Tapio Hakakari, Teresa Kemppi-Vasama, Peter Immonen until 23 March 2021, and Jaakko Eskola as of the same date. Committee members are independent of the Company. The CEO and the Senior Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2021, the committee convened 4 times. The meeting attendance is presented in the above table. In accordance with the annual cycle, the committee's agenda comprised top management short and long term incentive programmes and their outcome, top management reviews and compensation as well as talent review follow-up. The committee prepared the remuneration report for the governing bodies presented to the AGM in 2021. The committee discussed the Board's diversity principles and saw to it that the diversity criteria were met when preparing its proposal concerning the Board composition to the AGM in 2021. Board member Peter Immonen informed the committee that he was not going to stand for re-election and the committee proposed that the number of members be increased to nine, all other current members be re-elected and Jaakko Eskola and Casimir Lindholm be elected as new members.

CEO

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

Leadership Team

Supporting the CEO in his duties, the Leadership Team is responsible for business development and the Company's operational activities in accordance with the targets set by the Board of Directors and the CEO. The Leadership Team also defines operative principles and procedures in accordance with the guidelines set by the Board. The Leadership Team concentrates on the strategic issues of the group and the business areas. The agenda regularly includes reports and issues concerning financial development, governance, human resources, sustainability and development projects. The Leadership Team members report to Cargotec's CEO. The CEO's and the Leadership Team's CV details are available on the Company website. The CEO remuneration is described in the Remuneration report 2021 and the remuneration of the Leadership Team is described on the Company website at www.cargotec.com.

Leadership Team 31 Dec 2021

Mika Vehviläinen
CEO

B. 1961, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2021*:
118,447 B shares

Mikko Puolakka
Executive Vice President, CFO

B. 1969, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2021*:
29,470 B shares

Michel van Roozendaal
President, Kalmar Mobile Solutions as of 28 Oct 2021, President, MacGregor until 28 Oct 2021

B. 1963, Dutch citizen

M.Sc. (Aerospace Eng.), MBA

Ownership 31 Dec 2021*:
37,577 B shares

Antti Kaunonen
President, Kalmar Automation Solutions

B. 1959, Finnish citizen

Dr. Tech.

Ownership 31 Dec 2021*:
15,456 B shares

Scott Phillips
President, Hiab

B. 1966, American citizen

MBA, B.Sc. (Ind. Tech.)

Ownership 31 Dec 2021*:
24,377 B shares

Leif Byström
President, MacGregor as of 28 Oct 2021

B. 1962, Swedish citizen

Bachelor degrees in Business Administration and Innovation Engineering

Ownership 31 Dec 2021*:
282 B shares

* Direct ownership and the ownership of controlled corporations

Leadership Team 31 Dec 2021

Outti Aaltonen

Senior Vice President,
General Counsel

B. 1965, Finnish citizen

LL.M

Ownership 31 Dec 2021*:
6,352 B shares

Carina Geber-Teir

Senior Vice President,
Communications

b. 1972, Finnish citizen

M. Sc. (Pol.)

Ownership 31 Dec 2021*:
1,307 B shares

Mikael Laine

Senior Vice President,
Strategy

B. 1964, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2021*:
15,130 B shares

Soili Mäkinen

CIO, Senior Vice President,
Digitalisation

B. 1960, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2021*:
12,115 B shares

Mikko Pelkonen

Senior Vice President,
Human Resources

B. 1970, Finnish citizen

B.A.

Ownership 31 Dec 2021*:
47,006 B shares

Leadership Team member until 28 October 2021:
Stefan Lampa
President, Kalmar Mobile Solutions
B. 1964, Swedish citizen, M.Sc. (mech. eng.), EMBA

* Direct ownership and the ownership of controlled corporations

Related party transactions

Cargotec's related parties include its subsidiaries, associated companies and joint ventures. Also the members of the Board of Directors, the CEO and other members of the Leadership Team, their close family members and entities controlled directly or indirectly by them, as defined in IAS 24, are related to Cargotec. Major shareholders with more than 20 percent ownership of shares or of the total voting rights in the Company, are included in related parties. The Company maintains lists of its related parties. Transactions with associated companies and joint ventures are monitored in the financial reporting system. They are reported in Note 9.3 to the financial statements and they have been carried out at market prices. The Company has an instruction for the Board and Leadership Team members and major shareholders regarding recognising related party transactions. They are obliged to inform the Company of any planned agreements or other legal acts with any group company and asked annually to confirm if any related party transactions have taken place. The Board handles all related party transactions that are not conducted in the ordinary course of business of the company or are not implemented under arm's-length terms.

Insider administration

Cargotec applies the insider guidelines of Nasdaq Helsinki Ltd, in addition to which the Board of Directors has approved internal insider guidelines based on the Nasdaq Helsinki guidelines. Cargotec maintains a list of its Managers and their closely associated persons. Cargotec's Managers include the members of the Board of Directors and the Leadership Team. The Managers and their closely associated persons are obliged to notify Cargotec and the Finnish Financial Supervisory Authority of every transaction conducted on their own account relating to Cargotec's financial instruments. Cargotec will publish each notification in the form of a stock exchange release. Persons who, on the basis of an employment or other contract, work for the company and obtain inside information associated with a specific project, are entered in the Company's project-specific insider register, which is established when necessary.

Trading in Cargotec financial instruments is prohibited on the person's own account or for the account of a third party

a) if a person possesses inside information,

b) regarding project-specific insiders, for the duration of the project until the project is published or otherwise terminated,

c) regarding Managers, during a period of 30 days prior to the publication of Cargotec's annual or interim reports (closed window),

d) regarding persons having access to full Cargotec financials, especially persons engaged with preparing Cargotec's annual or interim reports, during a period of 30 days prior to the publication of such report (extended closed window), and

e) until execution of the contemplated merger of Konecranes Plc into Cargotec, regarding persons belonging to steering groups of the merger, or having regularly access to transaction related information of such steering groups, during a period of 30 days prior to the publication of an annual or interim report (extended closed window).

A closed window regarding trading in Konecranes Plc financial instruments applies to persons to whom Cargotec closed window is applied, until execution of the contemplated merger. Konecranes closed window starts on the 15th day of the month prior to the end of each calendar quarter and ends when the corresponding interim report or the financial statement bulletin is published, including the day of the publication of said report.

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

External audit

The statutory external audit for the financial period includes the 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's Audit and Risk Management Committee meetings. According to the Articles of Association, the Company has at least one and a maximum of three auditors. The auditors must be public accountants authorised by the Central Chamber of Commerce, or an auditing firm. The auditors are elected annually by the AGM and their assignment expires at the end of the first AGM following the election.

The auditing firm PricewaterhouseCoopers Oy acted as Cargotec's auditor until the AGM on 23 March 2021. The AGM elected one auditor, the auditing firm Ernst & Young Oy. Heikki Ilkka from Ernst & Young Oy has been the principal auditor since 23 March 2021. Auditor's fees are compensated against an invoice. The fees paid to the auditors for different services are listed below. Other services are mainly related to mergers and acquisitions.

Auditor's fees

MEUR	2021	2020
Audit fees	3.2	3.0
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	-	0.5
Tax advice	0.1	0.6
Other services	1.6	1.0
Total	**4.9**	**5.1**

Internal control and risk management of the financial reporting process

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

Cargotec's newly updated Code of Conduct contains the principles that guide the Company. All employees are expected to familiarize themselves with the Code of Conduct and take the eLearning tool. To prevent financial and other misconduct, Cargotec has instructions for principles and processes for raising concerns. The SpeakUp line gives an opportunity to anonymously raise concerns of possible misconduct or other matters that may not be in line with Company values and policies. The reporting channel is provided by an external partner, to ensure anonymity. All reports are investigated and processed in confidence by the Ethics and Compliance team. Corrective and disciplinary actions are discussed and agreed in the Code of Conduct panel of Cargotec Leadership Team.

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the Company's Code of Conduct and Internal Controls Framework. With respect to the financial reporting process, these are supported by policies and guidelines, as well as with the 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. Management in businesses and functions assessed compliance to a centrally determined set of key controls through completion of Control Self Assessment during the year.

Internal Audit

The role of Cargotec Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value and improving the operations of Cargotec and its businesses. It helps and supports the business organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. To ensure the independence of the Internal Audit function, the Head of Internal Audit reports functionally to the Audit and Risk Management Committee, and administratively to the CFO. Internal Audit develops a flexible risk based audit plan which is approved by the Audit and Risk Management Committee.

Risk management

Cargotec's risk management is guided by the Enterprise risk management policy, approved by the Board of Directors. It specifies the objectives and principles of risk management as well as the process and responsibilities involved. Risk management is to be naturally built into all business decisions and plans. The core principle is continuous, systematic and preventive action taken to identify risks, define the Company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively.

The Board of Directors defines the overall risk appetite of the Company and ensures that the organisation has sufficient risk management and control. The CEO and the Leadership Team are responsible for the methods, implementation and supervision of risk management. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and that are in charge of identifying, managing and reporting risks. The Risk Management function is responsible for reporting any findings to the CEO and Leadership Team, and reports quarterly to the Board's Audit and Risk Management Committee on the risk reviews, identified risks and mitigation plans. Climate-related risks and opportunities are identified and assessed with the help of the general corporate risk management process as well as a dedicated climate-related risk management process, created by the corporate sustainability and strategy teams. The process is described in the Board of Directors report. Financial risks are managed centrally by the Corporate Treasury and reported on for corporate management and the Audit and Risk Management Committee on a regular basis. The Board of Directors' report includes an estimate on the Company's main risks and uncertainties and short-term risks.

Financial reporting process

The effectiveness of internal control measures related to financial reporting is monitored by the Board of Directors, the Audit and Risk Management Committee, the CEO, the Leadership Team and business area management teams. Various control measures, such as reconciliations, logic analyses and comparative analyses are performed at different organisational levels. The purpose of these control measures is to detect, prevent and correct any errors and deviations in financial follow-up. Cargotec's financial reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are first reviewed at a reporting unit level, and then at the operative management's review meetings on a division level, followed by business area level and group management level reviews. Finally, the reports are discussed at the Leadership Team's meeting. Financial information is also reported to the Board of Directors on a monthly basis. Controllers report any deviations from the plans to the management teams, analyse the reasons for such deviations and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and that financial forecasts are up to date.

The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The Company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them. Cargotec Business Services offer shared financial, HR and indirect procurement services for Cargotec companies and target a harmonised way of working with common processes, controls and tools. A corporate-wide development programme regarding internal controls has clarified and reinforced the shared principles and ways of working and strengthened internal control. The programme's processes are part of the company's daily operations and help ensure compliance with Cargotec's Code of Conduct and internal policies. Multifaceted reporting tools based on common systems have been developed to support the financial performance monitoring and comparability.

CARGOTEC REMUNERATION REPORT 2021

This Remuneration Report sets out how Cargotec Corporation ("Company") has implemented its Remuneration Policy in 2021. This report includes information concerning remuneration of the Board of Directors ("Board") and the CEO of Cargotec between 1 January 2021 and 31 December 2021. The Report is based on the Recommendations on Corporate Governance Code 2020 in Finland as well as the provisions to the Finnish Securities Market Act and Limited Liability Companies Act.

The Report has been reviewed by the Board's Nomination and Compensation Committee ("Committee") and approved by the Board of Directors. The shareholders will make an advisory decision on the approval of the Remuneration Report at the Company's Annual General Meeting 2022.

Letter from the Chairman of the Board

Remuneration of the Cargotec governing bodies is based on the Remuneration Policy that was presented for an advisory decision at the Annual General Meeting held on 27th May 2020. Cargotec has followed the Remuneration Policy's decision making process and remuneration governance model in 2021. There haven't been any claw-backs made in 2021. Our Remuneration Policy and overall remuneration philosophy reinforces Cargotec's values and ethical principles as well as aligns remuneration with the successful delivery of our strategy and creating long-term shareholder value. The variable, performance-based incentives – short- and long-term incentive programmes (STI and LTI programmes) – are designed to be the largest component of remuneration, thereby strengthening the alignment between remuneration and company performance, and reflecting our philosophy that CEO remuneration should be closely tied to the strategy aimed at long-term value creation. Performance measures for the variable pay programmes are determined annually by the Board and they reflect our key performance indicators.

Sustainability has been one of Cargotec's guiding principles ever since the company was founded. Our determined efforts to promote sustainability continued in 2021, when we named sustainability and profitable growth as our strategic breakthrough objectives. In concrete terms, Cargotec aims to reduce the CO_2 emissions of its value chain by 1 million tons by 2024. Items that promote sustainability are also included in the Cargotec's CEO's annual incentive and remuneration arrangement.

Thanks to active and innovative product development efforts, our business areas can now offer electric products in all their product categories. I am pleased that we in this way can contribute to carbon footprint reduction in our industry and provide advanced and eco-efficient cargo and load handling products and solutions for our customers.

In 2021, the improving market situation and increasing economic activity boosted our orders received to a record level. However, as the year progressed, component shortages and global logistics challenges proved to be more difficult than what we had estimated, causing delays to our deliveries. Orders received increased by 42 percent compared to the comparison period whereas, despite the strong demand, our sales increased by only 2 percent due to lower project deliveries in Kalmar and MacGregor as well as the sale of the Navis business.

Cargotec's service business reached a new record when services sales increased by 7 percent and services orders received by 18 percent compared to the previous year. The customer interest towards eco-efficient equipment is increasing. As an example, more than a quarter of the forklift truck orders in 2021 were fully electric.

During the year Cargotec progressed in several important strategic activities. In September, we signed an agreement with SSAB to work on the introduction of fossil-free steel to the cargo handling industry, and completed the sale of the Navis business, which had an approximately EUR 230 million positive impact on Cargotec's operating profit. The proceeds enable R&D investments in the fields of electrification, digitalisation, robotisation and automation, and further investments in acquisitions.

On 1 October 2020, Cargotec Corporation and Konecranes Plc announced their combination agreement and a merger plan to combine the two companies through a merger. Extraordinary general meetings of Cargotec and Konecranes held on 18 December 2020 approved the merger. Competition authorities in the EU, UK, and US, among others, are reviewing the proposed transaction. To ensure a successful execution of the merger, Cargotec's business performance and shareholder value creation, the Cargotec CEO participates in the retention and incentive programmes.

Cargotec and Konecranes continue to actively cooperate with the competition authorities with the aim to mitigate some of these concerns raised by some competition authorities. The remaining approvals are expected to be received to allow completion of the transaction by the end of H1/2022. Until then, both companies will operate fully separately and independently. In my view the merger plan between Cargotec and Konecranes provides excellent value creation opportunities. The Future Company will eventually be a forerunner in promoting sustainable freight transport throughout our industry.

Ilkka Herlin
Chairman of the Board and Board's Nomination and Compensation Committee

Cargotec 2021 Remuneration in brief

Cargotec's Remuneration Policy's key principles were followed through 2021. For the financial period 2021, the annual fixed salary of Cargotec's CEO Mika Vehviläinen was EUR 704,795 including fringe benefits. In addition, he received the following variable pay programme payments: Short-term incentive payout of EUR 764,452 (2020 annual bonus programme, payout is based on 2020 performance) and long-term incentive payout of EUR 163,962 (2019 performance share programme, payout is based on 2019-2020 performance). Additionally he received a matching share payout of EUR 820,406. Total Remuneration paid to the CEO in 2021 was (2020): 2,453,614 Euros (1,637,694 Euros).

In 2021, the CEO participated in the following variable pay programmes (pay-for performance):

- 2021 Annual Bonus Programme (STI): Achievement EUR 179,608 / 20% of the maximum of the maximum. Programme purpose to reward and incentivise achievement of financial and strategic targets aligned with Cargotec's business strategy.
- 2020-2022 Performance Share Programme: Achievement 4,125 class B shares / 51% of the maximum from the measuring period 2021 (incentive payment in 2023 after the measuring period 2022).
- 2021-2023 Performance Share Programme: Achievement 0 class B shares / 0% of the maximum from the measuring period 2021 (incentive payment in 2024 after the measuring periods 2022 and 2023).
- Purpose of the performance share programmes is to commit the CEO to the long-term interests of the company and shareholder alignment through share-based incentives.

Additionally, the CEO participated in the 2019–2022 Matching Share Programme. In the merger-related remuneration, the CEO participated in a retention programme and 2020 Restricted Share Unit Programme.

The purpose of the performance share programmes is to commit the CEO to the long-term interests of the company and shareholder alignment through share-based incentives.

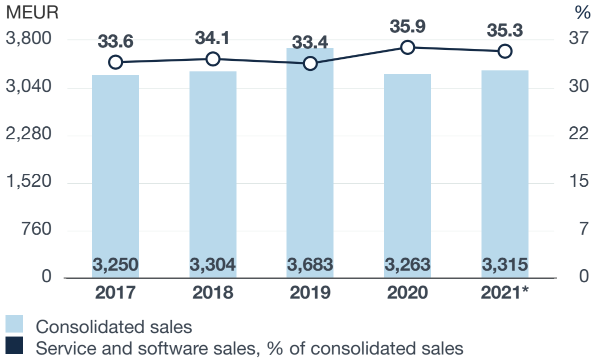
Based on the decision of the AGM of 24 March 2021, the Board's annual remuneration remained unchanged in 2021.

Development of Financial Performance and Remuneration

5-year Development of Financial Performance

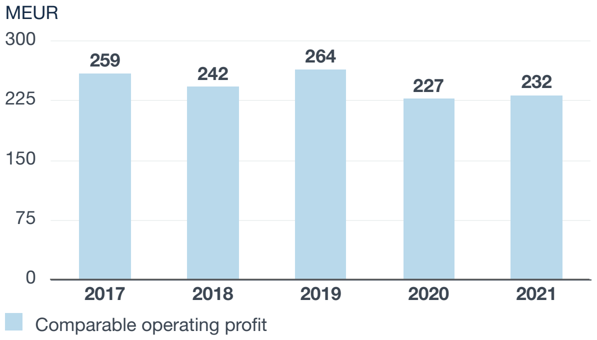
The following graphs summarise Cargotec's key financial and shareholder return performance indicators in the last 5 years. The CEO's financial performance targets in the variable pay programmes are aligned with Cargotec's financial performance and strategic targets.

SERVICE AND SOFTWARE SALES, % OF CONSOLIDATED SALES

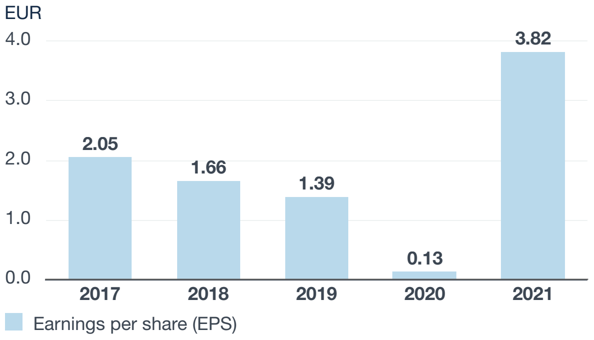


* Software sales include automation software and, until 1 July 2021, the strategic business unit Navis

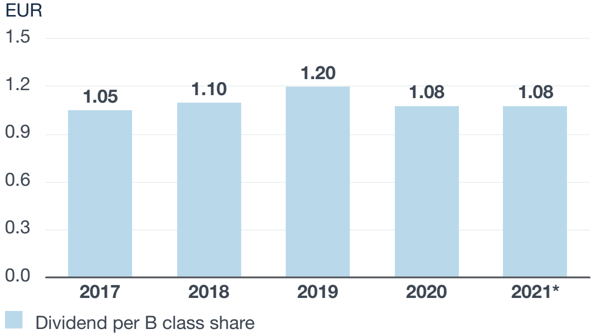
COMPARABLE OPERATING PROFIT, M€



EARNINGS PER SHARE (EPS), €

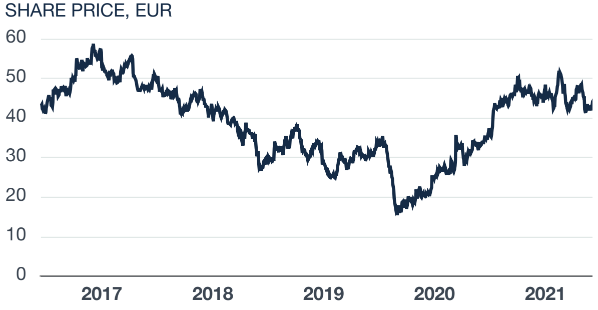


DIVIDEND PER CLASS B SHARE, €



* Boards proposal for dividend

SHARE PRICE 2017–2021



5-year Development of Remuneration

Development of paid CEO Remuneration in euros

	2017	2018	2019	2020	2021
Fixed salary[1]	706,860	701,190	699,659	650,958	704,795
Short-term incentives (STI)[2]	575,505	340,184	124,344	580,942	764,452
Long-term incentives (LTI)	797,666[3]	1,821,328[4]	715,784[5]	106,506[6]	163,962[7]
Restricted shares	258,280	-	-	-	-
Matching shares	-	-	-	299,289[8]	820,406[9]
Supplemental pension	500,000	500,000	0	0	0
Total remuneration	**2,838,311**	**3,362,702**	**1,539,787**	**1,637,694**	**2,453,614**
Development					
Base salary	0%	0%	0%	0%	0%
Total remuneration	18.8%	18.5%	-54.2%	6.4%	49.8%

[1] Annual fixed salary includes base salary, holiday pay and fringe benefits. Monthly base salary EUR 55,000 during the period of 1 January 2017–31 December 2021.
[2] Short-term incentive payment based on previous year performance.
[3] Performance Share Programme, performance period 2014–2016.
[4] Performance Share Programme, performance period 2015–2017.
[5] Performance Share Programmes, performance period 2016–2018 and performance period 2017-2018 (2019 ownership and value creation period).
[6] Performance Share Programme, performance period 2018–2019 (2020 ownership and value creation period).
[7] Performance Share Programme, performance period 2019–2020 (2021 ownership and value creation period).
[8] Matching Share Programme, 1st installment in 2020.
[9] Matching Share Programme, 2nd installment in 2021.

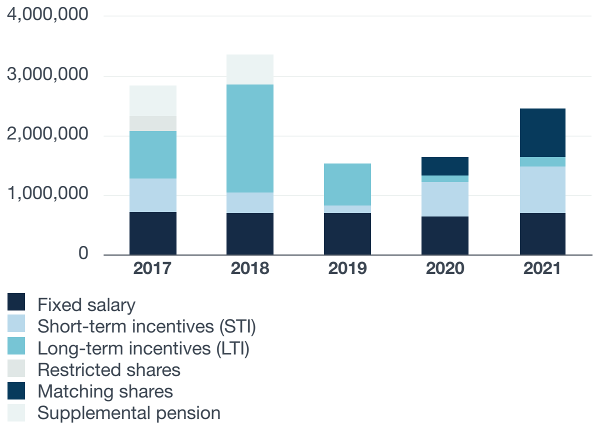
Development of paid Board Remuneration in euros

	2017	2018	2019	2020	2021
Chairman annual fee					
Development	85,000 (+6.3 %)	85,000 (0%)	85,000 (0%)	85,000 (0%)	85,000 (0%)
Vice chairman annual fee					
Development	60,000 (+9.1%)	60,000 (0%)	60,000 (0%)	60,000 (0%)	60,000 (0%)
Board member annual fee					
Development	45,000 (+12.5%)	45,000 (0%)	45,000 (0%)	45,000 (0%)	45,000 (0%)

Development of employee base salary (median)

	2017	2018	2019	2020	2021
Median year-on-year development	+3.0%	+2.9%	+3.0%	0.0%	+3.0%

CEO PAID COMPENSATION DEVELOPMENT AND BREAKDOWN



According to the Cargotec's Remuneration Policy, our variable pay programmes promote pay-for-performance and this is clearly seen also from the CEO's actual incentive payouts in the past five years. During this period the CEO's base salary development has been 0%, as for the Cargotec's employees globally the median year-on-year increase has been around 3%. For the Board members the latest annual fee increase was implemented in 2017.

Remuneration of the Board of Directors in 2021

Cargotec Board Remuneration 1 January–31 December 2021

Director	Committee memberships	Annual fee in euros	Meeting fees in euros	Total in euros[1]	Number of class B shares obtained as remuneration[2]
Ilkka Herlin, Chairman	Nomination and Compensation Committee, Chairman Audit and Risk Management Committee, Member	85,000	24,000	109,240	544
Tapio Hakakari, Vice Chairman[3]	Nomination and Compensation Committee, Member	60,000	18,000	78,240	384
Teuvo Salminen[3]	Audit and Risk Management Committee, Chairman	60,000	19,000	79,000	384
Jaakko Eskola	Nomination and Compensation Committee, Member	45,000	14,000	59,000	288
Peter Immonen[4]	Nomination and Compensation Committee, Member	0	5,000	5,000	0
Teresa Kemppi-Vasama	Nomination and Compensation Committee, Member	45,000	19,000	64,000	288
Johanna Lamminen		45,000	15,000	60,000	288
Casimir Lindholm		45,000	12,000	57,000	288
Kaisa Olkkonen	Audit and Risk Management Committee, Member	45,000	19,000	64,000	288
Heikki Soljama		45,000	14,000	59,000	288
Total		**475,000**	**159,000**	**634,480**	**3,040**

[1] Including annual Board remuneration, meeting attendance fees and fringe benefits for the period of 1 January 2021–31 December 2021.
[2] 30% of the Annual Fee is paid as Cargotec class B shares. The value of the shares is included in the Annual Fee in Euros.
[3] Received an additional 150,000 Euros compensation for the merger-related preparation work, not included in the figures above.
[4] Until 23. March 2021.

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2021 as follows.

- Chairman EUR 85,000
- Vice Chairman EUR 60,000
- Chairman of the Audit and Risk Management Committee EUR 60,000
- Other Board members EUR 45,000
- Of the total annual remuneration, 30 percent is paid in Cargotec’s class B shares and the rest in cash
- Additionally, a meeting fee of EUR 1,000 is paid for attendance of meetings of the Board and its committees

Remuneration of the CEO

Application of Performance Criteria in 2021

The CEO participated in the following variable pay programmes in 2021 (short- and long-term incentive programmes):

Programme	Purpose	Performance period	Earning opportunity	Performance measures	Achievement
STI: 2020 Annual Bonus Programme	To reward and incentivise achievement of financial, strategic, operational and sustainability targets aligned with Cargotec's business strategy	2021	Maximum 130% of annual base salary	2021 comparable operating profit (MEUR), 2021 operative cash flow (m€). Strategic individual targets: 1) Sustainability strategy; 2) Integration plan and transaction readiness.	EUR 179,608 / 20% of the maximum. Incentive payment in April 2022.
LTI: 2020–2022 Performance Share Programme	To commit CEO to the long-term interests of the company and offer a competitive, ownership-based reward scheme	Measuring period 2021	Maximum 24,400 class B shares from performance period 2020–2022	2021 service gross profit (MEUR)	4,125 class B shares / 51% of maximum for the measuring period 2021. Incentive payment by April 2023 after measuring period of 2022.
LTI: 2019–2021 Performance Share Programme		Measuring period 2021	Maximum 23,100 class B shares from performance period 2021–2023	2021 comparable operating profit (MEUR)	0 class B shares / 0% of maximum of maximum for the measuring period 2021. Incentive payment by April 2024, after the measuring periods 2022 and 2023.

Share-Based Incentives

CEO's share-based incentive framework:

- Annually rolling Performance Share Programmes for steering and achieving strategic targets
- Other programmes:
  - Matching Share Programme for retention and share ownership
  - Restricted Share Unit Programme for merger completion and retention

CEO's share-based incentive programmes in 2021:

Programme	2019	2020	2021	2022	2023	2024
2019–2021 Performance Share Programme	Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	€			
2020–2022 Performance Share Programme		Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	Measuring period 3: - TBD	€	
2021–2023 Performance Share Programme			Measuring period 1: - Comparable operating profit	Measuring period 2: - TBD	Measuring period 3: - TBD	€
2019–2022 Matching Share Programme	Share investment	€	€	€		
2020 Restricted Share Unit Programme				€		

€ = share delivery / incentive payment.

Purpose and operation of the CEO's share-based incentives:

2017–2020 share-based incentive programme

The Performance Share Programme consists of three annually granted incentive programme periods in which rewards are conditional on the fulfilment of a three-year service condition (calendar years 2017–2019, 2018–2020 and 2019–2021) and performance conditions during the first two years that are tied to financial targets and separately set for each year. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The reward related to each incentive programme period is paid after two years based on fulfillment of the vesting criteria and is subject to approximately one-year lock-up period.

2020–2024 Performance Share Programme

The Performance Share Programme includes three performance periods, calendar years 2020–2022, 2021–2023 and 2022–2024. Each performance period includes one to three measuring periods. One measuring period can be three calendar years at maximum, which is the total length of one performance period. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. No reward will be paid, if a key employee's employment or service ends before the reward payment.

2019–2022 Matching Share Programme

Programme participants have made an investment to Cargotec shares at the inception of the programme and receive an equivalent amount of shares in accordance with the matching share programme. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The vesting condition related to matching shares is tied to working condition so that one third of the reward is earned annually over the three year period after which the vested shares have a lock-up period of one year except the shares vested during the last year for which there is no lock-up period.

2020 Restricted Share Unit Programme

The Restricted Share Unit Programme 2020 is intended to function as a bridge programme for the transition period before the completion of the Merger. The aim of the programme is to align the objectives of the shareholders and the key employees, to secure business continuity during the transition period, and to retain key employees at the company. The reward from the programme is conditional to the completion of the Merger. In addition, the reward is based on a valid employment or service and the continuity of the employment or service during the waiting period. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. Shares received as a reward in the Programme may not be sold, transferred, pledged or otherwise assigned during the 12-month lock-up period. The lock-up period begins on the date following the completion of the Merger.

Summary of Granted, Earned and Paid Share-Based Incentives to the CEO in Connection to the Reporting Period

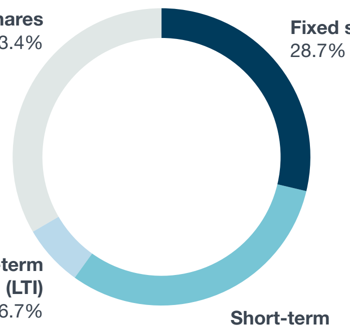
Programme	Performance Period	Grant Date	Payment Date	Vesting Date	Performance Criteria	Awarded Shares Net pcs maximum	Achieved Reward as % of maximum	Net Shares Earned pcs
2020–2022 Performance Share Programme	2020–2022	8 April 2020	By April 2023	April 2023	2021 service gross profit; 2022 decided by the Board	24,400	Measuring period 2021: 51%	Measuring period 2021: 4,125
2021–2023 Performance Share Programme	2020–2023	13 April 2021	By April 2024	April 2024	2021 comparable operating profit; 2022 and 2023 to be decided by the Board	23,100	Measuring period 2021: 0%	Measuring period 2021: 0
2019–2021 Performance Share Programme	2019–2020	10 April 2019	By April 2021	31 December 2021	2019 comparable operating profit; 2020 service gross profit	23,100	Programme in total: 7%	Programme in total: 1,650
2019–2022 Matching Share Programme	2019–2022	1 March 2019	2nd installment paid by the company on 31 March 2021 3rd and last installment by April 2022	For the 2nd installment restriction period until 31 March 2022	Personal share investment and continuous shareholding	24,770	1/3 of total matching shares delivered in 2020	8,256

In addition to the earned shares, the company pays a cash portion to cover taxes and employment-related expenses.
In the Performance Share Programmes the grant value is maximum 230% of the annual base salary in accordance with the Remuneration Policy.

Remuneration of the CEO in 2021

Fixed Salary	Supplemental Pension Payment	Paid Annual Short-term Incentive	Paid Long-Term Incentive	Paid Matching Shares	Total Paid Remuneration in 2021
704,795	0	764,452	163,962	820,406	2,453,614

STRUCTURE OF PAID COMPENSATION IN 2021



Paid annual short-term incentives

Programme	Performance Period	Earning opportunity as a % of base salary target / max	Performance measures	Achieved Reward as % of maximum	Remuneration in EUR
STI: 2020 Annual Bonus Programme	2020	65% / 130%	2020 full year and 2nd half comparable operating profit (m€), 2020 full year and 2nd half operative cash flow (m€)	85%	764,452

Paid share-based incentives

Programme	Performance Period	Earning opportunity	Financial performance measure	Achieved Reward as % of maximum	Remuneration
LTI: 2019-2021 Performance Share Programme	2019–2020	Maximum 23,100 class B shares	2019 comparable operating profit (m€), 2020 service gross profit (m€)	7%	1,650 net shares / EUR 163,962
Matching Share Programme 2019-2022	2020 matching (2nd installment by the company)				8,256 net shares / EUR 820,406

Pension

The CEO Mika Vehviläinen's pension is provided according to the statutory Finnish Employees Pensions Act. Additionally, Mr Vehviläinen is entitled to a supplemental defined contribution pension benefit in Finland. According to the renewed pension agreement in 2020, the CEO is entitled to retire at the age of 65. If the CEO's service ends before the retirement age of 65 determined in the pension agreement, the CEO is entitled to begin taking the supplemental pension at the age of 62. No supplemental pension contributions have been paid in 2021.

Merger related retention programme

To ensure Cargotec's business performance, successful execution of the Merger, and shareholder value creation in 2021, Cargotec has extended a retention incentive programme to the CEO Mika Vehviläinen in 2020. The value of the retention programme is EUR 1,500,000, and the payment under the programme will be paid as a one-off payment to the CEO's supplemental pension plan under the new pension agreement after the completion of the Merger. The payment is subject to the following preconditions: the Merger is completed, the CEO continues in the service of the company, he has not served a notice of termination prior to the completion of the Merger and has performed his duties according to his contract.

FINANCIAL REVIEW

CONTENTS

Board of Directors' report and financial statements

Investor relations

| Part of the Board of Directors' report
|| Part of the financial statements

BOARD OF DIRECTORS' REPORT

Operating Environment 2021

Despite the pandemic-related uncertainty, the market activity was at a high level in 2021. This was reflected on the record-high demand of our solutions and high use rates of our connected equipment, but also on price increases and availability challenges related to raw materials, product components, and freight. These factors prolonged our delivery times and raised our costs during the year. We estimate the component and logistics challenges to persist in 2022.

According to the International Monetary Fund's (IMF) world economic outlook published in January 2022, the global economy grew 5.9 percent in 2021, and is estimated to grow by 4.4 percent in 2022. In the IMF's advanced economies group (a group of countries which includes several key Cargotec markets, such as the United States, the United Kingdom and Germany), IMF projects a 5.0 percent growth in 2021 and 3.9 percent growth in 2022.[1]

Kalmar's demand driver, the number of containers handled at ports globally, is estimated to have increased by about 6.5 percent in 2021 compared to the previous year. In 2022, it is forecasted to increase by about 4.6 percent. The lower-than-previous forecasts is estimated to be caused by fast-rising inflation, ongoing supply chain bottlenecks and the omicron covid-19 variant.[2]

Oxford Economics estimates that construction activity – one of Hiab's demand drivers – would have increased by about 7 percent both in Europe and in the US during 2021. In 2022, Oxford Economics estimates construction activity to increase by approximately 3 percent in Europe and by 6 percent in the US compared to the previous year.[3]

The demand for MacGregor's cargo handling solutions is impacted by the level of merchant ship contracting, which increased strongly in 2021 to 1,613[4] (661[5]), making it the strongest year in vessel contracting since 2014. The pick-up in demand was particularly visible in container vessel orders. In 2022, the number of merchant ship contracting is expected to decrease to 1,221 due to increased prices of the new ship orders and full shipyard order books. In the offshore sector, despite the increases in oil price, the amount of new vessel contracting is still expected to remain at a low level due to the overcapacity of offshore supply vessels and drilling rigs, for example. The focus of new orders has shifted to vessels supporting wind power while the offshore wind farms are growing in size and being built farther from the coast into deeper waters.[6]

Orders received and order book

Orders received increased in 2021 by 42 percent from the comparison period and totalled EUR 4,427 (3,121) million. Orders received increased strongly in all business areas. Service orders received increased by 18 percent and totalled EUR 1,162 (987) million.

The order book increased by 56 percent from the end of 2020, and at the end of 2021 it totalled EUR 2,847 (31 Dec 2020: 1,824) million. Kalmar's order book totalled EUR 1,302 (842) million, representing 46 (46) percent, Hiab's EUR 985 (503) million or 35 (28) percent and MacGregor's EUR 560 (480) million or 20 (26) percent of the consolidated order book.

In 2021, the share of orders received was 46 (50) percent in EMEA and 34 (32) percent in the Americas. Asia-Pacific's share of orders received was 20 (18) percent.

Sales

Sales in 2021 increased by 2 percent from the comparison period to EUR 3,315 (3,263) million. Hiab's sales increased whereas MacGregor's and Kalmar's sales declined. Service sales increased by 7 percent from the comparison period and totalled EUR 1,076 (1,005) million, representing 32 (31) percent of consolidated sales. Software sales decreased by 42 percent and amounted to EUR 95 (166) million. The decrease in software sales was due to the divestment of the Navis business. Service and software sales amounted to EUR 1,172 (1,171) million, representing 35 (36) percent of consolidated sales.

In 2021, EMEA's share of consolidated sales was 50 (49) percent, Americas' 31 (30) percent and Asia-Pacific's 19 (21) percent.

Financial result

Operating profit in 2021 totalled EUR 356 (70) million. The operating profit includes items affecting comparability worth EUR 124 (-156) million. EUR 224 (-64) million of the items were related to Kalmar, EUR -22 (-32) million to Hiab, EUR -25 (-55) million to MacGregor and EUR -53 (-6) million to corporate administration and support functions. Majority of Kalmar's items affecting comparability were related to the gain from the Navis software business sale and, of the corporate administration and support functions items affecting comparability, EUR -50 (-7) million were related to the merger plan with Konecranes Plc. More information regarding items affecting comparability is available in Note 2.4. Restructuring costs and other items affecting comparability.

Comparable operating profit in 2021 increased by 2 percent and totalled EUR 232 (227) million, representing 7.0 (6.9) percent of sales. The higher comparable operating profit

[1] International Monetary Fund: World Economic Outlook Update, January 2022
[2] Drewry Container Forecaster, Q4/2021
[3] Oxford Economics, December 2021
[4] Clarkson, January 2022
[5] Clarkson, January 2022. Does not include late registrations
[6] Clarkson, September 2021

was due to an increase in Hiab's comparable operating profit. Kalmar's and MacGregor's comparable operating profit decreased.

In 2021, net interest expenses for interest-bearing debt and assets totalled EUR 18 (23) million. Net financing expenses totalled EUR 23 (36) million. Group financing expenses decreased due to the decrease in the average interest rate of the loan portfolio, and reduced currency hedging costs. Net income in 2021 totalled EUR 247 (8) million, and earnings per share EUR 3.82 (0.13).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 4,027 (31 Dec 2020: 3,888) million at the end of 2021. Equity attributable to the equity holders of the parent was EUR 1,544 (1,299) million, representing EUR 23.95 (20.14) per share. Property, plant and equipment on the balance sheet amounted to EUR 410 (430) million and intangible assets to EUR 1,139 (1,158) million.

Return on equity (ROE, last 12 months) was 17.3 (31 Dec 2020: 0.6) percent at the end of 2021, and return on capital employed (ROCE, last 12 months) was 14.5 (2.8) percent. Cargotec's financial target is to reach 15 percent return on capital employed.

Cash flow from operating activities before financial items and taxes totalled EUR 169 (296) million during 2021. Cash flow decreased due to an increase in net working capital stemming mainly from higher inventories.

Cargotec's liquidity position is strong. The liquidity reserves, consisting of cash and cash equivalents and an undrawn EUR 300 million long-term revolving credit facility, totalled EUR 789 million on 31 December 2021 (31 Dec 2020: 785). Following the strong liquidity position, Cargotec made a voluntary total redemption for the EUR 150 million senior unsecured bond in December 2021, where the original maturity date was in March 2022.

The company liquidity requirement – repayments of interest-bearing liabilities due within the following 12 months – totalled EUR 43 (158) million, which includes EUR 35 (38) million lease liabilities. In addition, Cargotec had access to a EUR 150 million commercial paper programme, of which undrawn EUR 150 (150) million, as well as undrawn bank overdraft facilities, totalling EUR 111 (116) million.

At the end of 2021, interest-bearing debt amounted to EUR 919 (31 Dec 2020: 1,191) million, of which EUR 163 (174) million was in lease liabilities. Of the interest-bearing debt, EUR 43 (158) million was current and EUR 876 (1,033) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 1.3 (1.4) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 505 (509) million. Interest-bearing net debt totalled EUR 414 (682) million.

At the end of the year, Cargotec's equity to assets ratio was 40.6 (31 Dec 2020: 35.3) percent. Gearing was 26.8 (52.4) percent.

More information on debts is available in Note 8.4 to the consolidated financial statements, Interest-bearing liabilities.

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

Research and development

Research and product development expenditure in 2021 totalled EUR 102 (105) million, representing 3.1 (3.2) percent of sales. Research and development investments were focused on themes supporting climate targets such as digitalisation, electrification, automation and robotisation as well as projects that aim to improve the competitiveness and cost efficiency of products. During the year, research and development efforts focused for example on the following:

Kalmar

The year 2021 marked a considerable milestone for Kalmar as its entire portfolio became available as electrically powered versions.

In the first quarter, Kalmar and Nokia announced that they will expand their ongoing collaboration to provide new solutions for ports and intermodal terminal operators seeking to automate operations and achieve greater productivity. In June, a new stand-alone 5G network was implemented for Kalmar's Technology and Competence Centre in Tampere, Finland, together with Telia and Telia's partners Digita and Nokia. With the network, Kalmar can develop new integrated solutions for the product development of communication and cargo handling technologies.

In the second quarter, Kalmar introduced two service solutions, Kalmar Modernisation Services and Kalmar Remote Services, for manual and automated container terminals. Kalmar Modernisation Services maximises customers' shuttle and straddle carrier and yard crane fleet performance with equipment inspections, repairs and refurbishments, modernisations as well as digitalisation and automation services. Kalmar Remote Services includes three new expert services for manual and automated terminals, supporting customers in optimal use and performance of their equipment.

During the second quarter, Kalmar also introduced a new generation of Kalmar Rubber-tyred Gantry Cranes (RTGs). The offering covers five models with a stronger, lighter and simpler modular design and intelligent features to provide customers with a productive and eco-efficient container handling solution.

In the third quarter, Kalmar opened a new sales and service support centre in Stargard, Poland. Customer service will improve, as the back-office sales and service administration operations, including invoicing, order and contract management tasks, are now covered by the sales and service support centre.

In the fourth quarter, Kalmar released MyKalmar, a new platform for Kalmar's digital services. MyKalmar is a combination of previous services – such as MyParts and Kalmar Insight – but also contains new services and is a launchpad for further development and a new single-point-of-access for customers to oversee their Kalmar fleets.

In mid-December, Kalmar launched three new 100-percent electrically powered solutions: Kalmar Electric Reachstacker, Kalmar Electric Heavy Forklift and Kalmar Ottawa Electric Terminal Tractor. Kalmar also announced the Kalmar Robotic Portfolio, which is a future range of intelligent, flexible and autonomous mobile equipment solutions. The portfolio will consist of the Kalmar RoboTractor, RoboLifter, RoboStacker and RoboHandler, with prototypes being currently tested at different sites around the world. Kalmar also launched Kalmar Tracker, an automated container information solution for reachstackers, designed to enable safer and more efficient management of container movements.

At the year-end, Kalmar signed a joint development agreement with Coast Autonomous Inc. to speed up the development and launch of robotic solutions across the mobile equipment offering. Coast Autonomous is an autonomous driving technology start-up based in California, USA, providing mobility solutions to move people and goods in urban and industrial environments. Kalmar also became a minority shareholder of Coast Autonomous.

Hiab

In the first quarter, Hiab launched the HookTop system to be used with MULTILIFT Ultima hooklifts. The HookTop system quickly and safely protects the cargo, using a radio controller to cover the cargo with a tarp. Hiab also launched the EFFER 1000 loader crane, a 90 tonne metre (tm) crane that weighs only 9,500 kg but delivers the same performance as bigger cranes, thereby reducing emissions and cost of ownership.

In the second quarter, Hiab launched tail lift brand ZEPRO's next generation heavy-duty slider lifts for heavy goods vehicles and trailers. The connected, robust, low-maintenance lifts are designed to maximise uptime and lift life.

In the third quarter, Hiab's WALTCO launched an FM1000 liftgate that functions as a combined rear door and liftgate. Hiab also announced an investment to develop a new multi-assembly unit in Dundalk, Ireland, for its MOFFETT and PRINCETON truck-mounted forklift manufacturing operations. The new facility will include manufacturing operations and a global hub for innovation and R&D. Hiab also expanded manufacturing of truck-mounted forklifts in Streetsboro, US, delivering the first MOFFETT installation at the end of September. In July, Hiab's electric MOFFETT E4-25.3NX truck mounted forklift won an IFOY AWARD, also known as the "Oscars of intralogistics", in the category Special Vehicle.

In the fourth quarter, Hiab launched HIAB iQ.1188 HiPro with the company's new SPACEevo control system to deliver new productivity and safety benefits. The 110 tm super heavy loader crane is the largest HIAB crane to date and the first model in the new iQ. range.

MacGregor

MacGregor continued to participate in a collaborative research project sponsored by the German Ministry of Economic Affairs and Energy, focused on the viability and potential for remotely operated tugboats. The project aims to address the growing pressure on efficient harbour operation resulting from projected growth in transshipment volumes to 2030, and the increasing size of cargo carrying vessels.

MacGregor also focused on developing an unmanned robotic handover system that establishes a safe towing connection. The project benefits from MacGregor's Marine Data Engine in managing bi-directional data flow to enable remote control of the towing process.

MacGregor's participation in the EU Horizon 2020 Research and Innovation funded Aegis and Moses projects are reaching their midway point, with preparation for full testing of a scale electric crane and spreader underway. A newly developed short sea container shipping optimisation tool is also being tested in an operational environment with a vessel operator.

During the fourth quarter, the MacGregor How2 application's prototype was further improved. The application provides step-by-step maintenance instructions, animated AR visualisations, as well as 2D and 3D CAD models in a single, easy to understand user platform. It helps to increase maintenance efficiency and improve work safety, and provides functionalities for automatic service report generation and spare parts ordering. The next stage is to transfer the concept into an easy-to-scale application that is best fit-for-purpose.

At the year-end, MacGregor introduced the next generation of variable frequency drive (VFD) electric cranes and the fully electrically driven heavy lift crane as new members of its heavy lift crane family. The VFD increases efficiency by up to 50 percent, with additional benefits achieved through weight reduction and the ability to connect with the OnWatch Scout condition-based monitoring and predictive maintenance service.

MacGregor's digital twin capability focuses on virtual model design optimisation and supporting more efficient equipment operation. Its development progressed well during the year, with the first simulation-based training package being planned for delivery to an offshore wind vessel operator.

Capital Expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 64 (59) million in 2021. Investments in customer financing were EUR 16 (26) million. Depreciation, amortisation and impairment amounted to EUR 117 (144) million. The amount includes impairments worth EUR 7 (16) million.

Acquisitions and divestments

In August, Hiab entered into an agreement to acquire the US demountables manufacturer Galfab, which makes roll-off hoists and related equipment for the domestic waste industry. At the time of the acquisition, Galfab employed around 100 people. The acquisition broadens Hiab's demountable portfolio as Galfab's equipment is included in Hiab's nationwide US sales and service network. The acquisition was completed on 4 September 2021.

In March, Cargotec announced that it had signed an agreement to sell its Navis business to Accel-KKR, a Silicon Valley-based investment firm for an enterprise value of EUR 380 million. In July, Cargotec announced that the Navis sale had been completed. As of 1 July 2021, Navis results have no longer been consolidated into Cargotec financials. The transaction had an approximately EUR 230 million positive impact on Cargotec's operating profit. The Navis business transaction was completed on 1 October 2021.

On 1 October 2020, Cargotec Corporation and Konecranes Plc announced their combination agreement and a merger plan to combine the two companies through a merger. Extraordinary general meetings of Cargotec and Konecranes held on 18 December 2020 approved the merger. Various competition authorities in the EU, UK, and US, among others, are currently reviewing the proposed transaction.

In August, Cargotec Corporation and Konecranes Plc announced that the companies have received unconditional approval from the State Administration for Market Regulation, the competition authority in China, for their planned merger. Also in August, Cargotec and Konecranes announced that the Boards of Directors of Cargotec and Konecranes have agreed to select Cargotec's present CEO Mika Vehviläinen as the President and CEO of the Future Company, and that the Board of Directors of Cargotec has made the appointment accordingly. The appointment of Mika Vehviläinen will become effective upon completion of the transaction.

In November, Cargotec and Konecranes announced the planned high-level operating model and leadership team for the future company. The future company aims to be a customer-centric organisation of top global talent with a customer-centric high-level operating model. After the completion of the merger, the future company is planned to consist of four businesses, namely industrial business, maritime business, ports business, and roads business. In addition, the future company would have group operations, namely finance, HR, technology, integration, strategy and M&A, legal and compliance, and public affairs and communications.

In December, Cargotec and Konecranes submitted a remedy package to the European Commission, comprising a commitment to divest Konecranes' Lift Truck business and Cargotec's Kalmar Automation Solutions. Companies stated that the proposed divestitures would eliminate overlaps between the parties' container handling equipment businesses but allow the future company to combine others and continue to be a strong player in all aspects in container handling equipment. Should clearance be obtained based on the offered remedy package, the merger would proceed comprising of Konecranes' Industrial Equipment and Service businesses as currently operated, Cargotec's MacGregor and Hiab businesses as currently operated as well as the operations of Konecranes' Port Solutions and Cargotec's Kalmar businesses other than the areas subject to the offered remedies.

Cargotec and Konecranes are awaiting the authorities' decisions and continue to work towards the merger being completed by the end of H1 2022. Until all merger closing conditions are met and the deal is completed, both companies continue to operate fully separately and independently.

Cargotec and Konecranes update the total cost estimate in connection with the merger to be approximately EUR 125 million. The cost consists mostly of expenses related to financial reporting, legal matters and advisory services (excluding the estimated transaction costs of the refinancing and integration planning). A considerable part of the total costs and the cost estimate increase are related to the processes for applying for the necessary merger control approvals for the merger. The cost estimate will be refined as the competition authority processes progress. More information about the merger is available from the web address www.sustainablematerialflow.com.

More information regarding acquisitions and divestments is available in Note 7.1, Acquisitions and disposals.

Operational restructuring

Restructuring costs amounted to EUR 33 (131) million in the year 2021. For the year 2022, the restructuring costs of ongoing restructuring programmes are estimated to be approximately EUR 15 million. The estimate does not include costs related to the merger between Cargotec and Konecranes and the restructuring cost estimate may be subject to change.

More information on operational restructurings is available in Note 2.4 to the consolidated financial statements, Restructuring costs and other items affecting comparability.

Personnel

Cargotec employed 11,174 (31 Dec 2020: 11,552) people at the end of 2021. The average number of employees in 2021 was 11,232 (1–12/2020: 12,066).

Salaries and remunerations to employees totalled EUR 611 (617) million in 2021.

Cargotec's annual Compass Employee Engagement survey provides valuable information on work-related feelings and thoughts of our employees. The completion rate of the Compass 2021 survey was 76 (79) percent. With the exception of one new open-ended question, the questions in the 2021 Compass were identical to those of 2020.

The overall favourability of all answers was 75 (73) percent. With an 82 percent favourability on the team climate and performance category, team work clearly remains to be our stronghold. The result shows that the vast majority of Cargotec employees are satisfied with the working environment of the team closest to them.

According to the results, topics such as work-life balance, stress, and the direction of the company require more attention. As per Cargotec's personnel procedures, managers organise feedback sessions and plan actions with their teams, focusing especially on items where improvement is needed.

Strategy and vision

With its business areas Kalmar, Hiab and MacGregor, Cargotec's vision is to become the global leader in sustainable cargo flow. The breakthrough objectives are sustainability and profitable growth. In concrete terms, Cargotec aims to reduce the CO_2 emissions of its value chain by 1 million tons by 2024.

Disclosure on non-financial issues

Cargotec discloses its key non-financial information in this section to respond to the obligations laid in the accounting act amendment (1376/2016), based on the EU Directive on non-financial reporting. More information about the non-financial and sustainability matters is provided in the Annual Report and in a separate GRI Index. This disclosure is based on the materiality principle covering environmental, social and employee matters, respect for human rights, and ethics and compliance matters, and provides an understanding of the performance, development, position and impacts of Cargotec's activities in the value chain. When preparing this disclosure, several reporting frameworks and guidelines have been consulted, including the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), CDSB Framework for reporting environmental and climate change information, and Sustainability Accounting Standards Board (SASB).

Business model

Cargotec is one of the leading providers of cargo and load handling solutions, and its three business areas Kalmar, Hiab and MacGregor are recognised leaders in their fields around the world. Cargotec's vision is to become a global leader in sustainable cargo flow. Providing solutions and services that make global trade smarter, better and more sustainable is at the heart of the company.

Cargotec supports its customers to efficiently and sustainably perform their business by combining equipment, service, and software into sustainable offerings. Cargotec's global network is positioned close to customers, offering extensive services to ensure continuous, reliable and sustainable performance in accordance with customer's needs. Cargotec has operations in about 100 countries, consisting of 17 assembly sites, 122 non-assembly and 7 competence centres. Kalmar offers container handling equipment, automated terminal solutions, software and support services in ports, terminals, distribution centres and various industries. Hiab provides on-road load handling solutions for customers operating, for example, in land transport and a variety of industries. MacGregor provides maritime and offshore cargo and load handling solutions, services and equipment.

Cargotec´s business model is based on an asset-light and assembly-only production footprint and supply chain expertise. As a knowledge and engineering company, the employees are an integral part of the company's competitiveness. The outputs of the businesses are the products, solutions and services that make global trade smarter, better and more sustainable. Cargotec's greatest positive contribution is through the development of societal infrastructure, since cargo handling operations are essential to keep modern society running.

Governance and management of non-financial matters

Cargotec is committed to the principles of the UN Global Compact, OECD´s guidelines for multinational enterprises, the UN Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work. These commitments are reflected in the Cargotec Code of Conduct that describes the general requirements, guidelines, ethical principles and defines the way of working. The practical implementation of the Code of Conduct is ensured through topic area-specific policies, processes and training.

Cargotec's Board of Directors has the overall responsibility for the non-financial matters. Since sustainability is an integral part of Cargotec's business strategy, the Board reviews the non-financial related issues twice a year as a separate topic and as part of strategy review. The Board confirms Cargotec's strategy and monitors its implementation. This means that the Board is also responsible for confirming Cargotec's management approach to the non-financial matters, approving the targets and monitoring progress towards these targets. The Board is also responsible for setting the ambition level on non-financial initiatives and cascading the responsibilities to the CEO and Cargotec Leadership Team.

Cargotec Leadership Team and the business area management teams review the non-financial matters according to predefined reporting schedules set for each specific non-financial theme. The central corporate functions supporting the target setting and implementation of the targets of non-financial issues are sustainability (including environment and safety management), HR, ethics and compliance, legal, sourcing, as well as R&D and strategy. Cargotec's Leadership Team conducts bi-annual sustainability reviews and approves corporate level sustainability targets. The annual objectives and targets are approved by Cargotec's Leadership Team while the key long-term sustainability targets are approved by Cargotec's Board of Directors. The CEO, together with Cargotec's Leadership Team, are responsible for the implementation of the targets and business plans set by the Board. More details on the management principles of non-financial matters can be found in the Corporate Governance Statement 2021 and in Cargotec's Annual Report 2021.

Cargotec's Sustainability Board consists of the Senior Vice President Communications, Vice President Sustainability and the Business Area Presidents. The Sustainability Board acts as a steering group for sustainability initiatives and holds the responsibility for sustainability target realisation. The Sustainability Board reviews the Sustainability Innovation teams' activities, aligns and agrees on resourcing and actions taken regarding the development, implementation and follow-up of sustainability targets and policies. The Sustainability Innovation Team is the operative level - managing, coordinating and executing Cargotec's sustainability objectives and targets and ensures they are in line with Cargotec's international commitments. The Sustainability Innovation Team consists of sustainability expertise roles, as well as representatives from business areas and corporate functions. The responsibility for the implementation of the key sustainability principles and practises lies with the business areas, while the corporate functions provide expert assistance and strategic guidance. The Sustainability Innovation Team is driving cross-group collaboration, initiative benefit management and risk recognition. The Sustainability Innovation team reports to the Sustainability Board.

Environment

Climate change is considered as a material topic from a financial, environmental and social materiality perspective. Climate change mitigation and a transition to a low-carbon economy are seen as major business opportunities within the company. Cargotec operates in the cargo and load handling sector, which has a significant carbon footprint, as many equipment used in the industry are still powered with fossil fuels today. Reducing the carbon footprint of the sector is a significant business opportunity for the company.

In addition, the use of natural resources is identified as a topic of high importance. Cargotec´s products are mainly made of materials from finite resources, although the materials are highly recyclable.

The transition to a circular, low-carbon economy is anticipated to lead to rethinking the material flows and options. When compared to the impacts of the complete value chain, the impact from the energy used in Cargotec´s own operations is fairly limited. Due to the nature of the company's operations, water and waste are considered as non-material aspects. Water is not used in manufacturing processes and the waste generation is relatively low. Moreover, steel is the most common material used in the products and it is recycled to a high extent. Due to their potential significance, the main focus is on climate-related topics throughout the value chain.

During the year, Cargotec applied for membership in the Responsible Minerals Initiative (RMI), a cross-industry initiative with a goal to evolve business practises to support responsible mineral sourcing globally. The membership was approved and will take effect starting from 2022. Although Cargotec does not directly source minerals from mines or smelters/refiners, the company is able to play a role in addressing conflicts, human rights abuses, as well as environmental issues related to mining of minerals only through a strong multi-stakeholder partnership. Cargotec's strategy focuses on electrifying the industry, meaning an increase in the usage of batteries. Responsible mineral sourcing is therefore also seen as a material topic.

Governance

As laid out in Cargotec's sustainability policy, environmental objectives aim to mitigate adverse impacts on the environment and to promote resource and energy efficiency throughout the value chain. Cargotec has acknowledged the need to operate within planetary boundaries, and strives to contribute in tackling global challenges, such as resource depletion, biodiversity loss and pollution.

Cargotec has joined the Science Based Targets initiative as well as the UN Business Ambition for 1.5°C campaign and committed to reduce greenhouse gas emissions in line with the 1.5°C warming scenario, which is the most ambitious goal of the Paris Agreement. During the year 2021, the Board discussed climate matters relating to the driving initiatives of the climate programme and EU regulatory initiatives on Sustainable Corporate Governance and Non-Financial Reporting. The Board has stated that climate-related risks and opportunities, as well as targets and action plans, should be embedded into the businesses' strategies.

Cargotec's strategy was refined during 2021 and focuses on sustainability and profitable growth as the main breakthrough objectives. Business plans, related performance objectives, annual budgets and major capital expenditures such as acquisitions and divestitures are based on the strategy. While the Board has oversight of the strategy execution, risk management, business plans, related performance objectives and major capital expenditures, the CEO together with Cargotec's Leadership Team are responsible for the implementation of the targets and business plans. Cargotec Leadership Team approves corporate level sustainability targets, monitors climate initiatives progress and cascades targets further into the organisation. Cargotec's Senior Vice President Strategy is responsible for the climate strategy and reports to the CEO. As strategy covers the climate-related risks and opportunities, the CEO is responsible for assessing and managing climate-related risks and opportunities.

Strategy

Cargotec's refined strategy is focusing on sustainability and profitable growth as the main breakthrough objectives. Cargotec is raising climate change mitigation and sustainability to the forefront of the agenda while securing profitable growth – proving to the industry, competitors and customers that these topics go hand-in-hand. Cargotec's vision is to be a global leader in sustainable cargo flow, which is well aligned with the climate ambition that comprises absolute emission reduction targets for both own operations and the value chain. To ensure strategic relevance, Cargotec has used scenario analysis to outline the most pressing climate-related risks and opportunities. Cargotec considers time horizons of less than one year as short-term, 1–3 years as medium-term and 3–30 years as long-term. The financial planning period is three years, while the underlying megatrends are assessed with a long-term time horizon.

Technology and market risks and opportunities are deemed as the most material. Transforming the industry and mitigating climate change by providing low-carbon solutions for customers is a great opportunity for Cargotec. The demand for low-carbon products and solutions is expected to increase, resulting in increased eco-portfolio sales. With further investments in R&D and innovation, Cargotec is seizing the opportunity to develop new products and access new and emerging markets, besides exploiting the increasing demand.

The identified climate-related opportunities relate to digitalisation, electrification, robotics, renewables and circular economy and have all been considered in our strategy and financial planning already in previous years. For example, Cargotec's eco portfolio was established already in 2017, to gather together the products and services that enhance customers' sustainability, and to disclose the share of the eco portfolio sales of the total sales. Besides electrification, automation and connectivity are considered promising measures to improve the efficiency of customers' operations. Cargotec has invested in software and digital businesses, as digitalisation is seen to make cargo handling more efficient, and as there will be an increasing demand for efficient solutions in the future. Digitalisation will also be a major enabler for a wider societal change towards a more circular economy. Data sharing, common platforms and collaboration act as key drivers in achieving these targets and connecting industries.

When it comes to evolving markets, increasing offshore wind installations are seen as a business opportunity. The EU's target is to increase the share of renewable energy to 40 percent of final consumption by 2030. Offshore wind is a small but rapidly growing energy source and MacGregor's offshore division already provides many solutions to support the growing market, including mooring of floating wind turbines, 3D compensated cranes for installations, and equipment for offshore wind service vessels. Growth is expected in this area as the overall share of wind power increases.

On the other hand, even though sustainable technologies are evolving and maturing rapidly, there are a lot of uncertainties around the topic. Failing to invest in the right technology is seen as a potential risk which can result in increased indirect costs if the R&D investments would not be realised. Also high demand for certain materials can lead to increased direct cost. Steel prices are expected to increase due to a more aggressive CO_2 taxation or more expensive production of low emission alternatives. As a result of the electrification trend, demand for lithium batteries is also expected to increase. Limited availability and a potential rise in steel and lithium battery prices pose a market risk as price increases can impact direct costs. In case of more expensive low-carbon products, the customers' demand and willingness to pay may become more uncertain. Producing high-class low-carbon technologies cost efficiently can be challenging; however, with its R&D and supply chain expertise, Cargotec aims to ensure solutions that can meet the customer needs also in this respect.

In terms of the physical consequences of climate change, the intensity and frequency of extreme weather events is expected to increase. Cargotec is well positioned to develop intelligent solutions to improve climate resilience of customers' operations, which is seen as a great business opportunity. Automation, robotisation, digitalisation and remote services remove the need to be physically present. For instance, by automating port operations Cargotec can support the elimination of safety risks and ensure business continuity under social distancing.

On the other hand, business interruption is recognised as a potential risk, as the business model is based on a multi-tier supply chain which is more vulnerable in case of an extreme weather event. A major weather event in one region may impact suppliers, causing delays that trickle down, and compromising timely deliveries to clients. This could impact the company's production capacity and revenues, making business continuity plans essential when mitigating such risks.

In a range of possible future states, companies are encouraged to use scenario analysis to help ensure that their strategies are resilient to climate change. Cargotec's climate-related scenario analysis work was initiated in 2019 and the first round of the scenario work resulted in high-level considerations that supported the strategy. The work was finalised during 2021 in collaboration with an external party. In order to analyse how climate change may impact Cargotec's operations and the value chain, a scenario analysis presenting two possible pathways was conducted. In the 1.5ºC pathway, the world achieves the objectives of the Paris Agreement and manages to limit global warming to 1.5ºC degrees. The scenario follows the carbon emission pathway RCP 2.6 of the IPCC 5th Assessment report (SSP1-2.6 of the IPCC 6th Assessment Report) and the Sustainable Development Scenario, complementing Net Zero Emissions by 2050 analysis as described in the IEA World Energy Outlook 2020. In the 4.0ºC pathway, the world continues business as usual, leading to a global warming of 4 degrees. The scenario is based on the IPCC RCP 8.5 carbon emissions pathway.

The pathways were selected in order to understand future financial impacts in both favourable and unfavourable scenarios. The work covers Cargotec's short, medium and long-term time horizons. Cargotec's long-term time horizon considers the timeframe up to 2030, which is relevant as Cargotec is committed to reducing its absolute scope 1, 2 and 3 GHG emissions 50 percent by 2030 from the 2019 base year. The scenarios cover the aspects of policy and legal, technology, and society. Some certainties in all scenarios are identified, such as digitalisation, electrification, renewable energy and circular economy, and those are integrated in Cargotec's strategy. This builds trust in the resilience of Cargotec's strategy, regardless of the warming pathway in the upcoming years.

The scenarios, including associated risks and opportunities, have been discussed in Cargotec's Leadership Team (CLT) meeting. The results of the scenario analysis have directly influenced the strategy, with the commitment to be a 1.5°C company being visible evidence.

Risk management

Cargotec has two processes for identifying and assessing climate-related risks and opportunities. First, the general corporate risk management process (e.g. Enterprise Risk Management, Business Continuity Planning) and second, a dedicated specialised climate-related risk management process. Due to the long time horizon of climate-related impacts and broadness of risk assessments in corporate processes, Cargotec does not consider the corporate process to be fully sufficient to capture all material climate risks.

In the corporate risk management process, climate-related risks are assessed using the general approach of the Enterprise Risk Management (ERM). The ERM process includes both the assessment and management of various broad-based business risks (e.g. market, competitor, financial etc). Risks are identified and discussed at business area and corporate levels. At corporate level, risks informed by business areas are consolidated together with relevant corporate-wide risks.

Cargotec also conducts Business Continuity Planning where, together with the insurer, a set of approximately 5 facilities (mainly assembly sites) are evaluated on an annual basis, based on prioritisation and risk level. Assessments include matters such as supply chain risk, property damage, and natural hazards. Business areas also have integrated management systems in place, including quality, health & safety, and environmental management systems. All of those include risk assessments on an asset level, including potential short-term impacts of climate change at the location.

To complement the general corporate risk management process, corporate sustainability and strategy teams have created a specific climate-related risk management process. This process addresses climate-related opportunities besides the risks, and also makes a dedicated space for the climate-related matters separate from other business risks and opportunities. While the ERM process focuses on direct operations, this specific climate-related risk management process considers the full value chain.

The preliminary, high-level climate-related risks and opportunities identification, assessment and response has been conducted by the corporate teams. Thereafter, the business areas are responsible for validating the outcome and also taking the process to a more detailed level as seen necessary. This specific climate-related risk management process is conducted as a part of the strategy process to ensure that a long-term time horizon is properly considered and sufficient actions are taken in that respect.

Several risk types are considered in the climate-related risk management process. Current regulations, affecting both own and customers' operations, are always considered. Energy and emissions related regulation can influence raw material availability and prices, and are therefore considered in the risk assessment. As an example, products must comply with noise and other pollution-related regulations that affect customers' operations. Emerging regulation is seen as a business driver. The transition to a low-carbon economy will come with new regulations that can have significant business impact, such as zero emission vehicles and shipping-related regulation.

Technology-related risks are also seen as central since Cargotec's low-carbon solutions are developed based on new and emerging technology. Electrification, automation and digitalisation play a key role in Cargotec's strategy, and they are all very dependent on technological improvements and seen as the main measure to improve efficiency and reduce emissions. Market-related risks are always considered as the demand of products and services is dependent on the surrounding conditions. For example, depending on the political conditions defining the market situation, the driver of a customer decision can be costs or emissions. This can impact the overall demand for eco-efficient low-carbon solutions. A high demand for low emission products might also impact the availability and price of certain materials and components which are crucial in the making of new low emission technologies. Reputation is seen to become increasingly important as customers and consumers have higher expectations towards the sustainability of the cargo handling industry. Reputation is also considered important in terms of attracting talent.

Acute and chronic physical risks are also deemed relevant. Extreme weather events are especially relevant for such suppliers that are located in high risk areas. Of the chronic risks, sea level rise and increasing temperatures set new requirements for products as they may cause the operating conditions to become more challenging. Extreme working conditions also increase risks related to health and safety.

During acquisition and divestment cases, Cargotec conducts an environmental due diligence process to ensure that potential environmental risks are accounted for.

Metrics and targets

Following Cargotec's commitment to 1.5°C climate ambition, greenhouse gas emission reduction targets are set in line with the latest climate science. The target, validated by the Science Based Targets initiative, is to reduce the greenhouse gas emissions in all three emission scopes by at least 50 percent by 2030 from a 2019 base year. Setting an absolute emission reduction target for the company's complete value chain means a need to engage with suppliers and customers in order to reduce the emissions from their operations. In line with Cargotec's refined strategy, the climate target for 2021–2024 is to reduce the CO2 emissions by 1 million tonnes by 2024 from a 2019 baseline. To achieve this target, systematic transformation and focus on implementable, scalable and replicable business solutions around eco-offerings, responsible sourcing, automatisation, robotics and data utilisation are needed.

In Cargotec's own operation, carbon neutrality is expected to be achieved by 2030. The majority of the company's own emissions relate to the usage of electricity, and the company is committed to increase the share of renewable electricity to 55 percent by the end of 2022 and to 100 percent by 2030. Another big contributor is the fuel usage of the service fleet. In order to achieve carbon neutrality, the plan is to increase remote services and transition to using biofuels or electric vehicles.

Cargotec's biggest climate impact and, respectively, mitigation potential, lies in its value chain – the emissions related to the use of sold products and purchased goods constitute more than 90 percent of the total emissions. Due to the long product lifetimes and the use of diesel engines, the emissions from the use of sold products are high. On the upstream side of the value chain, the manufacture of the steel structures for the equipment is the biggest single contributor. Due to the light assembly-only operations, the impact of Cargotec's own operations is relatively minor.

To drive Cargotec's emission reduction in practice, Cargotec's climate programme was founded in May 2021. Since then, Cargotec's business areas have been embedding the climate ambition in their business strategies. The climate programme focuses on decarbonising the supply chain and own operations, and boosting the creation of customer-centric sustainable offerings. To enable this, work streams focusing on climate data & systems, funding & partnerships and sustainable product design through life-cycle assessment have been established.

Many of the identified climate-related risks and opportunities are related to Cargotec's products and services, which contribute to climate change mitigation. Moreover, the EU Taxonomy Regulation considers manufacturing as a key sector in enabling emission reductions in other sectors of the economy. Cargotec has great potential in helping its customers to become low-carbon in their operations by providing low carbon technologies that are aimed at substantial GHG emissions reductions.

Cargotec's eco portfolio, established already in 2017, consists of products and services that enhance customers' sustainability with tangible environmental benefits. Sales of the offering amounted to 19 percent of total sales in 2021 (2020: 24%). Cargotec's target is to update the eco portfolio so that it is aligned with the EU Taxonomy regulation. The EU Taxonomy regulation establishes a classification system to define which economic activities are environmentally sustainable.

Cargotec can contribute to at least two of the environmental objectives of the EU Taxonomy: the climate change mitigation and the transition to a circular economy. To support the EU Taxonomy alignment, the eco portfolio is primarily being revised into two categories - climate solutions and circular solutions. The climate solutions contribute

Table 1: Environmental performance

	2021	2020	2019
Scope 1 emissions (tCO_2e)	21,300	21,300	22,000
Scope 2 emissions, market-based (tCO_2e)	20,200	21,000	28,200
Scope 3 emissions (tCO_2e)*	6,139,000	5,584,000	6,262,000
Total emissions (tCO_2e)	6,180,500	5,626,300	6,312,200
Emissions intensity, relative to sales (tCO_2e/MEUR)	1,865	1,726	1,713
Share of eco portfolio sales of total sales (%)	19	24	21
R&D expenditure (MEUR)	101	105	102
Total energy use in own operations (MWh)	158,300	149,700	164,900
Share of renewable energy of total energy use (%)	19	17	12

* See the GRI index for comprehensive emissions data

to significant emission reductions, aligned with the 1.5C climate ambition, whereas the circular solutions are considered contributing to the transition to a circular economy.

During 2021, Cargotec's EU Taxonomy alignment work was initialised by revising the eco portfolio criteria for the climate solution category. The target for 2022 is to enable taxonomy-aligned reporting by finalising the development of the eco portfolio criteria for the climate solution category, developing the eco portfolio criteria for the circular solutions category, and by conducting product life-cycle assessments to prove their life-cycle GHG emissions savings against the revised criteria. Cargotec's eco portfolio sales figure 2021, is still reported according to the old criteria.

Cargotec's offering consists of equipment, service and software that are all considered enabling activities under the climate change mitigation objective, and hence they are all Taxonomy-eligible. The initial, high-level eligibility assessment is done based on the NACE codes. The NACE codes respective to economic activities of Cargotec are: C28 Manufacture of machinery and equipment n.e.c., C33 Repair and installation of machinery and equipment, J62 Computer programming, consultancy and related activities, and M70 Activities of head offices. These activities are associated with the following activities in the EU Taxonomy: 3.3 Manufacture of low carbon technologies for transport, 3.6 Manufacture of other low carbon technologies, 6.12 Retrofitting of sea and coastal freight and passenger water transport, and 8.2. Data-driven solutions for GHG emissions reductions. Cargotec reports the Taxonomy-eligibility on a best effort basis and keeps following the EU taxonomy development. More detailed eligibility assessment will be conducted during the alignment assessment phase.

The proportion of Taxonomy-eligible and Taxonomy non-eligible economic activities in the total turnover, capital and operational expenditure are presented in tables 2.1, 2.2 and 2.3 below. Turnover consists of revenues recognised from sale of products and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues, pursuant to IFRS. Operating expenditures consist of direct non-capitalised costs that relate to research and development excluding depreciations and amortisations, building renovation measures, short-term leases, maintenance and repair, and fixed costs directly related to servicing of assets of property, plant and equipment, including for example energy costs. Capital expenditures consist of additions to tangible and intangible assets, including IFRS 16 right-of-use assets, and additions resulting from business combinations, before depreciation, amortisation and any re-measurements and fair value change.

Table 2.1: Proportion of turnover from products or services associated with Taxonomy-eligible economic activities – disclosure covering year 2021

Economic activities	Codes	Absolute turnover MEUR	Proportion of turnover
A. TAXONOMY-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-eligible activities (A.1 + A.2)	3.3 3.6 6.12 8.2	3,315	100 %
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
Turnover of Taxonomy-non-eligible activities (B)		0	0 %

Table 2.2: Proportion of Capital Expenditure from products or services associated with Taxonomy-eligible economic activities - disclosure covering year 2021

Economic activities	Codes	Absolute CapEx MEUR	Proportion of CapEx
A. TAXONOMY-ELIGIBLE ACTIVITIES			
CapEx of Taxonomy-eligible activities (A.1 + A.2)	3.3 3.6 6.12 8.2	90	100 %
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
CapEx of Taxonomy-non-eligible activities (B)		0	0 %

Table 2.3: Proportion of Operating Expenditures from products or services associated with Taxonomy-eligible economic activities - disclosure covering year 2021

Economic activities	Codes	Absolute OpEx MEUR	Proportion of OpEx
A. TAXONOMY-ELIGIBLE ACTIVITIES			
OpEx of Taxonomy-eligible activities (A.1 + A.2)	3.3 3.6 6.12 8.2	148	100 %
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES			
OpEx of Taxonomy-non-eligible activities (B)		0	0 %

Social and employee matters

At Cargotec, safety, wellbeing, working conditions and human rights are seen as the most material topics in terms of social and employee matters. Safety covers employee, supplier and subcontractor safety, as well as safety related to the usage of the products and services.

Governance

Cargotec is committed to full compliance with all of the applicable national and international laws and regulations. Cargotec values transparency, supports business integrity and recognises that economic, environmental and social performance together form the basis for endorsing sustainability in its business operations. The main international codes Cargotec supports are: United Nations (UN) Universal Declaration of Human Rights, UN Global Compact, International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and OECD's Guidelines for Multinational Enterprises.

Cargotec's Employment policy, complementing the Code of Conduct, defines the basic employment principles and workplace practices. Complying with the Code of Conduct is expected of all Cargotec employees as it describes the mission, goals and development process specific to human resources. The Employment policy applies to all Cargotec employees worldwide and its enforcement is subject to mandatory local legislation. As a global policy, it applies to all locations and conditions where Cargotec business is conducted.

Cargotec's Sustainability policy sets our social objectives. Cargotec respects human rights and values employee engagement, diversity, inclusion and equal opportunities. The company promotes high safety levels and continuously works towards zero accident level in its operations and also through its products, services and solutions. All employees are trained to operate in a safe manner. Interaction between management and staff is promoted by collaborating with personnel at Group and on a country level.

Environment and Health & Safety (EHS) management is a fundamental element of sustainable operations, ensuring the commitment to minimise the risk of injury and ill health at the workplace. It also ensures protection, so far as is reasonably practicable, for persons not employed by the company who may be affected by its activities. EHS management is a set of practices through which Cargotec develops and implements its EHS work and manages aspects and risks in that area. As stipulated in Cargotec's Code of Conduct, the company encourages its employees to report dangerous conditions and safety incidents, and to take appropriate actions to remedy and learn from those situations. Cargotec promotes awareness of safe and healthy behaviours and best practices. Cargotec prioritises safety even when there are timing, cost or customer pressures.

Cargotec supports social dialogue within the company. Cargotec respects the freedom of association of its personnel. All employees have the right to be a member of a trade union of their choice and to bargain collectively. Cargotec ensures that employee representatives are not the subject of discrimination and that they have access to their members at the workplace.

At Cargotec, cooperation with personnel is organised at Group and on a country level. Cooperation is based on the requirements of the mandatory local legislation and includes the Cargotec Personnel Meeting (CPM) in Europe. The purpose is to promote interaction between management and staff and to furthermore enhance relations between the personnel of the different businesses.

Moreover, diversity is recognised as an important factor. Diversity is a driver for creativity, innovation and growth, as it acts as an incentive for individuals to fully reveal their knowledge, competences and skills. By promoting diversity, Cargotec strives to create a better social climate and overall environment of acceptance and tolerance. Diversity enhances productivity, innovation and flexibility. The company is committed to equal opportunity in its employment policies, procedures and practices. Furthermore, commitments are made to ensure a nondiscriminatory work environment that values diversity regardless of gender, race, religion, nationality, age or physical ability or any other aspect of diversity. Harassment in all its forms – be it face-to-face, written, electronic or verbal – is not tolerated. In addition, the freedom of association of our personnel is respected. Cargotec does not act partially, nor does it speak out or commit to political parties and religious groups.

Strategy

Occupational health and safety risks are identified as material risks for the employees, while as a knowledge and engineering company, the human capital related risks are also deemed material to Cargotec.

Cargotec is dedicated to safeguarding the health and safety of personnel at work. Personnel have a responsibility to protect themselves, their colleagues, the work site, community and environment by reporting unacceptable health or safety conditions, taking preventive measures and minimising potential damages. As a technology leader, Cargotec develops innovative systems and related services that meet the individual needs of its customers. By focusing on product development and quality assurance methods, the company strives to minimise health and safety risks related to the use of its products and services.

Cargotec believes its people are the key in creating customer-value through innovation, experimentation, life-long learning and development, adapting new skills and competences in a complex and ever-changing world. In combination with the continuously evolving environment, the company's vision suggests that skills of today may not be relevant tomorrow.

In broad terms, the purpose of people development at Cargotec is to ensure that the company has the necessary capabilities, skills, competences, knowledge and attitudes to achieve its organisational goals and, for people, to personally develop as individuals. Hence, it is imperative that employees continuously evolve and keep developing themselves. For these purposes Cargotec has a Learning Experience Platform (LEARN) where employees can all develop and expand their knowledge on a multitude of topics through comprehensive learning materials.

Moreover, in order to reach the targets and fulfil the strategy, it is crucial to identify, review and develop both leader and successor pools. Cargotec's Talent Review process focuses on evaluating and developing its present leaders, ensuring succession of leaders, planning for successors' development, and identifying future leaders and planning for their development.

Cargotec's total reward strategy is based on a pay for performance. Regardless of the country, business or job, attracting, retaining and motivating talent by linking total rewards to business and individual performance is encouraged. The total reward strategy is characterised by five key principles:

1. Align total compensation funding with strategic and business plans
2. Reinforce a high-performing culture
3. Promote pay for performance differentiation
4. Balance shareholder and employee needs
5. Enhance ability to attract, retain, and motivate a diverse group of talented individuals.

In addition to adequate and fair remuneration, sufficient development opportunities, and an efficient talent review process, a smoothly working onboarding process can also be seen to have a positive impact on productivity, employee wellbeing, and employee retention. The success of an employee onboarding depends on the efficiency of the onboarding programme. The quicker employees are empowered to do their jobs, the faster they are likely to become valuable, contributing members of the organisation. Therefore, the onboarding process and practices are continuously developed in order to offer new (and returning) employees a good employee experience and a positive impression of the company.

In the exceptional times of the COVID-19 pandemic, the first and foremost priority has been the health and safety of our own employees, customers and partners. COVID-19 has brought many challenges and changed the way of working, which has required resilience and modification of existing policies and practices. For example, due to the COVID-19 people have been working remotely, which has required modifications in the global and local remote work policies. Also travel bans and restrictions concerning external visits have impacted everyday life and the way of working. Furthermore, the pandemic has impacted the health and safety practices across the whole organisation and has also put focus on the mental wellbeing of employees.

Risk management

Cargotec's risk management activities are broken into different segments, with responsibilities distributed to the appropriate corporate functions. The responsibility of personal safety of employees lies within human resources. To secure a safe working environment for all employees, occupational health and safety issues are continuously being developed. Health and safety programmes include, for example, various types of trainings, health and safety practice development and audits, as well as target follow-ups. Cargotec's assembly sites have implemented safety management systems, wherein safety risks, safety compliance and related mitigation actions are defined.

Metics and targets

Safety performance is monitored primarily with the industrial injury frequency trend (IIFR, number of injuries per million hours worked). The target for 2021 was to have an IIFR rate of 5 across the whole organisation, including the non-assembly units. This target was unfortunately not achieved. In 2021, the IIFR for Cargotec total was 6.0 (2020: 5.2). The IIFR weakened on the assembly sites and was 7.3 (3.4). The decline was caused by disturbances in the production processes, caused by component shortages. On the other hand, the IIFR figure improved to 5.3 (6.2) in service organisations and at the non-assembly sites. The IIFR target for next year remains 5 across all operations. Currently the safety figures cover Cargotec's own employees and external contractors, excluding subcontractors due to missing working hours information. The long-term plan is to also broaden the scope to include subcontractor and supplier safety into the figures.

Through the employee engagement survey, Compass, all employees are encouraged to share their thoughts on a wide range of topics, ranging from work-life balance, wellbeing, and social responsibility, to leadership and team climate. By learning what employees share about their business area, organisation, leaders and colleagues, appropriate actions can be taken to create a better working environment for everyone. This year's survey completion rate was 76 percent, which showed a decline of nearly four percent compared to 2020. The survey consisted of a total of 42 scaled questions and two open-ended ones. The category with the highest score was Team Climate with the favourability of 82 percent. The overall favourability for sustainability-related questions was 81 percent. In addition to the Compass survey, a monthly People Pulse survey was also launched during the year to monitor the wellbeing of the employees and their coping with the difficult conditions. The surveys give the employees a chance to anonymously share how they are feeling and how well they are coping with the current circumstances.

Moreover, people analytics are continuously developed to better support different processes and to achieve desired outcomes and targets. Pivotal HR dashboards and metrics are provided for HR Business Partners to support them in their decision making and planning.

Table 3: Industrial injury frequency rate and Compass results

	2021	2020	2019
Industrial injury frequency rate, (IIFR, all operations)	6.0	5.2	6.9
Completion results			
Completion rate (%)	76	79	78
Engagement index (%)	77	77	67
Sustainability index (%)	81	79	80
Leadership index (%)	76	74	73
Team climate index (%)	82	81	77

Human rights

Due to the global presence and nature of Cargotec's business, it is obvious that Cargotec has significant impacts on individuals and communities globally.

Governance

Cargotec is committed to respect and assess negative impacts and address risks related to human rights in its own operation and in its sphere of interests. The human rights work is based on the UN Guiding Principles of Human Rights and Business and is guided by Cargotec's Code of Conduct and its associated policies and guidelines. The Code of Conduct lists the main international codes the company supports: UN Universal Declaration of Human Rights, UN Global Compact, International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and OECD's Guidelines for Multinational Enterprises. All partners are required to adhere to similar principles.

Cargotec HR manages employment principles and workplace practices within the organisation. The principles are defined in Cargotec's Employment policy, which states that we do not engage in, or support, child labour nor forced or compulsory labour. The Supplier Code of Conduct requires all suppliers to conduct their business in compliance with international human rights and environmental laws and practices. Cargotec's Supplier Code of Conduct was refined during the year to cover, not only suppliers, but also other third parties, and will be referred to as Cargotec Business Partner Code of Conduct once implemented in 2022.
The refined code is aligned with Cargotec's own Code of Conduct, which was also renewed during 2021.

Cargotec's Ethics & Compliance team reports regularly to the Cargotec Audit & Risk Committee on the subject of compliance in all areas mentioned in the Code of Conduct, including possible risks related to human rights. As a topic, human rights is coordinated by Cargotec's sustainability team. The human rights risk assessment and implementation is carried out in cooperation with the business areas and several functions like HR, Ethics & Compliance and M&A.

Strategy

In addition to occupational health & safety, human rights is recognised as a material social sustainability topic. Due to the complexity and global reach of the supply chain, human rights related risks are considered to be the biggest in the supply chain. Cargotec´s operations are systematically managed with relevant safety and HR policies, processes and follow-up tools which, with regards to internationally recognised human rights matters, aim to mitigate the risk of non-compliance in Cargotec´s own operations. Main policies and processes to support the respect for human rights in the company's sphere of interest are the Supplier Code of Conduct and sourcing criteria as well as third party due diligence and risk management processes. The Code of Conduct e-learning is mandatory for all Cargotec employees, and a specific human rights section is included as part of the training.

According to Cargotec's human rights risks analysis and measures to mitigate those risks, most of the human rights risks occur in Cargotec´s sphere of interest, such as in the supply chain and third party operations. In addition, mergers and acquisitions are identified as potential areas for human rights risks. In 2019, the mergers and acquisition process was developed to ensure that human rights risks can be identified with better accuracy.

Risk management

Human rights risks are managed as part of Cargotec's compliance programme. The cornerstones of an effective compliance risk management are considered to be based on the prevent - detect - respond approach. The same approach is valid for the human rights compliance risks. The renewal of the Human Rights risks management process was initialised during the year, with special focus on the supply chain. The renewal process will continue during 2022. The compliance risks are assessed regularly in a systematic form and reported to the Cargotec Risk and Audit Committee. Speak-up cases are discussed as part of Ethics and Compliance.

Metrics and targets

To manage the human rights risks in the supply chain, Cargotec expects all suppliers to commit to the Supplier Code of Conduct. In addition, the supplier criteria include elements to audit the supplier's compliance regarding the management of labour practices, human rights, anticorruption and the environment. The target for 2021 was to renew the supplier sustainability risk assessment process, including the supplier approval and the existing suppliers' assessments process. The renewal process was initiated with refining the following tools: the pre-evaluation checklist, the Supplier Code of Conduct and the supplier requirements, the audit checklist and the third-party self-assessment tool. Approximately 20 percent of the questions in the supplier audit checklist are related to sustainability topics. The Supplier Code of Conduct was refined to cover, not only suppliers, but also other third parties, and is, once implemented, referred to as the Business Partner Code of Conduct (BPCoC). The supplier risk assessment renewal process will continue during 2022. The target for next year is to have all refined processes implemented as part of a wider responsible sourcing programme.

Ethics and compliance

Cargotec does business on a global scale and the industry is exposed to compliance risks relating to, for example, doing business in remote locations, bidding for large projects, and using sales intermediaries in countries where there are no Cargotec's sales offices.

The Code of Conduct sets the basis for how business is done in Cargotec – always in line with the highest ethical standards. In 2021, following an extensive cross-team collaboration, Cargotec developed its new Code of Conduct. It contains new topics related to anti-corruption, sanction regimes, and privacy which reflect the new compliance trends and legal requirements. The Code sets out five very important principles, namely: “we follow laws and company policies, “we act with respect”, “we are honest”, “we are responsible for our actions” and “we speak up”. The Code is available in 20 languages, making it more accessible than before. Ethical behaviour is the responsibility of every employee in Cargotec, and it is management's responsibility to set a clear tone from the top and implement structures to ensure that compliance risks are effectively assessed, controlled and mitigated.

The purpose of the Compliance Programme is to support Cargotec, the CEO and Board of Directors in ensuring that compliance risks are managed effectively and consistently throughout the organisation.

Governance

As of 2019, the Ethics & Compliance function in Cargotec reports directly to the CEO and the Audit and Risk Management Committee of the Cargotec Board of Directors. The Cargotec Board of Directors receives an annual update from the Chief Compliance Officer. In addition, the Audit and Risk Management Committee of the Board receives regular updates about anti-corruption activities and other Code of Conduct matters during the year. The Cargotec Leadership Team also has a Code of Conduct panel where compliance topics are communicated and discussed regularly.

The new Code of Conduct is approved by the Cargotec Board of Directors and defines the ethical standards which directors and employees need to follow. In addition, the Cargotec Anti-Corruption Policy, Gift and Hospitality Instruction, Conflict of Interest Instruction, SpeakUp and Non-Retaliation Instruction, as well as the Third Party Policy guide the compliance efforts against unethical or corrupt business practices. The practical implementation of these policies, as well as related instructions, is guided by the compliance programme, whose main principles include detection, prevention and responding to potential misconduct. The main pillars of the compliance programme are: 1) Risk Assessment; 2) Policies and Procedures; 3) Training, Communication & Consultancy; 4) Concern Reporting & Resolution; 5) Monitoring; and 6) Oversight.

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

Strategy and Risk Management

Cargotec continues to build and implement a robust risk based compliance programme in order to ensure that compliance risks are managed effectively and consistently throughout the organisation. The main focus areas in 2021 have been the development and communication of the new Code of Conduct, the further strengthening of the processes related to Third Party Risk, the review of the oversight model over Cargotec JVs, the support and implementation of the compliance programme in all business areas, as well as the continuous effective handling of compliance cases.

In 2021, Cargotec conducted compliance risk assessments in its business area operations. Examples of key risk areas are around third party engagements, conflict of interest and internal fraud. Based on the compliance risk assessments and Code of Conduct cases, the focus area for 2021 has continued to be Third Party management and has extended to Cargotec JV's and Sales & Services Units suppliers. The Third Party policy stipulates formal criteria for how to manage E&C risk relating to third parties involved in sales, supply chain, mergers and acquisitions, as well as joint ventures.

In 2021, the Ethics & Compliance team focused on training and awareness efforts around areas where compliance risk has been identified. In particular, online workshops and training sessions were held with key risk groups and stakeholders. Together with conflict of interest related topics, the focus of the sessions has been on the new Code of Conduct and on third party risk and risk mitigation activities. The E&C team has conducted mostly online training to management teams, sales teams, HR teams and project services teams at locations in Europe, APAC, and the Americas.

Based on an internal review, Cargotec detected a suspected financial fraud in connection to its MacGregor business area and made an investigation request to the Finnish authorities. In June 2019, the National Bureau of Investigation in Finland reported that it has been working on a preliminary investigation about a suspected aggravated fraud in connection to MacGregor. In 2020, the District Attorney pressed charges against two former employees of MacGregor. The case hearing took place in February–March 2021, and is now pending in the District Court. Cargotec has a zero tolerance policy for misconduct, and is fully supporting the authorities. Neither MacGregor nor Cargotec are suspected of criminal actions.

Metrics and targets

During 2021, 60 reports (2020: 65 reports) of alleged misconduct were made to the Ethics and Compliance (E&C) team. E&C decided to open an investigation in 23 cases (2020: 32). The reports and investigation cases were referred to the Code of Conduct Panel of the Cargotec Leadership Team, convening bi-monthly and chaired by the CEO. The Code of Conduct Panel decides upon case closure, remediation and disciplinary action. Six (2020: 6) cases during 2021 concerned HR issues, 11 (2020: 4) cases related to possible conflict of interest. Other cases were related to unethical business conduct such as fraud, corruption or policy violations. There were no cases related to environmental grievances, human rights nor privacy matters. During the year, in total 26 investigations were completed and improvement actions were initiated. In 2021, in 73 percent of the closed cases (in 2020: 84%) the allegations were substantiated at least partly with some cases resulting in disciplinary actions such as warnings and personnel dismissals.

The Code of Conduct cases were reported to the Board of Directors' Audit and Risk Management Committee on a quarterly basis, and the Chief Compliance Officer provided an annual update to the full Board of Directors. As part of the investigation process, the Ethics and Compliance team agrees with relevant business area management team members on remedial actions, such as improved controls, training, disciplinary actions or termination of third party relationships. The final decision on disciplinary actions is made by the Code of Conduct Panel.

To further understand the employees' views on the company's ethical practices, the Code of Conduct related questions, part of the annual Compass Employee Engagement 2021 survey were analysed. According to the results, 82 percent of respondents consider Cargotec as an ethical company (2020: 80%).

The Code of Conduct is a key step towards a more sustainable future and a benchmark for ethical behaviour within the company. Therefore, following the Code launch in September 2021, Cargotec has introduced an interactive e-learning for its employees, again in 20 languages. The e-learning consists of exercises that help employees with their day-to-day dilemmas around ethics and compliance. The target group of the e-learning course includes employees with an individual company email address and access to the company intranet. The Code of Conduct training has been completed by 84 percent of Cargotec employees (2020: 82%). In addition, onsite training workshops have been arranged for employees without an email address or access to the intranet.

Internal control and risk management

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the Company's Code of Conduct and Internal Controls Framework. With respect to the financial reporting process, these are supported by policies and guidelines, as well as with the 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 Management in businesses and functions periodically assesses compliance to a centrally determined set of key controls through a completion of Control Self Assessment during the year.

The role of Cargotec Internal Audit is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value and improving the operations of Cargotec and its businesses. It helps and supports the business organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. To ensure the independence of the Internal Audit function, the Head of Internal Audit reports functionally to the Audit and Risk Management Committee, and administratively to the CFO. Internal Audit develops a flexible risk-based audit plan which is approved by the Audit and Risk Management Committee.

Cargotec's risk management is guided by the Enterprise risk management policy, approved by the Board of Directors. It specifies the objectives and principles of risk management as well as the process and responsibilities involved. Risk management is to be naturally built into all business decisions and plans. The core principle is continuous, systematic and preventive action taken to identify risks, define the Company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively.

The Board of Directors defines the overall risk appetite of the Company and ensures that the organisation has sufficient risk management and control. The CEO and the Leadership Team are responsible for the methods, implementation and supervision of risk management. Cargotec's risk management is spread across units and corporate support functions that assign responsibility for risk management and that are in charge of identifying, managing and reporting risks. The Risk Management function is responsible for reporting any findings to the CEO and Leadership Team, and reports quarterly to the Board's Audit and Risk Management Committee on the risk reviews, identified risks and mitigation plans.

Financial risks are managed centrally by the Corporate Treasury and reported on for corporate management and the Audit and Risk Management Committee on a regular basis.

Cargotec's main strategic risks are related to development of the markets, changes in market structure as well as efficient implementation of the strategy. In addition, climate change has been identified as a key risk with related physical (e.g. extreme weather conditions) and transitional (e.g. changing legal requirements) risks. Operational risks are related to supply chain issues, legality, ethical code of conduct, contract risks, as well as information security and product liability. Employee, customer and third-party health, safety and environmental risks are carefully considered and continuously monitored as top priorities in Cargotec's risk evaluation and management processes.

Leadership Team

On 31 December 2021, Cargotec's Leadership Team consisted of Mika Vehviläinen, CEO; Mikko Puolakka, Executive Vice President, CFO; Mikko Pelkonen, Senior Vice President, Human Resources; Mikael Laine, Senior Vice President, Strategy; Soili Mäkinen, CIO; Outi Aaltonen, General Counsel; Carina Geber-Teir, Senior Vice President, Communications; Antti Kaunonen, President, Kalmar Automation Solutions; Michel van Roozendaal, President, Kalmar Mobile Solutions; Scott Phillips, President, Hiab; and Leif Byström, President, MacGregor. Michel van Roozendaal and Leif Byström were nominated to their positions on 28 October 2021. Following the appointment of Michel van Roozendaal, Stefan Lampa, a member of the Cargotec leadership team and President of Kalmar Mobile Solutions since April 2019, stepped down from his position.

Reporting segments

Kalmar

Kalmar's orders received in 2021 increased by 47 percent and totalled EUR 2,063 (1,401) million. Compared to the comparison period, orders received increased in all product categories and geographical areas. Kalmar's order book increased by 55 percent from the end of 2020, and at the end of 2021 it totalled EUR 1,302 (31 Dec 2020: 842) million. The order book increase was mainly a result of the strong mobile equipment demand as well as the impact of supply chain bottlenecks on delivery times.

Kalmar sales in 2021 decreased by 1 percent and totalled EUR 1,512 (1,529) million. Service sales increased by 7 percent and totalled EUR 468 (437) million, representing 31 (29) percent of sales. Software sales decreased by 43 percent and amounted to EUR 95 (166) million.

Kalmar's operating profit in 2021 totalled EUR 345 (62) million. Operating profit includes EUR 224 (-64) million in items affecting comparability, of which the majority is related to the gain stemming from the Navis sale. Comparable operating profit amounted to EUR 120 (126) million, representing 7.9 (8.2) percent of sales. Comparable operating profit decreased due to lower profitability caused by supply chain challenges, higher freight and component costs, increased investments in product development, as well as the sale of Navis.

Hiab

Hiab's orders received in 2021 increased by 42 percent and totalled EUR 1,713 (1,210) million. Orders received increased in all product categories and geographical areas. Hiab's order book increased by 96 percent from the end of 2020, totalling EUR 985 (31 Dec 2020: 503) million at the end of the year. The increase in the order book was mainly due to strong demand and supply chain bottlenecks, as well as the impact of extended truck delivery times on customer deliveries.

In 2021, Hiab's sales increased by 14 percent and totalled EUR 1,250 (1,094) million. Service sales increased by 10 percent and totalled EUR 351 (318) million, representing 28 (29) percent of sales.

Hiab's operating profit in 2021 totalled EUR 145 (97) million. Operating profit includes EUR -22 (-32) million in items affecting comparability. Comparable operating profit amounted to EUR 166 (129) million, representing 13.3 (11.8) percent of sales. Hiab's comparable operating profit increased due to higher sales.

MacGregor

MacGregor's orders received in 2021 increased by 28 percent and totalled EUR 652 (511) million. MacGregor's order book increased by 17 percent from the end of 2020, totalling EUR 560 (31 Dec 2020: 480) million at the end of the year. Around three quarters of the order book relates to merchant ships and about one quarter to the offshore sector.

In 2021, sales decreased by 14 percent and totalled EUR 553 (642) million. Service sales increased by 3 percent and totalled EUR 257 (250) million, representing 47 (39) percent of sales.

MacGregor's operating profit in 2021 totalled EUR -40 (-48) million. Operating profit includes EUR -25 (-55) million in items affecting comparability. Comparable operating profit amounted to EUR -15 (7) million, representing -2.7 (1.0) percent of sales. The comparable operating profit decreased due to one-time cost overruns in the new product developments in offshore wind energy vessel projects. MacGregor's merchant and service businesses improved their profitability compared to the comparison period. The EUR 13 million savings target for 2021 was achieved.

More information on items affecting comparability is available in Note 2.4 to the consolidated financial statements, Restructuring costs and other items affecting comparability.

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting was held on 23 March 2021 in Helsinki, Finland. The Annual General Meeting approved a distribution of a dividend of EUR 1.07 for each of class A shares and a dividend of EUR 1.08 for each of outstanding class B shares. The dividend was paid to shareholders who on the record date of dividend distribution, 25 March 2021, were registered as shareholders in the company's shareholder register. The payment day was 1 April 2021.

The meeting adopted the financial statements and consolidated financial statements and the remuneration report. The meeting granted discharge from liability to the CEO and the members of the Board of Directors for the financial year 1 January–31 December 2020.

The number of the Board members was confirmed at nine. The current Board members Tapio Hakakari, Ilkka Herlin, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. Jaakko Eskola and Casimir Lindholm were elected as new members of the Board of Directors, both of them independent of the company and its significant shareholders. The former Board member Peter Immonen had informed that he will not stand for re-election to the Board of Directors.

The yearly remunerations stayed unchanged: EUR 85,000 will be paid to the Chairman of the Board, EUR 60,000 to the Vice Chairman, EUR 60,000 to the Chairman of the Audit and Risk Management Committee, and EUR 45,000 to the other Board members. In addition, members are paid EUR 1,000 for attendance at board and committee meetings. 30 percent of the yearly remuneration will be paid in Cargotec's class B shares and the rest in cash and Cargotec will cover the transfer taxes related to the Board remuneration paid in shares.

The Annual General Meeting elected accounting firm Ernst & Young Oy as the company's auditor. The fees to the auditors were decided to be paid according to their invoice reviewed by the company.

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of Cargotec's shares with non-restricted equity. Altogether no more than 6,400,000 shares in the company may be purchased and/or accepted as pledge, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. This authorisation shall remain in effect for a period of 18 months from the resolution by the general meeting and it will supersede the previous one.

On 23 March 2021, Cargotec's Board of Directors elected by the Annual General Meeting elected in its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. The Board also elected the Chairmen and the members for the Audit and Risk Committee as well as the Nomination and Compensation Committee. Outi Aaltonen, Senior Vice President, General Counsel, will continue as Secretary to the Board.

Cargotec published stock exchange releases on the decisions taken at the AGM as well as the Board of Directors' organising meeting on 23 March 2021. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Organisation of the Board of Directors

On 23 March 2021, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected at its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. The Board also elected the Chairmen and the members for the Audit and Risk Management Committee as well as the Nomination and Compensation Committee. Outi Aaltonen, Senior Vice President, General Counsel, continued as Secretary to the Board.

The Board of Directors elected among its members Ilkka Herlin, Kaisa Olkkonen and Teuvo Salminen as members of the Audit and Risk Management Committee. Teuvo Salminen was re-elected as Chairman of the committee. Board members Tapio Hakakari, Ilkka Herlin, Teresa Kemppi-Vasama and Jaakko Eskola were elected to the Nomination and Compensation Committee. Ilkka Herlin was re-elected as Chairman of the committee.

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

Board of Directors' authorisations

On 18 December 2020, Cargotec Corporation's extraordinary general meeting resolved in accordance with the proposal of the board of directors to authorise the board to decide on a share issue without payment in which each shareholder in Cargotec will be issued new shares in Cargotec without payment in proportion to their holdings so that two (2) new class A shares in Cargotec would be issued for each existing class A share and two (2) new class B shares in Cargotec would be issued for each existing class B share. The share issue authorisation can be used only for the purpose of enabling the issuance of the merger consideration under the merger plan. The board is authorised to decide on other matters related to the share issue. The share issue without payment will be executed in the book-entry system and does not require any actions to be taken by the shareholders. The authorisation shall be effective until 31 December 2022 and shall not invalidate earlier share issue authorisations.

On 23 March 2021, Cargotec Corporation's Annual General Meeting authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of Cargotec's shares with non-restricted equity. Altogether no more than 6,400,000 shares in the company may be purchased and/or accepted as pledge, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. This authorisation shall remain in effect for a period of 18 months from the resolution by the general meeting and it will supersede the previous one.

Cargotec Corporation's Annual General Meeting, held on 19 March 2019 in Helsinki, authorised the Board to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act as follows: The amount of shares to be issued based on this authorisation shall not exceed 952,000 class A shares and 5,448,000 class B shares. The authorisation covers both the issuance of new shares as well as the transfer of treasury shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights, on the condition that the distribution of shares is based on weighty financial grounds. The Board of Directors was authorised to decide on all the conditions of the issuance of shares and of special rights entitling to shares. The authorisation remains in effect for a period of five years following the date of the decision of the general meeting.

Shares and trading

Share capital, own shares and share issue

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

On 23 March 2021, Cargotec's Board of Directors decided on a directed share issue related to the reward payments for share based incentive programmes. The share reward payments are related to the performance period 2019–2020 of Cargotec's share-based incentive programme launched in 2017 as well as the second matching period of matching share programme, and 2019 restricted shares programme launched in 2019.

In the share issue, 75,691 own class B shares held by the company were transferred without consideration to the key employees participating in the share-based incentive programmes in accordance with the programme-specific terms and conditions. Cargotec purchased the shares at the market price on 25–26 February 2021 at public trading on Nasdaq Helsinki Ltd.. More detailed information about the launch and the terms and conditions of the programmes is available in stock exchange releases published on 8 February 2017 and on 20 February 2019.

The decision on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting on 19 March 2019. According to the authorisation, the Board of Directors can decide on a share issue amounting to a maximum of 952,000 class A shares and 5,448,000 class B shares.

At the end of 2021, Cargotec held a total of 224,840 own class B shares, accounting for 0.35 percent of the total number of shares and 0.15 percent of the total number of votes. At the end of the year, the number of outstanding class B shares totalled 54,957,239.

Share-based incentive programmes

In February 2021, Cargotec's Board of Directors resolved on the performance criteria for the share-based incentive programme for the year 2021. The performance share programme, approved by the Board of Directors in 2020, includes three performance periods, calendar years 2020–2022, 2021–2023 and 2022–2024. Each performance period includes one to three measuring periods. One measuring period can be three calendar years at maximum, which is the total length of one performance period. For the measuring periods, the Board of Directors will annually resolve the length, the performance criteria and the required performance levels for each criterion.

For the performance period of 2020–2022, which started in 2020, the potential reward of the second measuring period 2021 was based on the business areas' service gross profit for the key employees of the business areas Kalmar, Hiab and MacGregor. For Cargotec Corporate key employees, the performance criterion was Cargotec's service gross profit.

During the performance period 2021–2023, the programme is directed to approximately 110 key employees, including the members of the Cargotec Leadership Team. The Board of Directors resolved that the performance period's first measuring period is one calendar year. For the key employees of the business areas Kalmar, Hiab and MacGregor, the potential reward of the programme from the measuring period 2021 will be based on the business areas' comparable operating profit. For the Cargotec Corporate key employees, the performance criteria is Cargotec's comparable operating profit. The rewards to be paid on the basis of the performance period 2021–2023 will amount up to an approximate maximum total of 278,500 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees.

In addition, the Board of Directors resolved that the share allocation for the restricted share programme's second period 2021–2023 will amount up to an approximate maximum total of 46,000 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees. The Board of Directors approved the restricted share programme in 2020. No rewards were granted under the programme during 2021.

Market capitalisation and trading

At the end of 2021, the total market value of class B shares was EUR 2,409 (1,859) million, excluding own shares held by the company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 2,828 (2,182) million, excluding own shares held by the company.

The class B share closed at EUR 43.84 (33.82) on the last trading day of December on Nasdaq Helsinki. The volume-weighted average share price in 2021 was EUR 44.70 (24.77), the highest quotation being EUR 52.80 (37.14) and the lowest EUR 33.60 (15.15). During the period, a total of 37 (55) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,644 (1,369) million. In addition, according to Fidessa, a total of 59 (55) million class B shares were traded in several alternative marketplaces, such as Cboe BXE and Cboe APA, corresponding to a turnover of EUR 2,640 (1,441) million.

Loans, liabilities and commitments to related parties

In 2020, Cargotec extended a retention incentive programme to the CEO for the transition period prior to completion of the merger between Cargotec and Konecranes and creation of the combined company to ensure Cargotec's business performance, successful execution of the merger, and shareholder value creation in 2021. The value of the retention programme is EUR 1,500,000, and the payment under the programme will be paid as a one-off payment to the CEO's supplemental pension plan under the new pension agreement after the completion of the merger. The payment is subject to the following preconditions: the merger is completed, the CEO continues in the service of the company, he has not served a notice of termination prior to the completion of the merger, and has performed his duties according to his contract. The capital redemption policy related to the retention incentive programme has been pledged to the director as security for the pension agreement promise, creating a liability of EUR 1.5 million for Cargotec.

Board of Directors and CEO

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

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect on Cargotec's operating environment and customers' willingness to invest. Possible changes in the global economy and supply chains, geopolitical tensions, sanctions and trade wars can have an impact on global flow of goods and therefore on the demand of Cargotec's solutions.

The Covid-19 pandemic can still have direct and indirect impacts on Cargotec's business. In some areas, safety measures and travel restrictions may limit Cargotec's business prerequisites, as well as selling, operating and delivering Cargotec's solutions. Ensuring a safe working environment for Cargotec personnel may still be challenging while, as a result of the pandemic, the risk of illness among personnel has increased.

The ongoing strong economic growth has pushed up the prices for transportation, components, energy and materials, and caused shortages of them. If the situation persists, elevated price levels, component shortages, challenges in electricity distribution, as well as disruptions in the logistics chain may increase inventories, weaken cash flow, cause delays to deliveries, and create additional costs which cannot be fully passed on to customer prices. Furthermore, announced stimulus programmes can turn interest rates and inflation upwards. Due to the size of these programmes, price and inflationary effects may be significant in the future. The turnover, availability and cost of skilled personnel can create disturbances to Cargotec and its supplier operations.

A slowdown or contraction in global economic growth may in the longer term lower the container traffic growth rate, which affects demand and deliveries for Kalmar's cargo handling solutions. Project executions face risks related to schedule, cost and delivery guarantees.

Hiab's demand is impacted by the development of the construction market. A significant share of Hiab's orders are from the United States. Even though the cash flows are hedged for the existing order book, the weakening of the US dollar could in the longer term weaken Hiab's results. Similarly, a stronger dollar could strengthen Hiab's results. As the Hiab solutions are installed on trucks, the truck delivery bottlenecks can have a negative impact on Hiab's sales development.

MacGregor's market situation still involves uncertainties, even though demand in the merchant ship market picked up during the year 2021. The increases in the new vessel construction costs as well as the high amounts of order bookings at shipyards may slow down new vessel orders. In the short term, the tightening emission regulation for ships and related uncertainty may limit new investments. Global decarbonisation targets have led to a fall in investments by the oil industry, which has long been reflected in decreased offshore vessel investments. However, increase in contracting for wind turbine installations and service vessels is estimated to partly compensate that in the future. Project executions face risks related to schedule, cost and delivery guarantees, especially those related to new product developments. Downward revision of market estimates or rising interest rates could result in an impairment of MacGregor's goodwill.

In a changing market situation, customers may also try to postpone or cancel orders. Deterioration of the global economic outlook and access to finance can lead to economic and financial difficulties among customers. In some cases their financial position may deteriorate significantly or even lead to insolvency.

Cargotec is involved in certain legal disputes and trials. The interpretation of international agreements and legislation may weaken the predictability of the end results of legal disputes and trials.

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

Information security risks are also materially related to Cargotec's operations. A cyber attack on systems that are critical to the operations of the company, its customers or suppliers can disrupt operational stability, lead to a decrease in sales and damage Cargotec's reputation, for example.

There are also ethical risks related to the industries and the geographical scope where Cargotec operates. Cargotec has increased actions to ensure compliance with its business guidelines, regulations and ethical principles. Related internal processes are constantly being developed.

The proposed merger between Konecranes and Cargotec and the delays connected to the merger realisation involve risks that may affect Cargotec's current operations. Risks may relate to staff retention as well as costs and time related to applying for the regulatory approvals and integration planning, for example.

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

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2021 was EUR 741,440,827.01. The Board of Directors proposes to the Annual General Meeting convening on 17 March 2022 that of the distributable profit, a dividend of EUR 1.07 for each of the 9,526,089 class A shares and EUR 1.08 for each of the 54,957,239 outstanding class B shares be paid, totalling EUR 69,546,733.35. The remaining distributable equity, EUR 671,894,093.66 will be retained and carried forward.

The dividend shall be paid to shareholders who on the record date for dividend distribution, 21 March 2022, are registered as shareholders in the company's shareholder register. The dividend payment date proposed by the Board of Directors is 28 March 2022.

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

Events after the reporting period

On 3 February 2022, Cargotec and Konecranes provided an update on planned merger: Remedy requirements are more complex than expected, dialogue with relevant competition authorities continues.

More information about the events after the reporting period is available in Note 9.5, Events after the reporting period.

Outlook for 2022

Cargotec expects its comparable operating profit for 2022 to improve from 2021 (EUR 232 million).

Annual General Meeting 2021

The Annual General Meeting of Cargotec Corporation will be held in Helsinki, Finland, on Thursday, 17 March 2022.

Helsinki, 3 February 2022

Cargotec Corporation

Board of Directors

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2021	%	1 Jan–31 Dec 2020	%
Sales	2.1, 2.2	3,315.0		3,263.4	
Cost of goods sold		-2,582.1		-2,535.5	
Gross profit		**732.9**	**22.1**	**727.9**	**22.3**
Other operating income	2.3	294.2		48.0	
Selling and marketing expenses		-188.4		-199.5	
Research and development expenses		-103.9		-107.9	
Administration expenses		-251.7		-236.7	
Restructuring costs	2.4	-33.3		-131.0	
Other operating expenses	2.3	-101.1		-35.7	
Share of associated companies' and joint ventures' net income	7.2	7.0		5.3	
Operating profit	2.1, 2.3, 2.4, 3.1, 6.4	**355.7**	**10.7**	**70.4**	**2.2**
Financing income	2.5	4.7		2.8	
Financing expenses	2.5	-27.4		-38.7	
Income before taxes		**333.1**	**10.0**	**34.5**	**1.1**
Income taxes	4.1	-86.4		-26.4	
Net income for the financial year		**246.7**	**7.4**	**8.1**	**0.2**
Net income for the financial year attributable to:					
Equity holders of the parent		246.5		8.1	
Non-controlling interest		0.2		-0.1	
Total		**246.7**		**8.1**	
Earnings per share for profit attributable to the equity holders of the parent:	2.6				
Earnings per share, EUR		3.82		0.13	
Diluted earnings per share, EUR		3.82		0.13	

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

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Net income for the financial year		**246.7**	**8.1**
Other comprehensive income			
Items that cannot be reclassified to statement of income:			
Actuarial gains (+) / losses (-) from defined benefit plans	3.4	-0.5	-1.2
Gains (+) / losses (-) on designated share investments measured at fair value		14.2	5.5
Taxes relating to items that cannot be reclassified to statement of income	4.1	0.0	0.3
Items that can be reclassified to statement of income:			
Gains (+) / losses (-) on cash flow hedges		-9.5	35.2
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		-3.9	-19.9
Translation differences		65.9	-77.9
Taxes relating to items that can be reclassified to statement of income	4.1	2.3	-1.8
Share of other comprehensive income of associates and JV, net of tax		-0.3	-
Other comprehensive income, net of tax		**68.3**	**-59.8**
Comprehensive income for the financial year		**315.0**	**-51.8**
Comprehensive income for the financial year attributable to:			
Equity holders of the parent		314.6	-51.5
Non-controlling interest		0.4	-0.2
Total		**315.0**	**-51.8**

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

Consolidated balance sheet

MEUR	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Goodwill	6.1	966.8	971.9
Other intangible assets	6.2	172.6	185.8
Property, plant and equipment	6.3	409.5	429.7
Investments in associated companies and joint ventures	7.2	73.7	56.7
Share investments	8.2	36.6	37.5
Loans receivable and other interest-bearing assets*	8.2	12.6	18.4
Deferred tax assets	4.2	129.7	123.6
Derivative assets	8.2, 8.5	1.0	0.1
Other non-interest-bearing assets	5.3, 8.2	8.4	17.2
Total non-current assets		**1,811.0**	**1,840.9**
Current assets			
Inventories	5.2	792.9	579.7
Loans receivable and other interest-bearing assets*	8.2	3.6	4.3
Income tax receivables		31.8	25.4
Derivative assets	8.2, 8.5	10.8	13.3
Accounts receivable and other non-interest-bearing assets	2.2, 5.3, 8.2	888.3	753.9
Cash and cash equivalents*	8.2, 8.3	488.8	484.8
Total current assets		**2,216.3**	**1,861.4**
Assets held for sale	7.4	**-**	**185.7**
Total assets		**4,027.3**	**3,888.0**

* Included in interest-bearing net debt.

MEUR	Note	31 Dec 2021	31 Dec 2020
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		-45.2	-110.9
Fair value reserves		-7.0	4.4
Reserve for invested non-restricted equity		54.0	57.4
Retained earnings		1,380.1	1,185.6
Total equity attributable to the equity holders of the parent	3.2, 8.6	**1,544.3**	**1,298.7**
Non-controlling interest		2.7	2.7
Total equity		**1,547.0**	**1,301.4**
Non-current liabilities			
Interest-bearing liabilities*	8.2, 8.4, 9.1	876.1	1,027.4
Deferred tax liabilities	4.2	26.9	20.6
Pension obligations	3.4	112.9	115.5
Provisions	5.5	6.5	7.2
Derivative liabilities	8.2, 8.5	-	0.0
Other non-interest-bearing liabilities	5.4, 8.2	68.3	62.6
Total non-current liabilities		**1,090.6**	**1,233.4**
Current liabilities			
Current portion of interest-bearing liabilities*	8.2, 8.4, 9.1	34.8	136.1
Other interest-bearing liabilities*	8.2, 8.4	8.6	19.6
Provisions	5.5	103.3	105.9
Advances received	2.2	217.2	182.7
Income tax payables		37.6	21.7
Derivative liabilities	8.2, 8.5	6.8	19.4
Accounts payable and other non-interest-bearing liabilities	5.4, 8.2	981.3	797.5
Total current liabilities		**1,389.6**	**1,282.7**
Liabilities directly associated with the assets held for sale	7.4	**-**	**70.5**
Total equity and liabilities		**4,027.3**	**3,888.0**

* Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

		Attributable to the equity holders of the parent								
MEUR	Note	Share capital	Share premium account	Translation differences	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2021		**64.3**	**98.0**	**-110.9**	**4.4**	**57.4**	**1,185.6**	**1,298.7**	**2.7**	**1,301.4**
Net income for the financial year							246.5	246.5	0.2	246.7
Cash flow hedges					-11.3			-11.3		-11.3
Translation differences				65.8				65.8	0.1	65.9
Actuarial gains (+) / losses (-) from defined benefit plans	3.4, 4.1						-0.5	-0.5		-0.5
Gains and losses on designated share investments measured at fair value							14.2	14.2		14.2
Comprehensive income for the financial year*		**-**	**-**	**65.8**	**-11.3**	**-**	**260.2**	**314.6**	**0.4**	**315.0**
Profit distribution	8.6						-69.5	-69.5	-0.4	-69.8
Treasury shares acquired						-3.4		-3.4		-3.4
Share-based payments	3.2						3.8	3.8		3.8
Transactions with owners of the company		**-**	**-**	**-**	**-**	**-3.4**	**-65.6**	**-69.0**	**-0.4**	**-69.3**
Transactions with non-controlling interests								-		
Equity 31 Dec 2021		**64.3**	**98.0**	**-45.2**	**-7.0**	**54.0**	**1,380.1**	**1,544.3**	**2.7**	**1,547.0**

* Net of tax.

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

		Attributable to the equity holders of the parent								
MEUR	Note	Share capital	Share premium account	Translation differences	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2020		64.3	98.0	-33.2	-9.1	57.4	1,247.1	1,424.5	2.8	1,427.3
Net income for the financial year							8.1	8.1	-0.1	8.1
Cash flow hedges					13.5			13.5	0.0	13.5
Translation differences				-77.8				-77.8	-0.2	-77.9
Actuarial gains (+) / losses (-) from defined benefit plans	3.4, 4.1						-0.9	-0.9		-0.9
Gains and losses on designated share investments measured at fair value							5.5	5.5		5.5
Comprehensive income for the financial year*		-	-	-77.8	13.5	-	12.8	-51.5	-0.2	-51.8
Profit distribution	8.6						-77.3	-77.3	-0.5	-77.8
Share-based payments	3.2						3.0	3.0		3.0
Transactions with owners of the company		-	-	-	-	-	-74.3	-74.3	-0.5	-74.8
Transactions with non-controlling interests								-	0.6	0.6
Equity 31 Dec 2020		64.3	98.0	-110.9	4.4	57.4	1,185.6	1,298.7	2.7	1,301.4

* 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 2021	1 Jan–31 Dec 2020
Net cash flow from operating activities			
Net income for the financial year		246.7	8.1
Depreciation, amortisation and impairment	6.4	117.4	144.0
Financing items	2.5	22.7	35.9
Taxes	4.1	86.4	26.4
Change in receivables		-89.9	106.8
Change in payables		226.0	-149.2
Change in inventories		-196.2	98.7
Other adjustments		-243.7	25.6
Cash flow from operations before financing items and taxes		**169.3**	**296.4**
Interest received		3.2	2.8
Interest paid		-23.8	-25.8
Dividends received		5.0	0.1
Other financing items		-20.4	-9.0
Income taxes paid		-77.1	-24.5
Net cash flow from operating activities		**56.2**	**240.0**
Net cash flow from investing activities			
Acquisitions of businesses, net of cash acquired	7.1	-2.2	-12.1
Disposals of businesses, net of cash sold	7.1	354.5	2.7
Investments in associated companies and joint ventures	7.2	-1.9	-
Investments in intangible assets and property, plant and equipment	6.2, 6.3	-43.3	-46.7
Disposals of intangible assets and property, plant and equipment	2.3, 6.2, 6.3	5.6	25.9
Cash flow from investing activities, other items		21.8	8.9
Net cash flow from investing activities		**334.5**	**-21.3**

MEUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Net cash flow from financing activities			
Treasury shares acquired		-3.4	-
Repayments of lease liabilities	8.4	-40.6	-44.1
Proceeds from long-term borrowings	8.4	-	249.5
Repayments of long-term borrowings	8.4	-250.0	-251.4
Proceeds from short-term borrowings	8.4	1.9	98.8
Repayments of short-term borrowings	8.4	-30.5	-106.9
Profit distribution	8.6	-69.8	-77.8
Net cash flow from financing activities		**-392.4**	**-131.8**
Change in cash and cash equivalents		**-1.7**	**86.9**
Cash and cash equivalents, and bank overdrafts 1 Jan	8.3	482.3	409.8
Effect of exchange rate changes		7.5	-14.8
Cash and cash equivalents included in assets held for sale	7.4	-	0.4
Cash and cash equivalents, and bank overdrafts 31 Dec		**488.2**	**482.3**
Bank overdrafts 31 Dec	8.3	0.6	2.5
Cash and cash equivalents 31 Dec		**488.8**	**484.8**

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

Notes to the consolidated financial statements

1. BASIS OF PREPARATION

1.1 Accounting principles for the consolidated financial statements

General information

Cargotec Corporation (1927402-8) is a limited liability company domiciled in Helsinki, Finland. The registered address is Porkkalankatu 5, 00180 Helsinki, Finland. Cargotec Corporation and its subsidiaries form the Cargotec Group (later referred to as Cargotec or company). Cargotec Corporation's class B shares are quoted on Nasdaq Helsinki 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 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 3 February 2022. 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 in the consolidated financial statements

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 2021 have been used in preparation of the financial statements.

The consolidated financial statements include the parent company Cargotec Corporation and those subsidiaries in which the parent exercises control, as well as joint ventures and associated companies. Control is achieved when Cargotec is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee, and control is lost when this criteria is no longer met. Subsidiaries have been listed in note 7.3, Subsidiaries. Consolidation principles related to subsidiaries, joint ventures, associated companies and acquisitions and disposals are presented in the note section 7. Group structure.

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

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

Cargotec describes the accounting principles in conjunction with relevant note or note section. Refer to the following table for a list of accounting principles and financial statement note or note section in which they are presented.

Accounting principle	Note or note section
Segment reporting	2.1 Segment information
Revenue recognition and contract assets and liabilities	2.2 Revenue recognition
Government grants	2.3 Other operating income and expenses
Earnings per share	2.6 Earnings per share
Share-based payments	3.2 Share-based payments
Pension obligations	3.4 Post-employment benefits
Income taxes	4. Income taxes
Inventories	5.2 Inventories
Accounts receivable	5.3 Accounts receivable and other non-interest-bearing receivables
Provisions	5.5 Provisions
Goodwill	6.1 Goodwill
Other intangible asset and research and development costs	6.2 Other intangible assets
Property, plant and equipment	6.3 Property, plant and equipment
Impairments	6.4 Depreciation, amortisation and impairment charges

Accounting principle	Note or note section
Consolidation principles, foreign currency transactions, foreign subsidiaries and non-current assets held for sale	7. Group structure
Financial assets, cash and cash equivalents, financial liabilities, offsetting financial assets and liabilities, derivative financial instruments and hedge accounting, profit distribution and treasury shares	8. Capital structure and financial instruments
Leases	9.1 Leases
Guarantees and contingent liabilities	9.2 Commitments

New accounting standards in 2021

Starting from 1 January 2021, Cargotec has applied the following new standards and amendments:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 that includes the disclosure information that should be given related to the impact and management of the reform.

The other amendments effective from 1 January 2021 had no impact on the reported figures.

New or amended IFRS standards and interpretations from 2022

In 2022 and afterwards, Cargotec will adopt the following new and amended standards and interpretations by the IASB. The amendments are not expected to have a significant impact on Cargotec's reporting.

Effective from 1.1.2022

Annual Improvements to IFRS Standards 2018-2020: Improvement in IFRS 9, Financial Instruments, clarifies that when assessing if a modification of a financial liability results in a modification of an existing debt instrument or recognition of a new one, the entity should prepare a present value test of the cash flows related to financial liability before and after modification including fees paid and received between the lender and borrower. The annual improvements to other standards are minor or not relevant to Cargotec.

Amendments to IAS 16, Property, Plant, and Equipment: Proceeds before Intended Use, the amendment clarifies how to account for sales proceeds when items are produced and while an item of property, plant, and equipment is brought to the location and condition necessary for it to be capable of operating in the manner intended by management. In accordance with the clarification, such proceeds should be reported as revenues and not as a reduction of costs.

Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract, the amendment clarifies that the cost of fulfilling a contract comprises the costs that relate directly to the contract including incremental costs such as labor and materials, and allocation of other costs that relate directly to fulfilling the contract such depreciation charge related to property, plant, and equipment used in fulfilling the contract.

Effective from 1.1.2023 or later

Amendment to IAS 1, Classification of Liabilities as Current or Non-current, the amendment clarifies how liability should be classified as current or non-current when an entity has a right to defer its settlement for at least twelve months. In accordance with the amended guidance, a liability that is due within 12 months after the reporting date should be presented as non-current if the entity has a right to extend it for at least 12 months after the reporting date. In this case, the liability is presented as non-current on reporting date even regardless of the probability or intention of the management to settle it within the next 12 months.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. The amendment clarifies how deferred taxes should be recognised in a single transaction such as a lease.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies. The amendment clarifies in which situations a change in an accounting policy is material and should be disclosed.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. The amendment clarifies the definition and application of an accounting estimate.

1.2 Estimates and assumptions requiring management judgement

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

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

Estimates and assumptions requiring management judgement	Note or note section
Revenue recognition	2.2 Revenue recognition
Defined benefit plans	3.4 Post-employment benefits
Income taxes	4 Income taxes
Inventories	5.2 Inventories
Provisions	5.5 Provisions
Impairment testing of goodwill and other intangible assets	6.1 Goodwill
Amortisation and depreciation periods	6.2 Other intangible assets 6.3 Property, plant and equipment
Impairment testing	6.4 Depreciation, amortisation and impairment charges
Business combinations and assessment of control, joint control and significant influence	7 Group structure
Fair value of financial assets and liabilities	8 Capital structure and financial instruments
Leases	9.1 Leases

2. FINANCIAL PERFORMANCE

2.1 Segment information

Accounting principle

Segment reporting
Cargotec has three operating segments: Kalmar, Hiab and MacGregor. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. These internal reports are prepared in accordance with IFRS. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Cargotec's Board of Directors together with the CEO. Operating segments are not aggregated to form the reporting segments. The management considers the business from a product perspective and the financial performance of the operating segments is measured through comparable operating profit and operating profit. The transfer pricing between segments is based on market prices.

Cargotec enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value.

Kalmar's offering comprises industry shaping, sustainable cargo handling equipment and automated terminal solutions, software and services. These are used in ports, terminals, distribution centres and various industries. Kalmar's product range includes ship-to-shore cranes, rubbertyred and rail-mounted gantry cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors, forklift trucks and automated guided vehicles. Kalmar's offering also covers maintenance contracts, technical support, spare parts, training and crane upgrades. The Kalmar One automation system, and Bromma spreaders are also part of the Kalmar business area.Navis software product portfolio until 1 July 2021.

Hiab offers products and equipment for loading, unloading and lifting things securely, safely and cost-efficiently. It is the global market leader in the field of on-road load handling solutions, with customers operating in on land transport and delivery. Hiab's class-leading load handling equipment includes HIAB, EFFER and ARGOS loader cranes, LOGLIFT and JONSERED forestry and recycling cranes, MOFFETT and PRINCETON truck mounted forklifts, MULTILIFT skiploaders and hooklifts, and tail lifts under the ZEPRO, DEL and WALTCO brands. Hiab ProCare™ service, HiVision™ crane operating system and HiConnect™ platform are also part of Hiab offering.

MacGregor's engineering solutions and services are designed to perform with the sea. MacGregor serves merchant cargo and passenger vessels, offshore energy sector, fishing, research and marine-resource vessels, naval operations and logistics vessels as well as ports and terminals. It aims to make the sea more accessible, safe and reliable for its customers. MacGregor's products, services and solutions are all designed to perform with the sea.

Operating segments

Segment results

Sales of the operating segments comprise equipment, service and software sales. The financial performance of the operating segments is measured through comparable operating profit and operating profit. Financing income and expenses, taxes and certain corporate administration cost are not allocated to the operating segments. During the financial year and the comparison period, Cargotec had no individual significant customers as defined in IFRS 8.

1 Jan–31 Dec 2021 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total
Sales						
Equipment	948.4	899.0	295.9	2,143.3	0.0	2,143.3
Services	468.3	351.4	257.2	1,077.0	-0.7	1,076.3
Software*	95.5	-	-	95.5	0.0	95.4
Total sales	**1,512.2**	**1,250.4**	**553.1**	**3,315.7**	**-0.7**	**3,315.0**
Depreciation and amortisation	48.7	28.9	24.7	102.3	8.3	110.5
Impairment charges	1.1	3.8	0.6	5.5	1.3	6.8
Share of associated companies' and joint ventures' net income	6.3	-	0.7	7.0	-	7.0
Operating profit	**344.5**	**144.7**	**-40.0**	**449.2**	**-93.5**	**355.7**
% of sales	22.8%	11.6%	-7.2%	-	-	10.7%
Restructuring costs and other items affecting comparability	-224.4	21.5	25.3	-177.6	53.4	-124.2
Comparable operating profit	**120.1**	**166.3**	**-14.7**	**271.6**	**-40.1**	**231.5**
% of sales	7.9%	13.3%	-2.7%	-	-	7.0%
Financing items	-	-	-	-	-	-22.7
Income before taxes	**-**	**-**	**-**	**-**	**-**	**333.1**
EBITDA	394.3	177.4	-14.7	557.0	-83.9	473.1

* Navis business until July 1, 2021. Additional information disclosed in notes 7.1 Acquisitions and disposals, and 7.4 Assets held for sale.

1 Jan–31 Dec 2020 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total
Sales						
Equipment	925.6	775.7	391.2	2,092.5	0.0	2,092.5
Services	437.2	318.2	250.3	1,005.7	-0.4	1,005.3
Software	166.4	-	-	166.4	-0.8	165.6
Total sales	**1,529.2**	**1,093.9**	**641.5**	**3,264.7**	**-1.2**	**3,263.4**
Depreciation and amortisation	62.1	28.9	31.1	122.1	6.3	128.4
Impairment charges	0.6	0.0	11.3	12.0	3.7	15.6
Share of associated companies' and joint ventures' net income	2.6	-0.6	2.4	4.4	0.9	5.3
Operating profit	**61.8**	**97.3**	**-48.2**	**111.0**	**-40.7**	**70.4**
% of sales	4.0%	8.9%	-7.5%	-	-	2.2%
Restructuring costs and other items affecting comparability	64.3	31.5	54.8	150.6	5.7	156.3
Comparable operating profit*	**126.1**	**128.8**	**6.6**	**261.6**	**-34.9**	**226.7**
% of sales	8.2%	11.8%	1.0%	-	-	6.9%
Financing items	-	-	-	-	-	-35.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**34.5**
EBITDA	124.6	126.2	-5.7	245.1	-30.7	214.4

* Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation. 2020 comparison figures have been restated according to the new definition.

Segment assets and liabilities

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

31.12.2021 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and eliminations	Cargotec total
Goodwill	270.5	227.3	469.0	966.8	-	966.8
Other intangible assets	6.8	22.8	121.6	151.2	21.4	172.6
Property, plant and equipment	242.1	116.0	42.3	400.4	9.2	409.5
Investments in associated companies and joint ventures	35.7	-	38.0	73.7	0.0	73.7
Share investments	-	0.0	0.0	0.0	36.6	36.6
Working capital receivables	777.0	549.6	332.5	1,659.1	35.8	1,694.9
Unallocated assets, interest-bearing	-	-	-	-	505.0	505.0
Unallocated assets, non-interest-bearing	-	-	-	-	168.2	168.2
Total assets	**1,332.0**	**915.8**	**1,003.4**	**3,251.2**	**776.1**	**4,027.3**
Working capital liabilities	706.7	341.0	375.8	1,423.6	87.0	1,510.6
Unallocated liabilities, interest-bearing	-	-	-	-	919.5	919.5
Unallocated liabilities, non-interest-bearing	-	-	-	-	50.2	50.2
Total liabilities	**706.7**	**341.0**	**375.8**	**1,423.6**	**1,056.7**	**2,480.2**
Operative capital employed	625.3	574.8	627.6	1,827.6	15.9	1,843.5
Capital expenditure	36.9	31.2	10.4	78.5	1.7	80.2

31.12.2020 MEUR	Kalmar*	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and eliminations	Cargotec total*
Goodwill	341.2	222.4	481.9	1,045.4	-	1,045.4**
Other intangible assets	70.8	17.9	134.5	223.3	27.7	251.0
Property, plant and equipment	260.7	115.3	41.5	417.4	19.9	437.3
Investments in associated companies and joint ventures	31.1	-	25.6	56.7	0.0	56.7
Share investments	-	-	0.0	0.0	37.5	37.5
Working capital receivables	642.5	400.3	324.8	1,367.6	49.8	1,417.5
Unallocated assets, interest-bearing	-	-	-	-	508.5	508.5
Unallocated assets, non-interest-bearing	-	-	-	-	134.0	134.0
Total assets	**1,346.3**	**755.9**	**1,008.2**	**3,110.4**	**777.6**	**3,888.0**
Working capital liabilities	638.8	274.6	339.2	1,252.6	61.4	1,314.0
Unallocated liabilities, interest-bearing*	-	-	-	-	1,190.7	1,190.7
Unallocated liabilities, non-interest-bearing	-	-	-	-	81.9	81.9
Total liabilities	**638.8**	**274.6**	**339.2**	**1,252.6**	**1,334.1**	**2,586.7**
Operative capital employed*	707.5	481.3	669.1	1,857.9	73.6	1,931.4
Capital expenditure	44.8	27.1	11.9	83.8	1.9	85.7

* Including assets held for sale and liabilities directly associated with assets held for sale. Additional information of assets held for sale is disclosed in the note 7.4 Assets held for sale.

** Including EUR 73.6 million of goodwill classified as assets held for sale.

Orders

	Orders received		Order book	
MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	31 Dec 2021	31 Dec 2020
Kalmar	2,062.7	1,400.9	1,302.4	842.2
Hiab	1,712.9	1,210.3	984.6	502.9
MacGregor	652.1	510.5	560.3	479.6
Eliminations	-0.4	-0.6	-0.1	-0.5
Total	**4,427.3**	**3,121.0**	**2,847.2**	**1,824.3**

Number of employees

	Average		At the end of year	
MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	31 Dec 2021	31 Dec 2020
Kalmar	5,158	5,594	4,876	5,526
Hiab	3,399	3,733	3,585	3,390
MacGregor	1,929	2,128	1,909	1,987
Corporate administration and support functions	747	611	804	649
Total	**11,232**	**12,066**	**11,174**	**11,552**

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 2021 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total
Finland	27.0	32.9	11.1	70.9	0.0	70.9
Other EMEA (Europe, Middle East, Africa)	646.6	667.7	256.0	1,570.2	-0.4	1,569.9
USA	434.8	350.4	47.8	833.0	0.0	833.0
Other Americas	113.5	73.5	12.9	199.9	-0.1	199.8
China	81.4	15.4	80.3	177.1	0.0	177.1
Other Asia-Pacific	208.9	110.7	145.1	464.7	-0.2	464.4
Total	**1,512.2**	**1,250.4**	**553.1**	**3,315.7**	**-0.7**	**3,315.0**

1 Jan–31 Dec 2020 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total
Finland	36.4	30.6	12.3	79.4	-0.2	79.2
Other EMEA (Europe, Middle East, Africa)	684.8	561.8	282.7	1,529.3	-0.9	1,528.3
USA	405.8	349.1	57.7	812.7	0.0	812.6
Other Americas	115.8	50.6	10.4	176.8	-0.1	176.7
China	77.5	11.5	94.6	183.7	0.0	183.7
Other Asia-Pacific	208.9	90.2	183.7	482.8	0.0	482.8
Total	**1,529.2**	**1,093.9**	**641.5**	**3,264.7**	**-1.2**	**3,263.4**

Non-current assets and goodwill*

MEUR	31 Dec 2021	31 Dec 2020
Finland	80.7	84.3
Other EMEA (Europe, Middle East, Africa)	462.1	497.5
Americas	59.3	45.8
Asia-Pacific	53.6	44.6
Goodwill	966.8	1,045.4**
Total	**1,622.6**	**1,717.6**

* Excluding financial instruments and deferred tax assets. Goodwill has not been allocated to geographical areas.
** Including EUR 73.6 million of goodwill classified as assets held for sale. Additional information of assets held for sale is disclosed in the note 7.4 Assets held for sale.

Capital expenditure

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Finland	6.5	5.1
Other EMEA (Europe, Middle East, Africa)	47.0	55.5
Americas	19.9	16.0
Asia-Pacific	6.7	9.1
Total	**80.2**	**85.7**

Number of employees

MEUR	31 Dec 2021	31 Dec 2020
Finland	1,047	1,001
Other EMEA (Europe, Middle East, Africa)	6,601	6,634
Americas	1,478	1,458
Asia-Pacific	2,048	2,459
Total	**11,174**	**11,552**

2.2 Revenue recognition

Accounting principles

Revenue recognition
Sales include revenues from products and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. The revenue recognition criteria are usually applied separately to each contract, unless multiple contracts effectively form a single transaction, and within contracts, revenue recognition is determined separately for each distinct product or service. A product or service is considered to be a distinct performance obligation if it is separable from other contractual promises to a customer, and if the customer can benefit from it on its own or together with other readily available resources. Therefore, a single agreement including multiple deliverable elements may include one or more distinct items of revenue. Cargotec has the main responsibility to fulfil the performance obligations, and, therefore, mainly acts as principal in its customer contracts, also when subcontractors are used.

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

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

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

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

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

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

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

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

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

Estimates and assumptions requiring management judgement

Revenue recognition
Revenue recognition requires a use of judgment and estimates in many ways. Judgment is used for example in identification of separate units of revenue i.e. performance conditions when treating the deliverable products and services together or separately is not unambiguous. This is for example when the deliverable products and services alone do not form a functioning end-product. It is also customary that contracts with customers include variable price elements that require use of judgment in revenue recognition, especially in situations when there is no prior experience about the deliverable product or entirety. However, judgment is needed the most in determining the timing of revenue recognition.

Revenue related to long-term service contracts and separately identified construction contracts is recognised on an over time basis in accordance with the percentage of completion. Application of the percentage of completion method is allowed if the delivered machine is considered to have no alternative use for Cargotec, and at all times during the project Cargotec has a right to payment regarding the work already performed. Revenue recognised on reporting date in accordance with the over time model is either based on the cumulative costs in relation to the contract's estimated total costs, or an estimate of the construction contract's physical stage of completion. If the estimate of the final outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change has come to attention and can be estimated. The expected loss from the construction contract is expensed immediately. In 2021, approximately 13.4 (2020: 18.5) percent of sales was recognised on an over time basis.

1 Jan–31 Dec 2021 MEUR	Kalmar	Hiab	MacGregor	Internal sales	Cargotec total
Equipment sales	948.4	899.0	295.9	0.0	2,143.3
Service sales	468.3	351.4	257.2	-0.7	1,076.3
Software sales*	95.5	-	-	0.0	95.4
Total sales	**1,512.2**	**1,250.4**	**553.1**	**-0.7**	**3,315.0**
Recognised at a point in time	1,267.9	1,237.2	365.4	-0.7	2,869.9
Recognised over time	244.3	13.2	187.7	-	445.2

* Navis business until July 1, 2021. Additional information disclosed in notes 7.1 Acquisitions and disposals, and 7.4 Assets held for sale.

1 Jan–31 Dec 2020 MEUR	Kalmar	Hiab	MacGregor	Internal sales	Cargotec total
Equipment sales	925.6	775.7	391.2	0.0	2,092.5
Service sales	437.2	318.2	250.3	-0.4	1,005.3
Software sales	166.4	-	-	-0.8	165.6
Total sales	**1,529.2**	**1,093.9**	**641.5**	**-1.2**	**3,263.4**
Recognised at a point in time	1,212.0	1,081.6	368.4	-1.2	2,660.9
Recognised over time	317.2	12.3	273.1	-	602.5

Contract assets and liabilities

Contract assets MEUR	2021	2020
Contract assets 1 Jan	93.9	117.4
Translation differences	3.8	-5.0
Transfers to receivables	-299.3	-343.8
Companies acquired and sold	-7.8	-
Change in provision for doubtful accounts and impairments +/-	0.0	0.1
Progress, cost estimate and price adjustments	313.2	332.2
Assets held for sale*	7.4	-6.8
Contract assets 31 Dec	**111.2**	**93.9**
Contract assets not expected to be invoiced within the next 12 months	-	0.3

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Contract liabilities MEUR	2021	2020
Contract liabilities 1 Jan	182.7	306.3
Translation differences	3.1	-9.5
Revenue recognised from contract liability on 1 Jan	-132.6	-193.0
Companies acquired and sold	-27.6	0.1
Cash received/paid less revenue recognised	165.2	102.5
Liabilities directly associated with assets held for sale*	26.3	-23.8
Contract liabilities 31 Dec	**217.2**	**182.7**
Contract liabilities not expected to be recognised as revenue within the next 12 months	0.8	0.3
Adjustment to sales recognised during previous years	-	-2.6

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Transaction price allocated to remaining performance obligations related to customer contracts

Transaction price allocated to remaining performance obligations related to ongoing customer contracts is on the reporting date EUR 2,847.2 (31 Dec 2020: 1,824.3) million, of which 89% (84%) is expected to be recognised as revenue during the next 12 months.

2.3 Other operating income and expenses

Accounting principle

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.

Other operating income

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Gain on disposal of businesses	241.6	0.3
Gain on disposal of intangible assets and property, plant and equipment	3.8	1.6
Customer finance related other income	26.5	26.8
Rental income	2.4	2.8
Other income	19.9	16.5
Total	**294.2**	**48.0**

Other operating expenses

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Loss on disposal of intangible assets and property, plant and equipment	1.7	0.2
Customer finance related other expenses	26.1	26.6
Business combinations related expenses	19.4	0.5
Merger plan with Konecranes Plc	47.6	3.9
Other expenses	6.2	4.4
Total	**101.1**	**35.7**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR 3.9 (2020: 19.9) million, of which EUR -2.9 (23.9) million in sales and EUR 6.8 (-4.0) million in cost of goods sold. The exchange rate differences related to the portion of ineffective hedges, which are booked in other operating income and expenses, had no effect on the operating profit (2020: no effect).

In addition, operating profit includes EUR 2.4 (2020: -3.4) million of exchange rate differences arising from unhedged sales and purchases, and from hedges of sales and purchases for which hedge accounting is not applied.

Audit fees

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Audit	3.2	3.0
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	-	0.5
Tax advice	0.1	0.6
Other services	1.6	1.0
Total	**4.9**	**5.1**

The auditing firm PricewaterhouseCoopers Oy acted as Cargotec's auditor until the Annual General Meeting (AGM) on 23 March 2021. The AGM elected the auditing firm Ernst & Young Oy as the new auditor. The table above presents the fees to Ernst & Young globally since 23 March 2021 and to PricewaterhouseCoopers until 23 March 2021. Ernst & Young's fees in 2021 were in total EUR 3.6 million, including EUR 2.7 million fees for audit and EUR 0.9 million for other services.

Non-audit fees for Ernst & Young Oy were in 2021 EUR 0.7 million. Non-audit fees for PricewaterhouseCoopers Oy were in 2021 EUR 0,6 (2020: 1.5) million, including fees of EUR 0.0 (0.1) million for tax related services, EUR 0.6 (2020: 0.9) million for other services and in year 2020 EUR 0.5 million for services under the Finnish Auditing Act, chapter 1, section 1(1), point 2.

2.4 Restructuring costs and other items affecting comparability

Cargotec changed the definition of items affecting comparability starting from 1 January 2021 to align it with the definition used in the merger prospectus. According to the new definition, also impacts from the purchase price allocation are included to items significantly affecting comparability. Comparison year 2020 has been restated according to the new definition and as a result, the items affecting comparability increased by EUR 23 million. Additional information regarding the changed definition is presented in the stock exchange release published on 29 March 2021.

Restructuring costs

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

Other items affecting comparability

Other items affecting comparability include mainly significant gains and losses from sale of business, costs related to acquisitions, integration and disposals of business, impairments and reversals of impairments of assets, insurance benefits and expenses related to legal proceedings, if they do not relate to business restructuring measures. These items are reported in the statement of income either in administration expenses, other operating income or other operating expenses.

1 Jan–31 Dec 2021 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Restructuring costs					
Employment termination costs	5.0	7.0	5.0	0.2	17.2
Impairments of owned non-current assets	-	-	0.6	-	0.6
Impairments of inventories	0.0	0.7	0.5	-	1.2
Restructuring-related disposals of businesses*	-1.7	-1.7	-	-	-3.4
Other restructuring costs**	0.4	11.9	2.4	3.0	17.6
Restructuring costs, total	**3.7**	**17.8**	**8.6**	**3.2**	**33.3**
Impacts of the purchase price allocation	0.9	3.7	11.4	-	16.0
Other items affecting comparability					
Insurance benefits	-	-	-2.1	-	-2.1
Expenses related to business disposals, acquisitions and integration***	-230.3	-	6.7	0.1	-223.5
Merger plan with Konecranes Plc****	1.3	-		49.1	50.4
Other costs	-	-	0.6	1.0	1.6
Other items affecting comparability, total	**-229.0**	**-**	**5.3**	**50.2**	**-173.6**
Restructuring costs and other items affecting comparability, total	**-224.4**	**21.5**	**25.3**	**53.4**	**-124.2**

1 Jan–31 Dec 2020 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Restructuring costs					
Employment termination costs	6.2	14.6	16.3	0.3	37.5
Impairments of owned non-current assets	-	4.1	11.0	-	15.1
Impairments of inventories	1.5	-0.2	4.0	-	5.3
Restructuring-related disposals of businesses*	43.9	0.0	-0.2	-	43.7
Other restructuring costs**	2.6	10.7	12.0	4.1	29.4
Restructuring costs, total	**54.3**	**29.1**	**43.1**	**4.4**	**131.0**
Impacts of the purchase price allocation	9.7	2.4	10.9	-	23.0
Other items affecting comparability					
Insurance benefits	-	-	-5.0	-	-5.0
Expenses related to business disposals, acquisitions and integration***	-	-	5.7	0.6	6.3
Merger plan with Konecranes Plc****	0.3	-	-	6.6	6.9
Other costs*****	-	-	-	-6.0	-6.0
Other items affecting comparability, total	**0.3**	**-**	**0.7**	**1.3**	**2.3**
Restructuring costs and other items affecting comparability, total	**64.3**	**31.5**	**54.8**	**5.7**	**156.3**

Kalmar's restructuring costs in 2020 include a loss of EUR 35.6 million from the sale of the joint venture ownership in Rainbow-Cargotec Industries Co., Ltd (RCI) and integration costs from simultaneously acquired operations. Addtionally, restructuring costs include costs from discontinuing the operations of Kalmar's multi-assembly unit in India. MacGregor's restructuring costs in 2020 relate mainly to the integration of the marine- and offshore businesses of TTS Group ASA, acquired in the end of July 2019, and winding down certain products in MacGregor's offshore product portfolio due to offshore market's fundamental transition from the traditional oil and gas centric business towards more renewable energy sources.

* Additional information regarding disposals of businesses is presented in note 7.1, Acquisitions and disposals. Additional information on the disposal of the joint venture ownership in Rainbow-Cargotec Industries Co., Ltd (RCI) concluded during 2020 is presented in note 7.2, Joint ventures and associated companies.

** Other restructuring costs include contract termination costs (other than employment contracts), costs arising from outsourcing or transferring operations to new locations, maintenance costs of vacant and in the future redundant premises for Cargotec, gains and losses on sale of intangible assets and property, plant and equipment that relate to sold or discontinued operations as well as costs for the group wide reorganisation of support functions that started in 2017.

***Additional information regarding acquisitions and disposals of businesses is presented in note 7.1, Acquisitions and disposals. Year 2021 includes approximately EUR 230 million profit including transaction costs and other non-recurring items related to sale of Navis, a profit of EUR 7 million from the settlement of the purchase price of TTS acquisition as well as a loss of EUR 12 million from the establishment of the CSSC MacGregor Marine Equipment (CMME) joint venture. Costs in 2020 are related to the sale of Navis and the acquisition and integration of TTS.

**** Additional information on the merger is presented in note 9.4, Merger plan to combine Cargotec and Konecranes.

***** Dilution of Cargotec's ownership from 7.9 percent to 5.6 percent in Jiangsu Rainbow Heavy Industries Co., Ltd (RHI) due to company's share issue and reclassification of the RHI ownership from associated company to share investment recognised at fair value.

2.5 Financing income and expenses

Accounting principle

Interest income and expense on financial instruments measured at amortised cost are accrued in the statement of income using the effective interest method. When hedge accounting is applied to a forward exchange contract, the amortisation of initial value of forward points and subsequent change in the value related to forward points are recognised separately in the statement of income. Arrangement and commitment fees related to interest-bearing liabilities are recognised separately as an expense if they cannot be included in the amortised cost of interest-bearing debt.

Financing income

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Interest income on financial assets measured at amortised cost	3.2	2.8
Other financing income	0.1	0.0
Exchange rate differences, net	1.4	-
Total	**4.7**	**2.8**

Financing expenses

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Interest expenses on financial liabilities measured at amortised cost	14.3	18.3
Interest expenses on leases	7.0	7.4
Arrangement and commitment fees relating to interest-bearing loans	3.7	2.5
Forward contracts interest component	1.0	4.4
Other financing expenses	1.4	4.0
Exchange rate differences, net	-	2.1
Total	**27.4**	**38.7**

Other financing expenses includes EUR -0.7 million of reversals of earlier impairment losses related to loan receivables (2020: EUR 2.4 million impairment losses).

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Exchange rate differences on interest-bearing receivables and loans	-18.4	16.4
Exchange rate differences on derivative instruments	19.8	-18.5
Total	**1.4**	**-2.1**

2.6 Earnings per share

Accounting principle

Earnings per share

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

	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Net income attributable to the equity holders of the parent, MEUR		246.5	8.1
Weighted average number of shares during financial period, ('000)*		64,443	64,408
Earnings per share, EUR		**3.82**	**0.13**

	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Net income attributable to the equity holders of the parent, MEUR		246.5	8.1
Weighted average number of shares during financial period, ('000)*		64,443	64,408
Effect of share-based incentive programmes, ('000)	3.2	127	101
Diluted weighted average number of shares during financial period, ('000)		64,569	64,508
Diluted earnings per share, EUR		**3.82**	**0.13**

* Due to the lock-up period in the share-based incentive programme 2018–2021 the average number of shares used in the earnings per share calculation differs from the average amount of outstanding shares.

2.7 Information about the impact of COVID-19 in the financial reporting

The economic outlook improved in 2021 by the progress of vaccination programmes and a strong recovery in demand, which led to global economic growth reaching its highest level in decades. The outlook was further enhanced by massive fiscal stimulus programs, largely targeting energy and infrastructure projects. Economic growth and investment were reflected in strong demand for Cargotec's equipment solutions and service offering in 2021.

The economic outlook has been overshadowed by rapid changes in the pandemic situation, economic instability in many sectors and uncertainty about the continuity of economic growth. The strong economic recovery has pushed up prices of both materials and transport, and caused shortages of them.

For Cargotec, the shortages of components and prolonged disruptions in the logistics chain, sharp price increases, and problems with electricity distribution have led to increased inventories, reduced cash flow, delayed deliveries, and generated additional costs that cannot be fully passed on to customer prices.

If continued, strong economic growth and rising prices could lead to larger and earlier investments in companies, strengthening the economic cycle and increasing risks as the economy recovers or financing tightens. Due to their size, announced fiscal stimulus programmes may also have an upward effect on inflation. On the other hand, central banks' actions against accelerating inflation will also increase uncertainty, as the expected changes to the ongoing monetary stimulus programmes could lead to a sharp rise in market interest rates.

An increase in interest rates would increase Cargotec's financing costs, reduce the value of items measured at present value and thus also increase the risk of impairment of MacGregor's goodwill. Short-term risks for Cargotec also include credit losses related to customer receivables. Bankruptcies have decreased during the pandemic due to temporary changes in bankruptcy laws but as these end and monetary stimulus is decreased, credit losses may increase. There was no material increase in Cargotec's realised credit losses in 2021. The credit loss allowance related to trade receivables was EUR 18 (December 31, 2020: 19) million at the time of review.

Cargotec seeks to take uncertainties into account in its decision-making and to reflect these uncertainties in its financial reporting through management's estimates and judgments applied, the effect of which is emphasised in the current operating environment.

MacGregor goodwill impairment testing

MacGregor's goodwill impairment testing was renewed on December 31, 2021 due to the low level of MacGregor's recoverable amount in relation to the assets being tested. The recoverable amount of the MacGregor segment was determined based on value in use, and the test showed a decrease compared to the third quarter of 2021 testing. The change was mainly due to increase in the weighted average cost of capital (WACC) used for discounting the forecasted cash flows in the value in use model. The pre-tax WACC applied in the testing was 9.9 (31 Dec 2020: 9.2) percent.

Based on the performed impairment tests, no impairment loss has been recognised. However, MacGregor's recoverable amount is still on a low level in comparison to the assets being tested, and it is sensitive to changes in WACC as well as in forecasts. MacGregor segment's goodwill on the reporting date was EUR 469.0 (31 Dec 2020: 481.9) million.

As part of MacGregor's impairment testing, sensitivity analyses have been performed for the key assumptions based on three different scenarios. The changes tested in the analyses are a 2 percentage point increase in the discount rate in the first scenario, a 10 percent decrease in turnover and a 2 percentage point decrease in operating profit margin throughout the estimation period in the second scenario, and the combined effect of the previous scenarios in the third scenario. The results of the sensitivity analysis are presented in the table below.

MacGregor goodwill sensitivity analysis

		Sensitivity analysis scenarios and results		
		Scenario 1	Scenario 2	Scenario 3
	Recoverable amount in excess of book value of assets, MEUR	WACC +2 percentage points	Sales -10 percent and operating profit -2 percentage points	Sales -10 percent, operating profit -2 percentage points and WACC +2 percentage points
31 Dec 2021	86.0	Impairment*	Impairment**	Impairment
31 Dec 2020	127.0	Impairment*	Impairment**	Impairment

* Threshold for impairment was WACC before taxes +1.0 percentage points (31 Dec 2020: WACC after taxes +1.3 percentage points).

** Threshold for impairment was estimation period sales -10 percent and operating profit -0.5 percentage points (31 Dec 2020: estimation period sales -10 percent and operating profit -0.5 percentage points).

Due to the current minor excess value of MacGregor's recoverable amount compared to the book value of assets, should the scenarios considered in the sensitivity analysis realise, the amount to be written off would be; EUR 56 (31 Dec 2020: 51) million in the first scenario, EUR 183 (168) million in the second, and EUR 269 (282) million in the third.

Goodwill impairment testing of Kalmar and Hiab

As part of the annual goodwill impairment testing, the recoverable amounts of the Kalmar and Hiab segments were determined based on value in use. The pre-tax WACC used in the testing was 9.4% (2020: 9.9%) for Kalmar and 9.0% (2020: 9.3%) for Hiab. Based on the testing, no impairment was recorded in the goodwill of either segment, nor did any of the sensitivity analyses indicate an impairment. Sensitivity analyses were performed based on the same principles as the sensitivity analyses performed for MacGregor described above.

3. EMPLOYEE BENEFITS

3.1 Personnel expenses

MEUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Wages and salaries		599.4	612.4
Equity-settled share-based payments	3.2	3.8	2.8
Cash-settled share-based payments	3.2	7.9	2.0
Pension costs	3.4	64.3	59.7
Other statutory employer costs		81.1	90.1
Total		**756.5**	**767.0**

Information on key management compensation is presented in note 3.3, Management remuneration. Number of employees is presented in note 2.1, Segment information.

3.2 Share-based payments

Accounting principle

Share-based payments

Cargotec Corporation has share-based incentive plans which include incentives paid as shares or in cash. The benefits granted in accordance with the incentive plan are measured at fair value at the grant date and are expensed on a straight-line basis over the vesting period. The fair value of the equity-settled incentives is based on the market price of the share at the grant date. Equity-settled incentives include benefits paid in shares and the portion of share benefits that is used to pay income taxes if Cargotec has an obligation to withhold them. The share-based payments settled with equity instruments are not revalued subsequently, and cost from these arrangements is recognised as an increase in equity. The cash-settled share-based incentives are valued at fair value at each closing until the settlement date and recognised as a liability.

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

Share-based incentive programme 2020–2024

Incentive programme for the years 2020–2024 is targeted to the members of the Leadership Team and other key persons. The programme consists of three annually granted incentive programme periods in which rewards are conditional on the fulfilment of a three-year service condition and performance conditions tied to financial targets that are separately set for each year. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The reward is paid after each three-year incentive programme period based on fulfillment of the vesting criteria.

	2021	2020
First year earnings criteria	Comparable operating profit	Comparable operating profit, Navis' sales, cloud transformation
Second year earnings criteria		Service business gross profit
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–23,100 shares and a cash portion for taxes	0–24,400 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	11.8	5.4
Initial number of participants	114	151
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	-	147
Participants fullfilling the minimum earnings criteria on 31 Dec 2021	111	95
Number of class B shares granted	276,870	359,590
Number of class B shares forfeited in 2020	-	7,980
Number of class B shares forfeited in 2021	16,620	102,748
Number of class B shares paid during 2021 related to sale of Navis	-	15,924
Number of class B shares subject to vesting conditions on 31 Dec 2020	-	351,610
Number of class B shares subject to vesting conditions on 31 Dec 2021	260,250	232,938

Share-based bridge incentive programme 2020–2023

Share-based bridge incentive programme is targeted to key persons selected by the Board of Directors. The vesting criteria in the programme are the completion of Cargotec's and Konecranes' merger and a service condition that ends one year after completion of the merger. Rewards are granted and paid in Cargotec class B shares in addition to which Cargotec pays taxes and tax-related expenses related it. Rewards are paid after completion of the merger and are subject to a lock-up period that ends as the service condition is fulfilled.

	2020
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–7,521 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	5.7
Initial number of participants	66
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	66
Participants fullfilling the minimum earnings criteria on 31 Dec 2021	63
Number of class B shares granted	98,289
Number of class B shares forfeited in 2020	-
Number of class B shares forfeited in 2021	8,427
Number of class B shares subject to vesting conditions on 31 Dec 2020	98,289
Number of class B shares subject to vesting conditions on 31 Dec 2021	89,862

Share-based incentive programme 2017–2020

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

	2019	2018	2017
First year earnings criteria	Service business gross profit, Navis' sales	Service business gross profit, Navis' sales	Service business gross profit, return on capital employed, Navis' sales
Second year earnings criteria	Comparable operating profit, Navis' sales and cloud transformation	Comparable operating profit, Navis' sales	Return on capital employed, Navis' sales
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–23,100 shares and cash for taxes	0–15,040 shares and cash for taxes	0–18,600 shares and cash for taxes
Expected total cost of the programme on grant date, MEUR	9.7	7.8	8.5
Initial number of participants	146	146	100
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	128	118	Ended
Participants fullfilling the minimum earnings criteria on 31 Dec 2021	106	Ended	Ended
Number of class B shares granted	291,250	184,880	183,200
Number of class B shares forfeited in 2020 and earlier	137,571	144,615	158,689
Number of class B shares forfeited in 2021	119,819	Ended	Ended
Number of class B shares subject to vesting conditions on 31 Dec 2020	153,679	40,265	Ended
Number of class B shares subject to vesting conditions on 31 Dec 2021	33,860	Ended	Ended

Matching share programme 2019–2022

Matching share incentive programme for the years 2019–2022 is targeted to the members of the Leadership Team and other key persons. Persons participating in the program make an investment to Cargotec shares at the inception of the program and receive an equivalent amount of shares in accordance with the matching share programme. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The vesting condition related to matching shares is tied to working condition so that one third of the reward is earned annually over the three year period after which the vested shares have a lock-up period of one year except the shares vested during the last year for which there is no lock-up period. The amount of reward is restricted if during a year when its vesting conditions are met, the average price of Cargotec share exceeds 60 euros.

	2019
Earnings criteria	Service condition, shareholding condition
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–24 770 shares and cash for taxes
Expected total cost of the programme on grant date, MEUR	6.0
Initial number of participants	7
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	7
Participants fullfilling the minimum earnings criteria on 31 Dec 2021	6
Number of class B shares granted	98,413
Number of class B shares forfeited in 2020 and earlier	-
Number of class B shares paid during 2020	32,802
Number of class B shares forfeited in 2021	3,906
Number of class B shares paid during 2021	32,802
Number of class B shares subject to vesting conditions on 31 Dec 2020	65,611
Number of class B shares subject to vesting conditions on 31 Dec 2021	28,903

Restricted shares incentive programmes 2019

Restricted incentive programme is targeted to key persons selected by the Board of Directors. The vesting criteria in the 2019 programme is the fulfillment of a two-year service condition. Reward is granted and paid in Cargotec class B shares in addition to which Cargotec pays taxes and tax-related expenses related to it. Rewards are paid after the end of the vesting period.

	2019
Earnings criteria	Service condition
Expected total cost of the programme on grant date, MEUR	0.4
Initial number of participants	3
Number of participants on 31 Dec 2020	5
Number of participants on 31 Dec 2021	Ended
Number of class B shares granted	9,029
Number of class B shares forfeited in 2020 and earlier	-
Number of class B shares forfeited in 2021	-
Number of class B shares subject to vesting conditions on 31 Dec 2020	9,029
Number of class B shares subject to vesting conditions on 31 Dec 2021	Ended

Restricted shares incentive programmes 2020–2024

Restricted incentive programme is targeted to key persons selected by the Board of Directors. The programme consists of three annually granted engagement periods in which rewards are conditional on the fulfilment of a three-year service condition. In addition, earnings criteria based on financial targets may be set for the first year of the engagement periods. The reward is granted and paid in Cargotec class B shares in addition to which Cargotec pays taxes and tax-related expenses related to it. Rewards are paid after the end of the vesting period. No rewards were granted under the programme during 2021.

	2021	2020
Earnings criteria	-	Service condition
Expected total cost of the programme on grant date, MEUR	-	0.3
Initial number of participants	-	2
Number of participants on 31 Dec 2020	-	2
Number of participants on 31 Dec 2021	-	3
Number of class B shares granted	-	3,968
Number of class B shares forfeited in 2020	-	-
Number of class B shares forfeited in 2021	-	-
Number of class B shares subject to vesting conditions on 31 Dec 2020	-	2,482
Number of class B shares subject to vesting conditions on 31 Dec 2021	-	3,968

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

	Recognised as cost during the period		Recognised as provision on 31 Dec	
MEUR	2021	2020	2021	2020
Share-based incentive programme 2020–2024	6.7	2.6	5.0	1.5
Share-based bridge incentive programme 2020–2023	2.7	0.6	2.3	0.4
Share-based incentive programme 2017–2020	1.4	-0.4	-	0.8
Matching share programme 2019–2022	1.5	1.9	1.1	1.4
Restricted shares incentive programmes 2020-2024	0.1	0.0	0.1	0.0
Restricted shares incentive programme 2019	0.2	0.3	-	0.3
Total	**12.7**	**5.0**	**8.4**	**4.4**

The increase in the cost of share-based payment plans in 2021 is mainly due to the development of Cargotec's share price.

3.3 Management remuneration

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

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Wages, salaries and other short-term employee benefits	7.4	7.5
Share-based payments	5.4	2.8
Post-employment benefits	0.8	0.3
Termination benefits	1.3	-
Total	**14.8**	**10.7**

The composition of Cargotec's Leadership Team has changed during 2021. The remuneration of the new Leadership Team members is included in the key management compensation information from the appointment date.

The CEO and members of the Leadership Team are participants in the share-based incentive programmes. The table below summarises the number of Cargotec class B shares paid to them based on these programmes.

	The CEO		Other members of the Leadership Team	
Number of class B shares	2021	2020	2021	2020
Share-based incentive programme 2018, earnings period 2018-2019	-	2,938	-	9,876
Share-based incentive programme 2019, earnings period 2019-2020	1,650	-	6,938	-
Matching share programme 2019-2022, first installment	-	8,256	-	20,640
Matching share programme 2019-2022, second installment	8,256	-	20,640	-
Restricted shares incentive programme 2019	-	-	2,755	-
Total	**9,906**	**11,194**	**27,578**	**30,516**

At the end of 2021, the CEO and members of the Leadership Team are participants to the share-based incentive programme 2020 and 2021. Additionally, the CEO and seven other members of the Leadership Team are participants to the share-based bridge incentive programme and the CEO and four other members of the Leadership Team to the third installment of the matching share programme 2019–2022.

Further information on the incentive programmes is presented in note 3.2, Share-based payments.

Cargotec has extended in 2020 a retention incentive programme to the CEO for the transition period prior to completion of the merger between Cargotec and Konecranes and creation of the combined company to ensure Cargotec's business performance, successful execution of the merger, and shareholder value creation in 2021. The value of the retention programme is EUR 1.5 million, and the payment under the programme will be paid as a one-off payment to the CEO's supplemental pension plan under the new pension agreement after the completion of the merger. The payment is subject to the following preconditions: The merger is completed, the CEO continues in the service of the company, he has not served a notice of termination prior to the completion of the merger and has performed his duties according to his contract. The capital redemption policy related to the retention incentive programme has been pledged to the director as security for the pension agreement promise, creating a liability of EUR 1.5 million for Cargotec.

The CEO is entitled to a supplemental defined contribution pension benefit. According to the renewed pension agreement in 2020, the CEO is entitled to retire at the age of 65. If the CEO's service ends before the retirement age of 65 determined in the pension agreement, the CEO is entitled to begin taking the supplemental pension at the age of 62. No supplemental pension contributions have been paid in 2021or 2020. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 0.2 (2020: 0.2) million was recorded in year 2021. Other Finnish members of the Leadership Team are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme in Finland. Kalmar Business Area President has a supplemental defined contribution pension plan, following the local market practice. The members of the Leadership Team 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 top management on 31 December 2021 or 31 December 2020, except the above mentioned EUR 1.5 million pledge given as security for the CEO's pension agreement promise.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Mika Vehviläinen*	CEO	2,453.6	1,637.7
Ilkka Herlin	Chairman of the Board	109.2	115.4
Tapio Hakakari**	Vice Chairman of the Board	78.2	81.9
Jorma Eloranta	Member of the Board (until 27 May 2020)	-	5.0
Jaakko Eskola	Member of the Board (as of 23 March 2021)	59.0	-
Peter Immonen	Member of the Board (until 23 March 2021)	5.0	67.0
Teresa Kemppi-Vasama	Member of the Board	64.0	65.0
Johanna Lamminen	Member of the Board	60.0	59.0
Casimir Lindholm	Member of the Board (as of 23 March 2021)	57.0	-
Kaisa Olkkonen	Member of the Board	64.0	68.0
Teuvo Salminen**	Member of the Board	79.0	82.7
Heikki Soljama	Member of the Board	59.0	58.0

* Includes, in addition to the base salary, fringe benefits and short-term incentive pay out, also taxable income from share-based incentive programmes.

** Additionally in 2021 Tapio Hakakari and Teuvo Salminen received each an EUR 150,000 compensation based on a separate consultancy agreement for the merger related preparation work during 2021, which is not included in the figures above.

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

3.4 Post-employment benefits

Accounting principle

Pension obligations

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

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

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

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

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

Estimates and assumptions requiring management judgement

Defined benefit plans

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

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

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

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

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

MEUR	2021	2020
Present value of unfunded obligations	109.3	108.4
Present value of funded obligations	40.8	40.0
Fair value of benefit plan assets	41.6	38.1
Net liability	**108.5**	**110.4**
Net liability on balance sheet	112.9	115.5
Net asset on balance sheet	4.4	5.2
Expense related to defined contribution plans	57.4	51.5
Expense related to defined benefit plans and other post-employment benefits	6.9	8.1
Expense in the statement of income	**64.3**	**59.6**
Remeasurement of defined pension benefits and other post-employment benefits	-0.7	-1.2
Remeasurement in the statement of comprehensive income	**-0.7**	**-1.2**

Expected contributions to defined benefit plan assets during the next reporting period is EUR 6.9 (31 Dec 2020: EUR 4.8) million. The weighted average duration of the defined benefit obligations was 18.7 (16.6) years.

Reconciliation of the net defined benefit obligation

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2021	148.4	-38.1	110.4
Current service cost	5.5	-	5.5
Interest expense (+) / income (-)	1.8	-0.5	1.3
Past service cost	0.1	-	0.1
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-0.1	-0.1
Actuarial gain (-) / loss (+) from change in demographic assumptions	0.2	-	0.2
Actuarial gain (-) / loss (+) from change in financial assumptions	-2.4	-	-2.4
Experience adjustment gain (-) / loss (+)	2.9	-	2.9
Foreign exchange rate gains (-) / losses (+)	0.1	-1.8	-1.7
Contributions by employer	0.4	-3.7	-3.3
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-5.7	2.1	-3.6
Settlements	-0.4	-	-0.4
Companies acquired and sold	-	-	-
Transfered as held for sale	-0.8	0.5	-0.3
31 Dec 2021	**150.1**	**-41.6**	**108.5**

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2020	142.1	-36.1	106.0
Current service cost	6.0	-	6.0
Interest expense (+) / income (-)	2.2	-0.7	1.5
Past service cost	0.6	-	0.6
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-2.2	-2.2
Actuarial gain (-) / loss (+) from change in demographic assumptions	0.3	-	0.3
Actuarial gain (-) / loss (+) from change in financial assumptions	3.5	-	3.5
Experience adjustment gain (-) / loss (+)	-0.4	-	-0.4
Foreign exchange rate gains (-) / losses (+)	0.3	1.4	1.7
Contributions by employer	0.6	-2.3	-1.8
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-5.4	1.9	-3.5
Settlements	-0.1	-	-0.1
Companies acquired and sold	0.1	-	0.1
Transfered as held for sale	-1.3	-	-1.3
31 Dec 2020	**148.4**	**-38.1**	**110.4**

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2021	106.1	18.7	6.4	18.9	150.1
2020	104.5	18.6	5.5	19.7	148.4
Fair value of plan assets:					
2021	7.2	23.0	4.3	7.1	41.6
2020	6.6	23.3	3.7	4.5	38.1

Allocation of plan assets

MEUR	2021	2020
Debt instruments	4.8	1.4
Investment funds	2.6	4.2
Qualifying insurance policies	4.6	4.8
Equity instruments	4.1	3.4
Other assets	25.4	24.4
Total plan assets	**41.6**	**38.1**

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

Defined benefit plans: applied actuarial assumptions

%	Sweden	United Kingdom	Norway	Other countries*
Discount rate 2021 (2020)	1.9 (1.2)	1.8 (1.2)	1.5 (1.5)	1.4 (2.0)
Expected rate of salary increases 2021 (2020)	2.5 (1.8)	3.7 (2.8)	2.5 (2.0)	3.2 (3.1)
Expected pension growth rate 2021 (2020)	2.2 (1.5)	3.7 (2.8)	1.5 (1.5)	3.2 (1.9)

* 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.

Sensitivity analysis of the relevant actuarial assumptions' impact on defined benefit obligation

MEUR	2021	2020
0.5%-point increase in the principal assumption		
Discount rate	-11.3	-11.5
Expected rate of salary increases	4.1	4.5
Expected pension growth rate	8.8	8.5
0.5%-point decrease in the principal assumption		
Discount rate	12.8	13.1
Expected rate of salary increases	-3.5	-3.9
Expected pension growth rate	-7.8	-7.7
Change in the life expectancy		
Effect of 1 year increase in the life expectancy	6.0	6.0
Effect of 1 year decrease in the life expectancy	-5.9	-5.9

The table above summarises the results of the sensitivity analysis prepared separately for each plan, and for each relevant actuarial variable, by an external actuary. The sensitivity analysis has been prepared for one variable at a time while holding all other variables constant. Regardless of the actual volatility of the given variable, for presentation purposes the analysis has been prepared by assuming a fixed change in the key variable as indicated in table. Consequently, the purpose of the analysis is not to quantify possible or expected change in the defined benefit obligation but to illustrate the sensitivity of the value of obligation to these variables, the fluctuation of which may deviate from the figures presented in practice. The sensitivity analysis covers 87 (31 Dec 2020: 89) percent of the net defined benefit liability recognised on the balance sheet.

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

4. INCOME TAXES

Accounting principle

Income taxes

Income taxes in the statement of income include group companies' taxes based on the taxable income, changes in deferred taxes and adjustments to taxes for previous periods. Income taxes based on the taxable income are calculated by using the local tax rates and laws enacted or substantively enacted at the end of the reporting period. Tax is recognised in the statement of income except to the extent that it relates to items recognised in the statement of other comprehensive income, in which case the tax is presented in the statement of other comprehensive income. Deferred taxes are calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on the unutilised tax losses. Deferred tax liabilities are recognised in full and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred taxes are measured with the tax rates and laws that are enacted or substantively enacted at the end of the reporting period and that are expected to apply when the asset is realised or liability settled. When there is uncertainty over an income tax treatment, Cargotec considers uncertain tax positions either separately or together as a group based on the approach that better predicts the resolution of the uncertainty. Recognised income taxes are adjusted where it is considered probable that a tax authority or competent court will not accept an uncertain tax treatment applied by Cargotec in an income tax filing. Income taxes are in that case adjusted either based on an estimate of the most likely amount or the expected weighted average value of the final tax amount, taking into account the tax authorities' expected acceptance of the chosen tax treatment.

Estimates and assumptions requiring management judgement

Income taxes

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

Cargotec is subject to income tax in several jurisdictions where there may be uncertainty over an income tax treatment and the interpretation of tax legislation requires management judgment. Cargotec assesses regularly uncertainties related to income tax treatments and where required, adjusts the recognised taxes either to an estimate of the most likely amount or the expected weighted average value of the final tax amount taking into account the tax authorities' expected acceptance of the chosen tax treatment.

4.1 Income tax reconciliation

Taxes in statement of income

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Current year tax expense	88.0	28.8
Change in current year's deferred tax assets and liabilities	-3.4	-2.8
Tax expense for previous years	1.8	0.5
Total	**86.4**	**26.4**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Income before taxes	333.1	34.5
Tax calculated at Finnish tax rate (20%)	66.6	6.9
Effect of different tax rates in foreign subsidiaries	21.1	4.4
Tax expense for previous years	1.8	0.5
Tax-exempt income and non-deductible expenses	-20.2	9.3
Realisability of deferred tax assets	15.8	6.7
Withholding tax, non-creditable	3.1	0.8
Effect of changes in tax rates	-0.6	-2.3
Other	-1.2	0.1
Total taxes in statement of income	**86.4**	**26.4**
Effective tax rate, %	25.9	76.6

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2021			1 Jan–31 Dec 2020		
MEUR	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Cash flow hedges	-13.7	2.3	-11.3	15.3	-1.8	13.5
Translation differences	65.9	-	65.9	-77.9	-	-77.9
Actuarial gains (+) / losses (-) from defined benefit plans	-0.5	0.0	-0.5	-1.2	0.3	-0.9
Designated share investments measured at fair value	14.2	-	14.2	5.5	-	5.5
Total other comprehensive income	**65.9**	**2.4**	**68.3**	**-58.3**	**-1.5**	**-59.8**

4.2 Deferred tax assets and liabilities

2021 MEUR	1 Jan	Recognised in statement of income	Recognised in other comprehensive income	Companies acquired and sold	Translation differences	Assets held for sale**	31 Dec
Deferred tax assets							
Intangible and tangible assets	73.4	-5.2	-	-	0.3	0.4	68.9
Inventories	20.2	3.9	-	-	0.6	-0.1	24.6
Provisions and accruals	18.9	7.1	-	-	0.9	-1.4	25.6
Tax losses and credits carried forward	43.2	-14.4	-	-	1.7	0.2	30.7
Other temporary differences	18.2	-0.2	3.5	0.2	-1.2	-0.2	20.4
Deferred tax assets total	174.0	-8.8	3.5	0.2	2.3	-1.0	170.2
Offset against deferred tax liabilities*	-50.4	12.4	-2.4	-	-0.1	-	-40.5
Deferred tax assets, net	**123.6**	**3.5**	**1.1**	**0.2**	**2.2**	**-1.0**	**129.7**
Deferred tax liabilities							
Intangible and tangible assets	49.1	-2.0	-	-	2.0	5.3	54.4
Other temporary differences	22.0	-10.9	1.0	0.2	0.5	0.1	12.9
Deferred tax liabilities total	71.1	-12.8	1.0	0.2	2.6	5.4	67.4
Offset against deferred tax assets*	-50.4	12.4	-2.4	-	-0.1	-	-40.5
Deferred tax liabilities, net	**20.6**	**-0.4**	**-1.4**	**0.2**	**2.5**	**5.4**	**26.9**
Deferred taxes, net asset	**102.9**	**4.0**	**2.6**	**0.0**	**-0.3**	**-6.4**	**102.8**

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

** Additional information of assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

2020 MEUR	1 Jan	Recognised in statement of income	Recognised in other comprehensive income	Companies acquired and sold	Translation differences	Assets held for sale**	31 Dec
Deferred tax assets							
Intangible and tangible assets	73.5	1.6	-	-0.6	-1.0	-0.2	73.4
Inventories	20.6	-0.5	-	0.8	-0.7	-	20.2
Provisions and accruals	24.8	-3.3	-	-	-1.1	-1.5	18.9
Tax losses and credits carried forward	41.4	4.0	-	0.1	-1.8	-0.4	43.2
Other temporary differences	18.1	2.2	-1.5	-	-0.5	-	18.2
Deferred tax assets total	178.3	4.0	-1.5	0.3	-5.0	-2.1	174.0
Offset against deferred tax liabilities*	-47.1	-3.0	-0.8	-	0.5	-	-50.4
Deferred tax assets, net	**131.2**	**1.0**	**-2.3**	**0.3**	**-4.5**	**-2.1**	**123.6**
Deferred tax liabilities							
Intangible and tangible assets	72.1	-2.2	-	1.1	-3.0	-18.9	49.1
Other temporary differences	14.0	9.7	0.2	-1.7	-0.3	-	22.0
Deferred tax liabilities total	86.2	7.5	0.2	-0.5	-3.4	-18.9	71.1
Offset against deferred tax assets*	-47.1	-3.0	-0.8	-	0.5	-	-50.4
Deferred tax liabilities, net	**39.1**	**4.5**	**-0.6**	**-0.5**	**-2.8**	**-18.9**	**20.6**
Deferred taxes, net asset	**92.2**	**-3.5**	**-1.7**	**0.8**	**-1.6**	**16.8**	**102.9**

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

** Additional information of assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Deferred tax assets are recognised for tax losses and credits carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable, considering expiry dates, if any. Where there is a recent history of loss, Cargotec assesses if that loss arises from factors which are likely to recur. The recognition of deferred tax assets is supported by offsetting deferred tax liabilites and where applicable an assessment of earnings history and profit projections in the relevant jurisdictions.

On 31 December 2021, Cargotec had EUR 361.9 (31 Dec 2020: 339.9) million of tax losses and credits carried forward for which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses and credits of EUR 9.6 (31 Dec 2020: 12.5) million will expire during the next five years and EUR 352.3 (31 Dec 2020: 327.5) million have no expiry date or will expire after five years. Unrecognised tax losses and credits relate mainly to Norway and Germany.

As of 31 December 2021, Cargotec had reduced income tax assets recorded by net amount of EUR 14.6 (31 Dec 2020: 15.4) million to reflect uncertainty related to income taxes. The matter mainly relates to the non-acceptance of tax deductions for which Cargotec may appeal and claim a tax refund.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that the earnings will be distributed in the foreseeable future. On 31 December 2021, Cargotec had EUR 315.1 (31 Dec 2020: 165.4) million of undistributed profits for which no deferred tax liability was recognised.

5. NET WORKING CAPITAL

5.1 Net working capital

MEUR	Note	31 Dec 2021	31 Dec 2020
Inventories	5.2	792.9	579.7
Operative derivative assets		18.5	32.2
Accounts receivable	5.3	632.9	535.0
Other operative non-interest-bearing assets		250.6	235.2
Working capital assets		**1,694.9**	**1,382.1**
Provisions	5.5	-109.8	-113.1
Advances received	2.2	-217.2	-182.7
Operative derivative liabilities		-26.8	-17.7
Accounts payable	5.4	-518.8	-353.0
Pension obligations	3.4	-112.9	-115.5
Other operative non-interest-bearing liabilities		-525.2	-493.0
Working capital liabilities		**-1,510.6**	**-1,274.9**
Net working capital in the balance sheet		**184.3**	**107.1**
Net working capital included in the assets held for sale and associated liabilities*	7.4	-	-3.7
Total		184.3	103.4

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

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

5.2 Inventories

Accounting principle

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 indirect costs related to manufacturing, and overheads. The value of inventory includes impairment related to excess and 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.

Estimates and assumptions requiring management judgement

Inventories

Cargotec recognises an allowance for obsolete inventory items at the end of the reporting period based on the best knowledge. The estimate is based on a systematic and continuous monitoring of the inventory. The nature, state, age structure and volumes based on estimated need are taken into consideration when estimating the amount of obsolescence.

MEUR	31 Dec 2021	31 Dec 2020
Raw materials and supplies	315.8	219.2
Work in progress	204.0	165.9
Finished goods	232.6	166.2
Advance payments paid for inventories	40.5	28.3
Total	792.9	579.7

The value of inventories has been reduced to the net realisable value by an obsolescence provision of EUR 103.9 (31 Dec 2020: 105.5) million at the end of period.

Impairment of inventories included in restructuring costs is presented in note 2.4, Restructuring costs and other items affecting comparability.

5.3 Accounts receivable and other non-interest-bearing receivables

Accounting principle

Accounts receivable

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

MEUR	Note	31 Dec 2021	31 Dec 2020
Non-current			
Non-current non-interest-bearing assets	8.2	8.4	10.4
Receivables related to business combinations and disposals		-	6.9
Total non-current		**8.4**	**17.2**
Current			
Accounts receivable	8.2	632.9	535.0
Unbilled receivables from customer contracts	8.2	111.2	93.9
VAT receivable		71.2	70.4
Deferred interests	8.2	0.1	0.1
Receivables related to business combinations and disposals	8.2	12.0	-
Other deferred assets		73.0	54.4
Total current		**900.3**	**753.9**
Total accounts receivable and other non-interest-bearing receivables		**908.7**	**771.2**

Expected credit losses from trade receivables and contract assets

31 Dec 2021 MEUR	Gross value	Expected credit losses Based on historical risk assessment	Expected credit losses Based on forward-looking risk assessment	Average rate of allowance	Net value on balance sheet
Unbilled receivables and accounts receivable not due	592.5	-0.2	-0.1	0%	592.2
1–90 days overdue	117.1	-0.6	-0.2	-1%	116.4
91–360 days overdue	26.5	-1.8	-0.9	-10%	23.9
Over 360 days overdue	25.4	-7.3	-6.4	-54%	11.6
Total	**761.5**	**-10.0**	**-7.6**	**-2%**	**744.0**

31 Dec 2020 MEUR	Gross value	Expected credit losses Based on historical risk assessment	Expected credit losses Based on forward-looking risk assessment	Average rate of allowance	Net value on balance sheet
Unbilled receivables and accounts receivable not due	507.8	-0.2	-0.2	0%	507.3
1–90 days overdue	86.7	-0.4	-0.6	-1%	85.7
91–360 days overdue	32.4	-2.0	-3.6	-17%	26.8
Over 360 days overdue	21.4	-6.1	-6.2	-57%	9.1
Total	**648.2**	**-8.7**	**-10.6**	**-3%**	**628.9**

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

	Credit loss allowance	
MEUR	2021	2020
Allowance 1 Jan	19.3	19.0
Translation differences	0.1	-0.2
Companies acquired and sold	-1.3	0.0
Increase of allowance	4.2	13.8
Use of allowance	-2.2	-2.4
Reversed allowance	-3.3	-10.3
Assets held for sale*	0.7	-0.7
Other changes	0.0	0.0
Balance 31 Dec	**17.5**	**19.3**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Credit losses recognised in the statement of income

	Credit loss allowance	
MEUR	2021	2020
Movement in the loss allowance during the period	0.9	3.5
Directly recognised credit losses	2.2	1.2
Total	**3.0**	**4.8**

5.4 Accounts payable and other non-interest-bearing liabilities

Repurchase obligations under customer financing agreements include the portion of the consideration received to which Cargotec is not entitled, as the equipment sold under the contractual obligation or otherwise is expected to be repurchased at a later date at the agreed residual value from the financier.

Late cost accruals relate to customer projects that are substantially completed and revenue related to them is fully recognised but, for which, however, certain costs are still expected.

Cost accruals regarding construction contracts relate to customer projects, in which revenue is recognised over time based on the stage of completion under the milestone method. In these projects, the amount of revenue to be recognised according to the stage completion is based on an estimate of the value to the customer, which is not directly proportional to the costs incurred by Cargotec for all manufacturing stages. Cost accrual enables the margin recognised from the project to be kept from one stage of completion to another at the level of the expected project margin.

Prepayments from customer finance agreements include received prepayments in which the residual value of the sold equipment has not been substantially transferred to the customer and, as a result, the agreement is treated as an operating lease.

MEUR	Note	31 Dec 2021	31 Dec 2020
Non-current			
Buy-back obligations from customer finance arrangements	8.2	62.7	58.5
Other non-interest-bearing liabilities	8.2	5.6	4.1
Total non-current		**68.3**	**62.6**
Current			
Accounts payable	8.2	518.8	353.0
Accrued salaries, wages and employment costs		123.4	118.5
Late cost reservations		132.3	102.1
Cost accruals related to construction contracts		15.1	41.0
Prepaid rents from customer finance arrangements		60.4	63.5
VAT liabilities		37.8	24.9
Accrued interests	8.2	4.2	6.6
Liabilities related to business combinations	8.2	1.5	2.6
Other accrued expenses		87.9	85.4
Total current		**981.3**	**797.5**
Total accounts payable and other non-interest-bearing liabilities		**1,049.5**	**860.2**

5.5 Provisions

Accounting principle

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 that are 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 recognised for an onerous contract when the unavoidable costs required to fulfil the commitment exceed the gain to be received from the contract.

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

Estimates and assumptions requiring management judgement

Provisions

The amount of provision 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 adjusted to reflect the current best estimate when necessary. The actual costs may differ from the estimated costs.

2021 MEUR	Product warranties	Claims	Restruc-turing	Onerous contracts	Others	Total
Provisions 1 Jan	76.3	6.4	23.0	4.9	2.4	113.1
Translation differences	0.7	0.2	0.4	0.1	0.0	1.4
Increases	18.2	3.4	11.5	12.3	2.3	47.7
Companies acquired and sold	0.0	-	-	-	-	0.0
Provisions used	-18.9	-1.3	-19.7	-3.1	-1.2	-44.2
Reversals of provisions	-2.6	-1.6	-0.5	-1.3	-2.2	-8.2
Provisions 31 Dec	**73.8**	**7.2**	**14.7**	**12.9**	**1.3**	**109.8**

2020 MEUR	Product warranties	Claims	Restruc-turing	Onerous contracts	Others	Total
Provisions 1 Jan	74.6	7.9	20.4	14.0	4.4	121.3
Translation differences	-0.8	-0.3	-0.7	-0.4	-0.1	-2.2
Increases	18.6	2.2	29.3	3.7	0.9	54.6
Companies acquired and sold	-2.2	-0.7	-	0.0	-	-2.8
Provisions used	-12.7	-1.2	-25.1	-8.2	-1.4	-48.5
Reversals of provisions	-1.2	-1.5	-0.9	-4.1	-1.5	-9.2
Provisions 31 Dec	**76.3**	**6.4**	**23.0**	**4.9**	**2.4**	**113.1**

MEUR	31 Dec 2021	31 Dec 2020
Non-current provisions	6.5	7.2
Current provisions	103.3	105.9
Total	**109.8**	**113.1**

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.

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

Provisions for restructuring are based on plans approved and implemented by the management related to restructuring of operations. Provisions are expected to realise within 1–2 years. Information on restructuring costs can be found in note 2.4, Restructuring costs and other items affecting comparability.

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

Other provisions include various items, e.g. related to personnel.

6. INTANGIBLE AND TANGIBLE ASSETS

6.1 Goodwill

Accounting principle

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of previously owned interest and the fair value of non-controlling interest over the fair value of the net identifiable assets acquired and liabilities assumed. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income. Goodwill is measured at cost less impairment. Impairment losses are recognised in the statement of income. Goodwill is derecognised when subsidiaries are disposed of. The amount of disposed goodwill is determined in relation to the change in the value of the related reporting segment before and after the disposal, based on the value-in-use analysis, or alternatively, based on fair value less cost to sell.

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

An impairment loss is recognised in the statement of income when the carrying amount of the CGU exceeds its recoverable amount. Impairment loss is first allocated to goodwill and then to other assets on a pro rata basis.

Estimates and assumptions requiring management judgement

Impairment testing of goodwill and other intangible assets
Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least annually. For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to cash-generating units. The recoverable amounts of cash-generating units are based on calculations that require management to make estimates and assumptions in determining both future cash flows and the weighted average cost of capital (WACC) used to discount them.

MEUR	2021	2020
Book value 1 Jan	971.9	1,058.5
Translation differences	20.2	-21.1
Companies acquired	5.8	8.0
Companies sold	-24.2	-
Assets held for sale*	-6.8	-73.6
Other changes	-	0.0
Book value 31 Dec	**966.8**	**971.9**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Impairment testing of goodwill

MEUR	31.12.2021	31.12.2020
Kalmar	270.5	267.6
Hiab	227.3	222.4
MacGregor	469.0	481.9
Total	**966.8**	**971.9**

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 based on the value-in-use calculations. The future cash flow projections used in the calculations are based on the strategic plans approved by the top management and the Board of Directors and taking into account the prevailing risks and uncertainties in the market environment. Cash flow forecasts cover five years, of which the last year is used to derive the terminal value. The value of the last year of the forecast period is determined by extrapolating it based on the average development over the past years and the esimated development over the forecasted period, by taking into account the cyclical nature of the CGU's business. Cash flows beyond the forecast horizon have been projected using a growth rate that is based on an estimate of the long-term growth rate of the industries, taking into account the OECD long-term growth projections but capped by the level of risk-free rate used in the calculations. Long-term growth rates have been 1.7 (2020: 1.4) percent for Kalmar, 0.8 (0.5) percent for Hiab, and 2.0 (1.4) percent for MacGregor.

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 estimating future sales growth. Key factors affecting profitability are sales volume, competitiveness and cost efficiency. The relative share of service business from total revenue has also significance in the cash flow projections due to its lower cyclicity and better than average profitability. Additionally, in Kalmar and Hiab segments the utilisation rate of factories and assembly units and their cost competitiveness have a significant impact on profitability. The efficiency improvements over the past years in Kalmar and Hiab have affected positively in financial performance, and the ongoing profit improvement programmes are expected to further improve the profitability in the coming years. MacGregor has continued streamlining its operations in adapting to the difficult market conditions. Additionally, the synergy benefits resulting from the acquisition of TTS are significant. Cash flow projections in the analyses reflect typical working capital build-up in upturns and release during downturns in the Kalmar and Hiab segments. MacGregor's business model ties little working capital, but the estimated timing of orders and related advances received have been taken into account in cash flow estimates.

The discount rate used in the impairment testing is the weighted average cost of capital (WACC) determined for each segment that reflects the total cost of equity and debt, and the market risks related to the segment. Components of WACC are a risk-free interest rate based on average of government bond yields weighted by the sales of cash generating unit in respective countries, market risk premium, comparable peer industry beta, gearing and credit spread. In the impairment testing based on value-in-use, the WACC is determined on a pre-tax basis whereas and in the impairment testing based on fair value less cost to sell, the

WACC is determined on a post-tax basis. The discount rate used in the impairment testing has been determined in the same way as last year. The discount rate (WACC) used for Kalmar was 9.4 (2020: 9.9) percent, for Hiab 9.0 (9.3) percent and for MacGregor 9.9 (9.2) percent. Changes in WACCs from previous year mainly reflect changes in the risk-free rates which as a component of WACC have directly increased it, and as estimates of the long-term growth rate have indirectly decreased it.

As a result of the impairment tests performed no impairment loss has been recognised in 2021 nor 2020.

Sensitivity analyses of the key assumptions have been prepared as part of the impairment testing process for each CGU based on three different scenarios. The tested change in the first scenario is an increase of 2 percentage points in the discount rate, in the second scenario a 10 percent decrease in sales together with a decrease of 2 percentage points in operating profit margin, and in the third scenario the combined effect of the previous scenarios. The sensitivity analyses performed in 2021 and 2020 indicated no risk of impairment for the Hiab and Kalmar segments. The results of MacGregor segment's sensitivity analysis are presented in the table below.

MacGregor goodwill sensitivity analysis

		Sensitivity analysis scenarios and results		
	Recoverable amount in excess of book value of assets, MEUR	WACC +2 percentage points	Sales -10 percent and operating profit -2 percentage points	Sales -10 percent, operating profit -2 percetage points and WACC + 2 percentage points
31/12/2021	86.0	Impairment*	Impairment**	Impairment
31/12/2020	127.0	Impairment*	Impairment**	Impairment

* Threshold for impairment was WACC + 1.0 percentage points (31.12.2020: WACC + 1,3 percentage points)
** Threshold for impairment was estimation period sales -10 percent and operating profit -0,2 percentage points (31.12.2020: estimation period sales -10 percent and operating profit -0,5 percentage points)

Due to the current minor excess value of MacGregor's recoverable amount compared to the book value of assets, the amount to be written off would be significant if the scenarios considered in the sensitivity analysis realise; EUR 56 (31 Dec 2020: 51) million in the first scenario, EUR 183 (31 Dec 2020: 168) million in the second, and EUR 269 (31 Dec 2020: 282) million in the third.

MacGregor's goodwill has been tested for impairment in the years 2021 and 2020 on a quarterly basis. In 2021, the portion of the recoverable amount exceeding the carrying amount of assets was at its lowest EUR 59 million at the end of the second quarter (2020: EUR 7 million at the end of the second quarter). The value is very sensitive to changes in WACC and forecasts, so the downside risk is still significant, although it has decreased since 2020.

6.2 Other intangible assets

Accounting principle

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

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

- Developed and acquired technologies 3–10 years
- Customer relationships and trademarks 3–15 years
- Order book 1–5 years
- Others 2–5 years

The assets' useful lives are reviewed, and adjusted if necessary, on each balance sheet date. Trademarks with indefinite useful lives or intangible assets under development are not amortised, but tested for impairment at least annually. The impairment testing is described in detail in the accounting principle Goodwill, disclosed in note 6.1 Goodwill.

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

Estimates and assumptions requiring management judgement

Amortisation periods applied for the intangible assets
The amortisation periods determined for intangible assets and the related amortisation costs recognised in the statement of income are based on management's estimates of the economic useful lives of the assets.

2021 MEUR	Developed technology	Acquired technology	Customer relation-ships and trademarks	Others*	Total
Acquisition cost 1 Jan	110.8	94.0	175.2	6.1	386.1
Translation differences	0.4	6.9	1.1	0.4	8.8
Additions	4.0	0.9	-	2.3	7.1
Disposals	-0.7	-0.4	-	-0.1	-1.2
Reclassifications	-5.7	0.2	0.3	-0.4	-5.5
Companies acquired and sold	-	0.0	2.0	5.5	7.5
Assets held for sale**	-0.3	-5.6	2.3	0.0	-3.6
Acquisition cost 31 Dec	**108.5**	**96.2**	**180.9**	**13.7**	**399.3**
Accumulated amortisation and impairment 1 Jan	-77.7	-59.6	-58.7	-4.3	-200.4
Translation differences	-0.2	-4.1	-0.3	-0.1	-4.8
Amortisation during the financial period	-9.7	-5.8	-9.1	-0.2	-24.8
Impairment charges	-	-	-1.3	0.0	-1.3
Disposals	0.7	0.3	-	-	1.1
Reclassifications	2.8	-1.3	0.0	0.0	1.5
Companies acquired and sold	-	0.0	0.0	-	0.0
Assets held for sale**	0.3	3.0	-1.3	0.0	2.0
Accumulated amortisation and impairment 31 Dec	**-83.9**	**-67.5**	**-70.7**	**-4.7**	**-226.7**
Book value 31 Dec	24.6	28.7	110.2	9.1	172.6

* Includes EUR 3.3 million of intangible assets under construction.
** Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

2020 MEUR	Developed technology	Acquired technology	Customer relation-ships and trademarks	Others*	Total
Acquisition cost 1 Jan	140.9	117.8	297.1	9.7	565.6
Translation differences	-1.5	-3.1	-11.1	-0.7	-16.4
Additions	0.0	0.4	-	1.6	2.0
Disposals	-4.4	-17.1	-7.5	-1.1	-30.1
Reclassifications	-15.8	18.1	0.6	-3.7	-0.7
Companies acquired and sold	-	5.1	-5.4	0.3	-0.1
Assets held for sale**	-8.4	-27.2	-98.4	-0.1	-134.1
Acquisition cost 31 Dec	**110.8**	**94.0**	**175.2**	**6.1**	**386.1**
Accumulated amortisation and impairment 1 Jan	-86.9	-75.0	-100.2	-7.4	-269.5
Translation differences	0.9	1.8	5.1	0.7	8.5
Amortisation during the financial period	-11.5	-7.9	-15.4	-0.1	-34.9
Impairment charges	-0.5	-	-3.6	-	-4.1
Disposals	4.4	17.3	7.3	1.1	30.1
Reclassifications	7.5	-7.9	-0.3	1.4	0.7
Companies acquired and sold	-	-	-	-	-
Assets held for sale**	8.4	12.0	48.4	0.1	68.8
Accumulated amortisation and impairment 31 Dec	**-77.7**	**-59.6**	**-58.7**	**-4.3**	**-200.4**
Book value 31 Dec	33.1	34.4	116.5	1.8	185.8

* Includes EUR 1.3 million of intangible assets under construction.
** Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

The trademarks have been valued at fair value in connection with the acquisition. Some of the trademarks have been assessed to have indefinite useful lives, including MacGregor trademark. It is estimated that they will create cash flow for an indefinite period. The estimate is based on their global, regional or customer segment specific market leadership and their long history. The MacGregor trademark has been used since the 1930s and it is continuously developed. The trademarks are tested for impairment annually or more frequently if there is an indication that their current value would not be recoverable. The trademarks with indefinite useful life are tested for impairment as a part of the appropriate cash generating unit (CGU). The process is described in more detail in note 6.1, Goodwill. On 31 December 2021, the book value of the intangible assets with indefinite useful life amounted to EUR 36.9 (31 Dec 2020: 36.9) million.

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

6.3 Property, plant and equipment

Accounting principle

Property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at cost less accumulated depreciations and impairment losses, if any. Impairment losses are described in detail in the accounting principle Impairment disclosed in note 6.4 Depreciation, amortisation and impairment charges. Depreciation is recognised on a straight-line basis to write off the cost less the estimated residual value over the estimated economic useful life of assets as follows:

- Machinery and equipment 2–10 years
- Buildings 5–40 years
- Land and water areas are not depreciated

The assets' residual values and useful lives are reviewed, and adjusted if necessary, on each balance sheet date. The cost of major renovations is included either in the asset's carrying amount or recognised as a separate asset, as appropriate, when future economic benefits are expected from the renovations, and the cost of the renovation can be distinguished from ordinary maintenance and repair costs. Financing costs of tangible assets as 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. Gains and losses on sales of property, plant and equipment are included in the operating profit.

Estimates and assumptions requiring management judgement

Depreciation periods applied for the items of property, plant and equipment

The depreciation periods determined for items of property, plant and equipment and the related depreciation costs recognised in the statement of income are based on management's estimates of the economic useful lives of the assets.

2021 MEUR	Owned assets Land and buildings	Owned assets Machinery and equipment	Owned assets Equipment leased to others	Owned assets Others*	Right-of-use assets Land and buildings	Right-of-use assets Machinery and equipment	Total
Acquisition cost 1 Jan	207.8	275.2	183.6	2.9	176.1	55.0	900.6
Translation differences	3.6	4.4	1.9	0.1	4.0	1.7	15.5
Additions	1.7	11.2	16.4	6.9	19.0	17.9	73.1
Disposals	-26.6	-23.2	-26.3	-0.1	-7.7	-9.3	-93.2
Reclassifications	0.4	8.8	10.7	-3.7	-1.0	-1.8	13.5
Companies acquired and sold	0.5	2.1	-	0.2	0.6	-	3.3
Assets held for sale**	0.0	-0.7	-	-0.2	0.5	-	-0.5
Acquisition cost 31 Dec	**187.4**	**277.6**	**186.3**	**6.1**	**191.5**	**63.5**	**912.4**
Accumulated depreciation and impairment 1 Jan	-100.9	-219.1	-64.0	0.0	-57.1	-29.8	-470.9
Translation differences	-2.1	-3.5	-0.7	0.0	-1.8	-0.8	-8.9
Depreciation during the financial period	-6.2	-17.6	-24.8	-	-23.3	-13.9	-85.7
Impairment charges	-0.1	-0.8	-	0.0	-4.6	0.0	-5.5
Disposals	14.9	22.2	16.5	-	3.2	8.6	65.3
Reclassifications	0.1	-2.1	2.3	0.0	0.8	1.8	2.9
Companies acquired and sold	-0.2	-0.9	-	-	0.0	-	-1.1
Assets held for sale**	0.0	0.3	-	-	0.8	-	1.1
Accumulated depreciation and impairment 31 Dec	**-94.4**	**-221.6**	**-70.7**	**0.0**	**-82.2**	**-34.1**	**-502.9**
Book value 31 Dec	93.0	56.1	115.6	6.1	109.3	29.5	409.5

* Includes EUR 6.1 million of assets under construction and EUR 0.0 million of advance payments.
** Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

	Owned assets				Right-of-use assets		
2020 MEUR	**Land and buildings**	**Machinery and equipment**	**Equipment leased to others**	**Others***	**Land and buildings**	**Machinery and equipment**	**Total**
Acquisition cost 1 Jan	217.6	331.3	191.5	4.3	170.1	51.7	966.5
Translation differences	-8.8	-8.9	-1.9	-0.2	-4.4	-1.9	-26.1
Additions	4.2	9.1	26.4	5.0	26.7	12.3	83.7
Disposals	-7.4	-51.8	-41.0	-0.1	-8.8	-5.0	-114.1
Reclassifications	3.3	3.5	8.7	-6.2	0.3	-1.6	8.0
Companies acquired and sold	-0.1	0.3	-	-	0.5	-0.4	0.2
Assets held for sale**	-1.0	-8.4	-	-	-8.2	-	-17.6
Acquisition cost 31 Dec	**207.8**	**275.2**	**183.6**	**2.9**	**176.1**	**55.0**	**900.6**
Accumulated depreciation and impairment 1 Jan	-94.5	-261.5	-68.0	0.0	-32.0	-20.8	-476.7
Translation differences	3.2	6.5	0.9	0.0	1.2	0.9	12.7
Depreciation during the financial period	-6.4	-20.8	-22.9	-	-28.3	-15.0	-93.5
Impairment charges	-7.0	0.0	-	-	-4.5	-	-11.5
Disposals	2.9	50.8	23.3	-	4.1	3.5	84.7
Reclassifications	0.0	-0.6	2.6	-	-0.3	1.6	3.3
Companies acquired and sold	0.1	-	-	-	-	-	0.1
Assets held for sale**	0.7	6.6	-	-	2.6	-	10.0
Accumulated depreciation and impairment 31 Dec	**-100.9**	**-219.1**	**-64.0**	**0.0**	**-57.1**	**-29.8**	**-470.9**
Book value 31 Dec	106.9	56.1	119.6	2.9	119.0	25.2	429.7

* Includes EUR 2.7 million of assets under construction and EUR 0.2 million of advance payments.
** Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

6.4 Depreciation, amortisation and impairment charges

Accounting principle

Impairments

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

An impairment loss is recognised in the statement of income when the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount. The impairment loss can only be reversed to the extent that the carrying value of an asset is returned to a level where it would have been without the recognised impairment loss. Impairment losses recognised for goodwill cannot be subsequently reversed.

Estimates and assumptions requiring management judgement

Impairment testing

Intangible assets and property, plant and equipment are tested for impairment every time 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. If the carrying amount of an asset exceeds the amount that is recoverable from its use or sale, an impairment loss is recognised immediately so that the carrying amount corresponds to the recoverable amount.

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Cost of goods sold	64.0	62.5
Sales and marketing	14.6	19.4
Research and development	10.1	14.0
Administration	24.2	30.2
Restructuring	2.8	17.9
Other	1.7	0.0
Total	**117.4**	**144.0**

Depreciation, amortisation and impairment charges by asset type are disclosed in notes 6.1, Goodwill, 6.2, Other intangible assets, and 6.3, Property, plant and equipment.

7. GROUP STRUCTURE

Accounting principle

Consolidation principles

The consolidated financial statements comprise the financial statements of Cargotec's parent company and its subsidiaries in which the parent exercises control. Control is achieved when Cargotec is exposed, 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. Generally, there is a presumption that a majority of voting rights results in control. When less than a majority of the voting or similar rights of an investee are held, all relevant facts and circumstances are considered in assessing whether Cargotec has control over an investee. Cargotec reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes in the relevant elements of control. Consolidation of a subsidiary begins when Cargotec obtains control over the subsidiary and ceases when the control is lost. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. 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.

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

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair values. The share of non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The difference, if any, between the consideration transferred and the fair value of net assets obtained is recognised as goodwill. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date the control is obtained, and divested subsidiaries until the date the control is lost. When control is lost, all assets and liabilities related to the disposed subsidiary are derecognised. Additionally, if relevant, the hedging result recognised in other comprehensive income by the disposed subsidiary and the translation differences related to the disposed subsidiary are reclassified to statement of income.

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

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

Investments in joint ventures in which Cargotec exercises joint control and has a right to net assets purely based on the ownership interest held, and associated companies over which Cargotec exercises significant influence, but has no control, are accounted for in the consolidated financial statements under the equity method. Investments in joint ventures and associated companies are initially recognised on the balance sheet at the acquisition cost, which includes goodwill and intangible assets identified on acquisition as well as the costs for acquiring or establishing the joint venture or associated company. Subsequently, the value of investment is adjusted in accordance with changes in the net assets of the investee in proportion to Cargotec's ownership, and in accordance with the amortisations of the intangible assets identified in the acquisition. Investment in a joint venture, or an associated company is derecognised when Cargotec no longer has a joint control, or significant influence over the investee.

Cargotec's share of the joint venture's or associated company's profit for the financial period is presented as a separate item before the operating result in the consolidated statement of income. The results of joint ventures and associated companies are accounted for with equity method based on their most recent financial statements. The carrying amount of investments in joint ventures and associated companies 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 joint venture's or associated company's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are reported only if Cargotec is committed to fulfilling the obligations of the joint venture or associated company.

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

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Open foreign currency-denominated monetary receivables and liabilities at the end of the financial period, both intercompany and external, are translated using the exchange rate of the balance sheet date, and the resulting foreign exchange gains and losses are recognised in the statement of income except when hedge accounting is applied. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Exchange rate differences on other hedges relating to business operations are recorded in other operating income and expenses.

Exchange rate gains and losses related to foreign currency hedges designated as hedges of sales and purchases under hedge accounting are first recognised in the statement of comprehensive income, and finally in the statement of income as adjustments to sales and purchases simultaneously with the related transactions. Exchange rate differences on other hedges relating to business operations are recorded in other operating income and expenses. Foreign exchange gains and losses associated with financing are included in financial income and expenses.

Foreign subsidiaries

The stand-alone financial statements of subsidiaries are reported using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). In the consolidated financial statements, the statement of income and the cash flows of subsidiaries whose functional currency is other than the euro are translated into euros using the average exchange rate of the financial period, and the assets and liabilities on the balance sheets are translated into euros at the balance sheet date exchange rate. Translation differences caused by different exchange rates are recognised through the statement of comprehensive income in the cumulative translation differences in equity. Intercompany loan agreements may form a part of net investment if their settlement is neither planned nor probable in the foreseeable future, and thus the exchange rate gains and losses of these contracts are also recognised as translation differences in equity. When applying hedge accounting for a hedge of a net investment in a foreign operation, exchange rate differences on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, and any ineffective portion is recognised immediately in the statement of income.

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

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

Non-current assets held for sale

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

Estimates and assumptions requiring management judgement

Business combinations

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognised as goodwill according to the accounting principles. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows and returns (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values. More information on the measurement of fair value of the assets acquired through business combinations is presented in note 7.1, Acquisitions and disposals.

Assessment of control, joint control and significant influence

Cargotec applies judgement in determining an appropriate method to account for its ownership in the investees. The investees consolidated as subsidiaries with less than 50 percent of the voting rights are listed in note 7.3, Subsidiaries. In these investments, it has been assessed that Cargotec has de facto control based on shareholder agreements. Note 7.2, Joint ventures and associated companies, presents Cargotec's investments that are accounted for as joint ventures and as associated companies. Cargotec's investments in joint arrangements are classified as joint ventures based on shared control, rights to net assets of the arrangement, and other relevant circumstances related to the arrangements. Cargotec's investments in associated companies include investments, in which Cargotec's voting rights are normally less than 20 percent. Accounting for the investment as an associated company is based on Cargotec's significant influence in the investee. In addition to the voting rights, the determination of the influence is affected by, for example, the ownership structure of the investee and Cargotec's representation in the board of directors, as well as Cargotec's significance as a customer.

7.1 Acquisitions and disposals

Acquisitions in 2021

In September, Hiab acquired the share capital of Galfab LLC in the United States at a purchase price of EUR 3.5 million. Galfab is specialised in designing and manufacturing waste equipment including roll-off hoists and containers, compactors and balers for the waste industry in the US. The acquisition expands Hiab's product portfolio of demountables and Galfab's distribution network as part of Hiab's nationwide US sales and service network. As a result of the acquisition, approximately 100 employees transferred to Hiab.

Consolidation of the acquired business and measurement of intangible assets and goodwill recognised in the acquisition are provisional as of reporting date as the related valuations are ongoing. Fair value measurement of the acquired assets and liabilities is preliminary and subject to adjustments until the valuation is finalised. According to the preliminary assessment, the acquisition will generate EUR 5.5 million of intangible assets, and EUR 4.0 million of goodwill which are tax-deductible.

In April, Hiab acquired Damen Hydrauliek Best B.V., Damen Hydrauliek Venray B.V. and Damen Hydrauliek Elsloo B.V. companies' sales and service businesses in the Netherlands at a purchase price of EUR 2.0 million. Half of the purchase price was paid on closing and the remainder is expected to be paid within the next 12 months. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. In determining fair values, EUR 1.0 million of intangible assets based on customer relationships and EUR 0.2 million of goodwill, that is not tax deductible, were identified. As a result of the acquisition, 30 employees transferred to Hiab.

In January, Hiab acquired the sales and service business of FNS - Fahrzeugbau und Nutzfahrzeugservice GmbH in Germany at a purchase price of EUR 2.8 million. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. In determining fair values, EUR 1.0 million of intangible assets based on customer relationships and EUR 1.7 million of goodwill, that is not tax deductible, were identified. As a result of the acquisition, 15 employees transferred to Hiab.

Acquired net assets and goodwill related to Galfab, Damen and FNS acquisitions
MEUR

Intangible assets	7.5
Property, plant and equipment	2.2
Inventories	10.9
Accounts receivable and other non-interest-bearing assets	5.8
Deferred tax assets	0.2
Accounts payable and other non-interest-bearing liabilities	-4.9
Interest-bearing liabilities	-18.9
Deferred tax liabilities	-0.2
Net assets	**2.5**
Purchase price, payable in cash	8.3
Total consideration	**8.3**
Goodwill	**5.8**
Purchase price, paid in cash	7.3
Cash and cash equivalents acquired, including overdrafts	-
Cash flow impact	**7.3**

The contribution of Galfab, Damen and FNS to Hiab's sales was EUR 15.0 million. Had these acquisitions took place in the beginning of the year, the estimated contribution to Hiab's sales would have been EUR 36.0 million. The acquisitions had no material impact on Hiab's operating profit.

Changes related to previous acquisitions in 2021

Further to the completion of the acquisition of the marine and offshore businesses of TTS Group ASA (now Nekkar ASA) in July 2019, MacGregor concluded in January 2021 a settlement agreement with Nekkar after challenging the calculation of the purchase price. In accordance with the settlement agreement, Nekkar made a total payment of NOK 94.0 million (EUR 9.1 million) to MacGregor as the final settlement of the disputed purchase price. The received payment included a deduction of NOK 8.0 million (EUR 0.8 million) that was previously withheld by MacGregor related to the fulfillment of Nekkar's tax obligations in China following the completion of the acquisition. The settlement amount had an approximately EUR 7 million positive impact on MacGregor's first quarter 2021 operating profit.

Disposals in 2021

On July 1, 2021, Cargotec sold its Navis business to Accel-KKR, a Silicon Valley-based leading technology-focused investment firm for an enterprise value of EUR 380 million. The presented sales profit is final and taking into account transaction costs and other related non-recurring items, the transaction had a positive impact of EUR 230.8 million on Cargotec's operating profit in 2021.

The transaction follows the release issued in March 2021, in which the signing of the sale was announced, and the release issued in February 2020, in which Cargotec announced that it is evaluating strategic options for the future development of Navis. In December 2020, Cargotec announced its decision to launch the sale process for the Navis software business. Navis software solutions for terminal operators, carriers, and ship owners are used to optimise global container flows, and the main product of Navis, the N4 terminal operating system is used by 340 customers in more than 80 countries. Navis recorded sales of EUR 49 million from the first six months of 2021 and EUR 107 million in 2020. As a result of the transaction, Cargotec's personnel reduced by approximately 700 persons.

The table below summarises the assets and liabilities derecognised from Cargotec's balance sheet in connection with the sale, and the realised sales profit.

Navis, sales profit calculation MEUR	
Goodwill	-80.4
Intangible assets	-66.8
Property, plant and equipment	-7.0
Inventory	-0.5
Accounts receivable and other non-interest-bearing receivables	-38.4
Loans receivable and other interest-bearing assets	-0.5
Cash and cash equivalents	-18.7
Deferred tax assets	-3.1
Accounts payable and other non-interest-bearing liabilities	64.0
Interest-bearing liabilities	6.2
Deferred tax liabilities	13.5
Net assets	**-131.7**
Sales price, receivable in cash	374.7
Total consideration	**374.7**
Translation differences	**-3.8**
Sales profit	**239.1**
Sales price, received in cash	372.8
Sales price, receivable in cash	-18.7
Cash flow impact	**354.2**

In July, Hiab sold its South African subsidiary Hiab SA Proprietary Limited for EUR 1.1 million. The sale did not have a significant impact on the reported figures.

Acquisitions in 2020

On 26th of May Cargotec sold its 49% joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Simultaneously, certain operations and assets were acquired from the disposed joint venture, and approximately 160 RCI employees transferred from RCI to Kalmar. Via restructuring, Cargotec aims to simplify its operations related to global supply chains. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. The acquisition price paid on closing was EUR 3.9 million and an additional EUR 0.7 million will fall due within the next two years. The final balance sheet value of the acquired assets and deferred tax asset is EUR 1.5 million and the difference is recorded as goodwill, which is not tax deductible. Additional information about the sold ownership in RCI is disclosed in note 7.2, Joint ventures and associated companies.

Acquired net assets and goodwill, RCI, MEUR	
Property, plant and equipment	0.2
Inventories	0.5
Deferred tax assets	0.8
Net assets	**1.5**
Purchase price, payable in cash	4.6
Total consideration	**4.6**
Goodwill	**3.1**
Purchase price, paid in cash	4.2
Cash flow impact	**4.2**

Navis, part of Kalmar, acquired on 20 March 2020 the business assets of Biarri Rail based in Australia at a consideration of EUR 8.2 million in a transaction that is accounted for as a business combination. The purchase consideration includes a deferred payment of EUR 0.6 million that falls due in 18 months from the acquisition. The main asset acquired, Biarri Rail software, for planning and scheduling freight railroads. The acquired business supports Navis in expanding to inland terminals. The acquired business is consolidated into Kalmar segment's result from 1 April 2020. Consolidation of the acquired business and measurement of assets and liabilities is presented as final on reporting date. Intangible assets related to technologies were identified in determining the fair values, and the acquisition generated goodwill that is not tax-deductible.

Acquired net assets and goodwill, Biarri Rail **MEUR**	
Intangible assets	3.9
Accounts payable and other non-interest-bearing liabilities	-0.2
Deferred tax liabilities	-1.2
Net assets	**2.5**
Purchase price, payable in cash	8.2
Total consideration	**8.2**
Goodwill	**5.7**
Purchase price, paid in cash	7.6
Cash flow impact	**7.6**

Kalmar acquired in October the sales and service business of MPO - Maquinás Portuárias, S.A. in Portugal for a consideration of EUR 0.4 million. The acquisition had no material impact on the reported figures.

7.2 Joint ventures and associated companies

	Joint ventures		Associated companies		Total	
MEUR	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Book value 1 Jan	25.2	70.3	31.5	50.5	56.7	120.8
Translation differences	1.4	1.5	-1.3	2.1	0.1	3.6
Share of net income	0.7	0.6	6.3	4.6	7.0	5.3
Share of other comprehensive income	-	-	-0.3	-	-0.3	-
Impairment	0.0	-4.2	-0.5	6.0	-0.5	1.8
Dividend income	-5.0	-0.1	-	-	-5.0	-0.1
Additions	15.7	-	-	-	15.7	0.0
Reclassification to financial assets	-	-	-	-31.8	-	-31.8
Disposals and liquidations	-	-43.0	-	-	-	-43.0
Book value 31 Dec	**38.0**	**25.2**	**35.7**	**31.5**	**73.7**	**56.7**

Equity-accounted investments in other entities

31 Dec 2021 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Shareholding (%) Group
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	5.6	0.7	5.7	-0.1	-	25.0
CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd	China	Joint venture	1.2	0.8	0.8	-0.2	-	49.0
CSSC MacGregor Marine Equipment Co., Ltd.	China	Joint venture	15.9	13.7	0.0	-1.9	-	50.0
TTS Hua Hai Ships Equipment (Shanghai) Co., Ltd.	China	Joint venture	31.9	20.5	65.2	3.6	-	50.0
TTS Bohai Machinery (Dalian) Co., Ltd.	China	Joint venture	15.5	3.0	26.4	1.3	-	50.0
TTS SCM Marine and Offshore Machinery Co., Ltd.	China	Joint venture	19.3	13.5	28.8	0.1	-	50.0
Bruks Siwertell Group AB	Sweden	Associated company	149.2	73.5	169.4	13.5	-	47.2
Other equity-accounted investments			5.2	2.4	3.5	-0.2		

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

31 Dec 2020 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Shareholding (%) Group
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	5.4	0.8	4.6	0.1	-	25.0
Rainbow-Cargotec Industries Co., Ltd**	China	Joint venture	-	-	38.6	-1.7	-	-
Sinotruk Hiab (Shandong) Equipment Co., Ltd.**	China	Joint venture	19.3	12.3	2.8	-2.2	50.0	50.0
CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd	China	Joint venture	1.0	0.4	0.5	-0.1	-	49.0
TTS Hua Hai Ships Equipment (Shanghai) Co., Ltd.	China	Joint venture	45.5	30.2	54.5	3.5	-	50.0
TTS Bohai Machinery (Dalian) Co., Ltd.	China	Joint venture	20.4	10.4	36.1	1.5	-	50.0
TTS SCM Marine and Offshore Machinery Co., Ltd.	China	Joint venture	18.6	13.4	13.4	1.1	-	50.0
Jiangsu Rainbow Heavy Industries Co., Ltd.**	China	Associated company	-	-	202.5	11.9	-	5.6
Bruks Siwertell Group AB	Sweden	Associated company	146.9	82.5	148.0	7.7	-	48.0
Other equity-accounted investments			6.7	2.8	4.9	0.2		

* The countries of incorporation and of primary operations are the same.
** Cargotec has consolidated the net result of these companies until 30 April 2020.

Changes in joint ventures and associated companies in 2021

In January 2021, MacGregor established a joint venture in China with CSSC Nanjing Luzhou Machine Co., Ltd (LMC). The joint venture will further enhance MacGregor's cooperation with the China State Shipping Company (CSSC), the world's largest shipbuilding group by strengthening customer access, local presence, and competitiveness in China. The new CSSC MacGregor Marine Equipment (CMME) joint venture is providing electro-hydraulic merchant cargo cranes, merchant winches, and steering gear to the Chinese shipbuilding market. The relevant technologies and brands are licensed to the joint venture, and manufacturing of the products is outsourced. MacGregor is committed to contribute EUR 3.3 million of capital to CMME of which EUR 1.9 million has been contributed and the remaining amount is expected to be contributed during the first quarter of 2022. MacGregor recognised a loss of EUR 12.7 million on establishment mainly due to the customer relationships and goodwill related to the transferred business derecognised from the balance sheet and allocated as the cost of the transaction.

In 2021, parties to the Sinotruk Hiab (Shandong) Equipment Co., Ltd. joint venture decided to close down the company, and the closing process is ongoing on reporting date. The value of guarantees issued by Cargotec on behalf of Sinotruk on December 31, 2021 amounted to EUR 4.2 (December 31, 2020: 3.7) million, of which EUR 1.2 (December 31, 2020: 2.5) million has been recognised as a liability at the time of reporting.

Changes in joint ventures and associated companies in 2020

On 26th of May 2020 Cargotec sold its 49 % joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Cargotec recognised a loss of EUR 35.6 million as a restructuring cost on disposal of the joint venture by derecognising the joint venture ownership and recognising a non-interest-bearing receivable of EUR 6.5 million as a consideration that is due after two years from the closing date. The gross value of the receivable is EUR 11.9 million and its carrying value on balance sheet includes an adjustment for both interest and expected credit loss. Certain functions and assets were acquired from the company sold in connection with the transaction, and approximately 160 RCI employees were transferred to Kalmar. Additional information about the acquired assets is presented in note 7.1 Acquisitions and disposals.

In connection with the RCI restructuring, Cargotec also reassessed the classification of its ownership in Jiangsu Rainbow Heavy Industries Co., Ltd. (RHI) and concluded that the preconditions for the associated company classification were no longer met. As a result, the RHI ownership was reclassified as a share investment accounted for as a financial asset. On reclassification, the associated company ownership on the balance sheet was derecognised and the new financial asset was recognised at fair value resulting in a profit of EUR 6.7 million which was booked in the statement of income as other operating income affecting comparability. Due to the value of the RHI ownership and market volatility of the RHI share, Cargotec has elected to apply the possibility to recognise the subsequent fair value changes related to RHI ownership directly in other comprehensive income.

In April 2020, Hiab performed an impairment assessment for its holding in the Sinotruk Hiab (Shandong) Equipment Co., Ltd. joint venture. Due to the company's business outlook and financial situation, the joint venture ownership was fully written down, resulting in a loss of EUR 4.0 million.

Investments in the entity Jiangsu Rainbow Heavy Industries Co., Ltd. (until April 2020), Rainbow-Cargotec Industries Co., Ltd (until April 2020), and Bruks Siwertell Group AB are classified as material investments due to their size.

Summarised financial information about material joint ventures and associated companies

Summarised balance sheets at 31 Dec	Rainbow-Cargotec Industries Co., Ltd		Jiangsu Rainbow Heavy Industries Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2021	2020	2021	2020	2021	2020
Non-current assets	-	-	-	-	65.8	69.5
Cash and cash equivalents	-	-	-	-	23.7	20.8
Other current assets	-	-	-	-	59.8	56.6
Total assets	**-**	**-**	**-**	**-**	**149.2**	**146.9**
Non-current financial liabilities	-	-	-	-	14.1	21.8
Other non-current liabilities	-	-	-	-	16.8	15.7
Current financial liabilities	-	-	-	-	0.0	0.0
Other current liabilities*	-	-	-	-	42.6	45.0
Total liabilities	**-**	**-**	**-**	**-**	**73.5**	**82.5**
Net assets	**-**	**-**	**-**	**-**	**75.7**	**64.5**

* Accounts payable are included in other current liabilities.

Summarised statements of income	Rainbow-Cargotec Industries Co., Ltd**		Jiangsu Rainbow Heavy Industries Co., Ltd.**		Bruks Siwertell Group AB	
MEUR	2021	2020	2021	2020	2021	2020
Sales	-	38.6	-	202.5	169.4	148.0
Depreciation, amortisation and impairments*	-	-1.2	-	*	-2.7	-2.7
Financing income*	-	-	-	*	1.7	0.4
Financing expenses*	-	-0.1	-	*	-1.0	-2.6
Income before taxes	-	-2.0	-	17.9	16.8	10.1
Income taxes	-	-0.3	-	6.0	-3.3	2.4
Net income for the period	**-**	**-1.7**	**-**	**11.9**	**13.5**	**7.7**
Other comprehensive income	-	-	-	-	-0.5	-
Comprehensive income for the period	**-**	**-1.7**	**-**	**11.9**	**12.9**	**7.7**
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**

* Information not required for associated companies.
** Cargotec has consolidated the net result of these companies until 30 April 2020.

Reconciliation of summarised information

	Rainbow-Cargotec Industries Co., Ltd*		Jiangsu Rainbow Heavy Industries Co., Ltd.*		Bruks Siwertell Group AB	
MEUR	2021	2020	2021	2020	2021	2020
Net assets 1 Jan	-	86.7	-	325.3	64.5	54.7
Net income for the period	-	-1.7	-	11.9	13.5	7.7
Other comprehensive income for the period	-	-	-	-	-0.5	-
Additions/disposals	-	-	-	119.3	0.1	-
Dividends	-	-	-	-	0.0	0.0
Translation differences	-	1.7	-	10.4	-1.8	2.1
Termination of equity accounting on 30 April 2020	-	-86.7	-	-466.9	-	-
Net assets 31 Dec	**-**	**0.0**	**-**	**0.0**	**75.7**	**64.4**
Cargotec's share of net assets	-	-	-	-	35.7	30.9
Goodwill	-	-	-	-	0.0	0.2
Book value 31 Dec	**-**	**-**	**-**	**-**	**35.7**	**31.1**

* Cargotec sold its ownership in Rainbow-Cargotec Industries Co., Ltd and reclassified its share ownership in Jiangsu Rainbow Heavy Industries Co., Limited as a financial asset, as disclosed in note 8.2. Financial instruments by measurement catergory. Jiangsu Rainbow Heavy Industries Co., Limited is listed on the Shenzhen Stock Exchange in China and the fair value of Cargotec's 3.5 (December 31, 2020: 5.6) percent holding on December 31, 2021 was EUR 36,6 (December 31, 2020: 37.3) million.

7.3 Subsidiaries

31 Dec 2021	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
Inver Port Services Pty. Ltd.	Australia		100
Cargotec Advanced Australia Pty Ltd	Australia		100
Hiab Austria GmbH	Austria		100
Kalmar Austria GmbH	Austria		100
Cargotec Belgium NV	Belgium	100	100
MacGregor Belgium NV	Belgium		100
Cargotec Brazil Servicos e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Hiab Brasil Guindastes e Servicos Ltda	Brazil		100
Cargotec Bulgaria EOOD	Bulgaria		100
Waltco Lift Inc.	Canada		100
Kalmar Chile S.A.	Chile		100
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
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
TTS Marine Shanghai Co. Ltd.	China		100
Kalmar Colombia S.A.S.	Colombia		100
MacGregor Croatia d.o.o.	Croatia		100

31 Dec 2021	Country	Shareholding (%) Parent company	Shareholding (%) Group
HATLAPA (Eastmed) Limited	Cyprus		70
HATLAPA Filtration Technology Ltd.	Cyprus		51
ISMS Holdings Limited	Cyprus		100
MacGregor Cyprus Limited	Cyprus		100
MacGregor Denmark A/S	Denmark		100
Zepro Danmark A/S	Denmark		100
MacGREGOR BLRT Baltic OÜ	Estonia		51
Cargotec Finland Oy	Finland		100
Cargotec Advanced Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
MacGregor Finland Oy	Finland		100
Hiab France SAS	France	100	100
Kalmar France SAS	France		100
MacGregor France S.A.S.	France		100
Kalmar Germany GmbH	Germany		100
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
MacGregor Germany GmbH et Co. KG	Germany		100
Hiab Germany GmbH	Germany		100
TTS NMF GmbH	Germany		100
MacGregor Greece Ltd	Greece		100
TTS Greece Ltd.	Greece		100
Cargotec India Private Limited	India		100
MacGregor Marine India Private Limited	India		100
PT Kalmar Pacific Indonesia	Indonesia		100
Cargotec Engineering Ireland Ltd	Ireland		100
Hiab Italia S.r.l.	Italy		100
Kalmar Italia S.r.l.	Italy		100
MacGregor Italy S.r.l.	Italy		100

31 Dec 2021	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Japan Ltd	Japan		100
MacGregor Japan Ltd	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Cargotec Advanced Malaysia Sdn. Bhd.	Malaysia		100
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		100
MacGregor Malaysia Sdn. Bhd.	Malaysia		100
Kalmar Mexico Equipos S.A. de C.V.	Mexico		100
Kalmar Maghreb S.A.	Morocco		100
Cargotec Holding Netherlands B.V.	Netherlands	100	100
Cargotec Advanced Netherlands B.V.	Netherlands		100
Kalmar Netherlands B.V.	Netherlands		100
MacGregor Netherlands Holding B.V.	Netherlands		100
MacGregor Netherlands B.V.	Netherlands		100
Hiab Benelux B.V.	Netherlands		100
Kalmar New Zealand Ltd	New Zealand		100
Hiab Norway AS	Norway		100
Kalmar Norway AS	Norway	100	100
MacGregor Norway AS	Norway	50	100
Cargotec Services Panama, S.A.	Panama		100
Cargotec Panama, S.A.	Panama		100
Cargotec Poland Sp. z.o.o.	Poland		100
MacGregor Poland Sp. z.o.o.	Poland		100
Cargotec Advanced Poland Sp. z o.o.	Poland		100
Kalmar Portugal, S.A.	Portugal		100
MacGregor Doha WLL	Qatar		49*
Cargotec RUS LLC	Russia		100
Hiab RUS LLC	Russia		100
MacGregor doo Kragujevac	Serbia		100
Cargotec Advanced Singapore Pte. Ltd.	Singapore		100
Cargotec CHS Pte. Ltd.	Singapore		100
MacGregor Pte Ltd	Singapore	100	100

31 Dec 2021	Country	Shareholding (%) Parent company	Shareholding (%) Group
TTS Singapore Pte. Ltd.	Singapore	100	100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Advanced South Africa (Pty) Ltd	South Africa		100
Cargotec Korea Limited	South Korea		100
MacGregor Korea Co., Ltd.	South Korea		100
Kalmar Spain Cargo Handling Solutions S.A.	Spain		100
Hiab Cranes, S.L. Unipersonal	Spain		100
Hiab Iberia, S.L. Unipersonal	Spain		100
Cargotec Sweden AB	Sweden	100	100
Hiab AB	Sweden		100
Koffert Sverige AB	Sweden		100
MacGregor Sweden AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
TTS Marine AB	Sweden		100
Kalmar Turkey Yuk Tasima Sistemleri Anonim Şirketi	Turkey		100
Cargotec Ukraine, LLC	Ukraine		100
MacGregor (ARE) Gulf LLC	United Arab Emirates		49*
MacGregor (ARE) LLC	United Arab Emirates		49*
TTS Marine Services LLC	United Arab Emirates		49*
Bromma Middle East DMCC	United Arab Emirates		100
Kalmar Middle East DMCC	United Arab Emirates		100
Del Equipment (U.K.) Limited	United Kingdom		100
Flintstone Technology Limited	United Kingdom		51
Hiab Limited	United Kingdom	100	100
Kalmar Limited	United Kingdom	100	100
MacGregor (GBR) Limited	United Kingdom		100
Player and Cornish Marine Limited	United Kingdom		100

31 Dec 2021	Country	Shareholding (%) Parent company	Shareholding (%) Group
Rapp Marine UK Ltd	United Kingdom		100
Cargotec Advanced UK Limited	United Kingdom		100
Cargotec Crane and Electrical Services Inc.	USA		100
Cargotec Holding, Inc.	USA	100	100
Cargotec International, Inc.	USA		100
Hiab USA Inc.	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Inc.	USA		100
MacGregor USA Inc.	USA		100
Rapp Marine U.S. Inc.	USA		100
Galfab LLC	USA		100
Cargotec Advanced US Inc.	USA		100
MacGregor Viet Nam Co., Ltd	Vietnam		100

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

7.4 Assets held for sale

On July 1, 2021, Cargotec sold its Navis business to Accel-KKR, a Silicon Valley-based leading technology-focused investment firm for an enterprise value of EUR 380 million. Additional information about the sale is disclosed in note 7.1, Acquisitions and disposals.

Navis was presented from December 31, 2020 on as a disposal group classified as held for sale, according to which the balance sheet items related to Navis are presented in the consolidated balance sheet on a separate line as a disposal group, but in the statement of income, Navis is not separated. The table below provides additional information on the held-for-sale assets and related liabilities.

Assets held for sale and liabilities directly associated with the assets held for sale

2021 MEUR	Note	1 Jan	Changes in the classification during the year	Sold during the year	31 Dec
ASSETS					
Non-current assets					
Goodwill	6.1	73.6	6.8	-80.4	-
Other intangible assets	6.2	65.2	1.6	-66.8	-
Property, plant and equipment	6.3	7.6	-0.6	-7.0	-
Loans receivable and other interest-bearing assets*	8.2	0.4	-0.1	-0.3	-
Deferred tax assets	4.2	2.1	1.0	-3.1	-
Other non-interest-bearing assets	5.3, 8.2	0.7	0.7	-1.4	-
Total non-current assets		**149.7**	**9.4**	**-159.1**	**-**
Current assets					
Loans receivable and other interest-bearing assets*	8.2	0.2	0.0	-0.3	-
Income tax receivables		0.7	-0.7	-	-
Inventories	5.2	-	0.5	-0.5	-
Accounts receivable and other non-interest-bearing assets	2.2, 5.3, 8.2	34.7	2.3	-37.0	-
Cash and cash equivalents*	8.2, 8.3	0.4	18.3	-18.7	-
Total current assets		**36.0**	**20.4**	**-56.3**	**-**
Assets held for sale		**185.7**	**29.7**	**-215.4**	**-**

* Included in interest-bearing net debt.

2021 MEUR	Note	1 Jan	Changes in the classification during the year	Sold during the year	31 Dec
LIABILITIES					
Non-current liabilities					
Interest-bearing liabilities*	8.2, 8.4, 9.1	5.5	-1.4	-4.1	-
Deferred tax liabilities	4.2	18.9	-5.4	-13.5	-
Pension obligations	3.4	1.2	0.4	-1.6	-
Other non-interest-bearing liabilities	5.4, 8.2	3.5	-3.5	-	-
Total non-current liabilities		**29.1**	**-9.9**	**-19.1**	**-**
Current liabilities					
Current portion of interest-bearing liabilities*	8.2, 8.4, 9.1	2.2	-0.1	-2.1	-
Advances received	2.2	23.8	5.8	-29.6	-
Accounts payable and other non-interest-bearing liabilities	5.4, 8.2	15.4	17.5	-32.9	-
Total current liabilities		**41.4**	**23.2**	**-64.6**	**-**
Liabilities directly associated with the assets held for sale		**70.5**	**13.2**	**-83.7**	**-**

* Included in interest-bearing net debt.

8. CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

Accounting principle

Financial assets

Financial assets are classified in accordance with the applied measurement principle as financial assets at amortised cost, fair value through other comprehensive income, or fair value through profit or loss. Financial assets are classified at the initial recognition in accordance with the features and planned use of the asset. Financial assets are presented as non-current when their maturity exceeds one year.

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

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

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

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

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or are transferred so that the material risks and rewards related to the ownership of the asset are transferred to another party.

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

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

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

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

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

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

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

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

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

Cash flow hedge accounting is mainly applied to hedges of operative cash flows. In addition, hedge accounting is applied to hedges of certain foreign currency denominated borrowings. To qualify for hedge accounting, the company documents the hedge relationship of the derivative instruments and the underlying items, group's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least in every interim and annual closing, the company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying cash flow. Because the critical terms of the hedging instrument are set to match with the hedged item as closely as possible, there is typically no inefficiency.

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

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

Profit distribution

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

Treasury shares

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

Estimates and assumptions requiring management judgement

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 a commonly applied valuation technique, and by maximising the use of available market prices. In applying these techniques, judgement is used to select the applied method, and where appropriate, to make assumptions that are mainly based on existing market conditions at the reporting date.

Cargotec recognises impairments on customer receivables at the end of the reporting period based on the expected credit losses. Expected credit loss is estimated based on systematic and continuous follow-up as part of the credit risk control that is based on both historical and forward-looking credit loss assessment. Additional information regarding the impairment of accounts receivable is disclosed in note 5.3, Accounts receivable and other non-interest-bearing receivables.

8.1 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. Organisation, responsibilities and principles of financial risk management, monitoring and reporting are defined in the Treasury Policy. Treasury Committee, appointed by the Board, is responsible for Treasury Policy compliance and for organising and monitoring the treasury function. Detailed guidelines for financing functions in accordance with Treasury Policy are defined in Treasury Instructions, approved by the Treasury Committee.

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

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

Currency risk

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

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

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

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

31 Dec 2021 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-42.1	33.9	-17.4	51.3	-6.2	-12.6	-6.5
Hedges	299.1	-532.5	50.7	82.0	42.9	90.6	-48.6
Balance sheet exposure	**257.1**	**-498.6**	**33.3**	**133.3**	**36.7**	**78.0**	**-55.1**
Order book and purchases	-286.9	517.0	-28.9	-144.5	-37.4	-72.5	56.2
Net exposure	**-29.9**	**18.4**	**4.3**	**-11.2**	**-0.7**	**5.5**	**1.1**

31 Dec 2020 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-31.2	32.6	-9.4	22.0	-14.5	-7.1	0.1
Hedges	103.9	-290.6	76.0	25.9	47.7	66.9	-0.4
Balance sheet exposure	**72.6**	**-258.1**	**66.6**	**47.9**	**33.2**	**59.8**	**-0.3**
Order book and purchases	-91.1	304.2	-64.5	-64.6	-43.0	-62.6	0.0
Net exposure	**-18.5**	**46.2**	**2.0**	**-16.7**	**-9.7**	**-2.8**	**-0.3**

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

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

Foreign exchange rate fluctuations have an effect on the consolidated income and equity. The effect in the statement of income arises from foreign currency denominated financial assets and liabilities in the subsidiaries' balance sheets, including derivatives for which hedge accounting is not applied. The effect in equity arises from derivatives under hedge accounting from which the fair value fluctuations related to changes in exchange rates are recognised in the fair value reserve of the other comprehensive income. Foreign exchange rate impact in the fair value reserve is expected to be offset by the corresponding opposite impact in the value of the hedged item when recognised in the statement of income. The majority of the hedges mature and the hedged cash flows realise within the next year. Cargotec has recognised the following currency pairs to be the most significant and estimated their impact on income before taxes and on other comprehensive income through sensitivity analysis. Sensitivity analysis assumes that cash is held at subsidiaries functional currency.

	Income before taxes		Other comprehensive income	
MEUR	2021	2020	2021	2020
USD appreciates 10% against the euro	-1.3	-1.7	-18.3	-16.4
SEK appreciates 10% against the euro	2.8	4.6	-1.5	0.2
USD depreciates 10% against the euro	1.3	1.7	18.3	16.4
SEK depreciates 10% against the euro	-2.8	-4.6	1.5	-0.2

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

31 Dec 2021 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	419.3	156.1	305.0	216.2	92.9
Translation risk	**419.3**	**156.1**	**305.0**	**216.2**	**92.9**

31 Dec 2020 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	295.6	189.8	288.4	87.0	42.5
Translation risk	**295.6**	**189.8**	**288.4**	**87.0**	**42.5**

Interest rate risk

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

On 31 December 2021, Cargotec's consolidated interest-bearing debt totalled EUR 919.5 (31 Dec 2020: 1,190.7) million, of which EUR 348.5 (497.9) million were fixed rate corporate bonds, and EUR 163.0 (173.9) million were finance lease liabilities. The rest, EUR 408.0 (519.0) million, consisted of fixed and floating rate loans, short term loans, bank overdrafts and other interest-bearing liabilities. On 31 December 2021, the average interest duration of interest-bearing debt, was 24 (25) months. Comparison period figures for interest-bearing liability figures presented above include EUR 7.7 million of lease liabilities, which are classified as associated liabilities for assets held for sale.

The EUR 505.0 (31 Dec 2020: 508.5) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 14.7 (21.1) million and customer finance related finance lease receivables EUR 1.5 (2.2) million. The average interest duration of the interest bearing assets was less than one month (less than one month). Comparison period figures for investment portfolio figures presented above include EUR 0.4 million cash and EUR 0.6 million finance lease receivables, which are classified as assets held for sale.

Based on the sensitivity analysis, a one percentage point increase/decrease in the interest rates would have decreased/ increased net interest cost by EUR 1.6 (31 Dec 2020: decreased/ increased by 0.7) million. The sensitivity in the statement of income is affected by variable rate loans, short term loans, loans receivable, deposits, bank accounts and bank overdrafts. The sensitivity is calculated as an annual effect assuming that the group's balance sheet structure remains unchanged.

With respect to all currency forward contracts, the fair value changes related to fluctuations in interest rates are recognised directly in financial income and expenses, and, hence, the changes in short-term market rates may affect financial result also via currency hedging contracts. If the interest rate difference between the euro and the US dollar had widened/narrowed one percentage point, financial net cost would have increased/decreased by EUR 4.5 (31 Dec 2020: increased/decreased by EUR 2.4) million. Effects from other currency pairs are deemed insignificant assuming that the current currency position remains the same and there is a similar change in all currency pairs.

Interest fixing periods

31 Dec 2021 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	491.4	-	1.2	-	12.4	505.0
Non-current loans from financial institutions	-337.1	-	-37.5	-	-25.0	-399.5
Corporate bonds	-	-	-	-99.8	-248.7	-348.5
Lease liabilities	-17.4	-17.4	-28.8	-22.0	-77.4	-163.0
Current interest-bearing liabilities and other interest-bearing liabilities**	-8.6	-	-	-	-	-8.6
Net in balance sheet	**128.4**	**-17.4**	**-65.1**	**-121.8**	**-338.6**	**-414.5**
Assets held for sale and associated liabilities held for sale***	-	-	-	-	-	-
Net	**128.4**	**-17.4**	**-65.1**	**-121.8**	**-338.6**	**-414.5**

* Including cash and cash equivalents
** Including bank overdrafts
*** Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

31 Dec 2020 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	507.5	-	-	-	-	507.5
Non-current loans from financial institutions	-337.0	-	-	-37.4	-24.9	-399.4
Corporate bonds	-	-	-149.8	-	-348.1	-497.9
Lease liabilities	-18.0	-18.0	-27.8	-20.6	-81.7	-166.2
Current interest-bearing liabilities and other interest-bearing liabilities**	-119.5	-	-	-	-	-119.5
Net in balance sheet	**32.9**	**-18.0**	**-177.6**	**-58.0**	**-454.7**	**-675.5**
Assets held for sale and associated liabilities held for sale***	-0.1	-1.1	-2.3	-1.7	-1.5	-6.7
Net	**32.8**	**-19.1**	**-179.9**	**-59.7**	**-456.2**	**-682.2**

* Including cash and cash equivalents
** Including bank overdrafts
*** Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Other market risks

In addition to financial risks managed by the treasury function, Cargotec is exposed to price and supply risks mainly relating to raw material and component purchases. The business units are responsible for identifying and mitigating the risks as well as possible hedging measures. Risks are managed through careful selection of suppliers, long-term cooperation with key suppliers and contract terms.

Cargotec has evaluated that the discontinuation of LIBOR reference rates and transition to alternative risk free rates will not have material impact on Cargotec financing agreements and financial risk management operations.

Liquidity and funding risks

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

Liquidity risk is managed by retaining long-term liquidity reserves exceeding the level of short-term liquidity requirement. On 31 December 2021, the liquidity reserves, including cash and cash equivalents and long-term undrawn credit facilities, totalled EUR 788.8 (31 Dec 2020: 785.2) 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 2021, repayments of short- and long-term interest-bearing liabilities due within the following 12 months totalled EUR 43.4 (157.8) million, of which EUR 34.8 (38.3) million are leasing liabilities. Comparison period figures above include EUR 2.2 million Interest-bearing liabilities and EUR 0.4 million cash and cash equivalents, which are classified as assets held for sale or associated liabilities for assets held for sale.

On 31 December 2021, Cargotec held undrawn EUR 300.0 (31 Dec 2020: 300.0) million long-term revolving credit facility, which will mature in June 2024. According to the facility agreement, Cargotec has a right to withdraw funds on three business days' notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short-term bank overdraft facilities of EUR 111.1 (115.6) million and a EUR 150.0 (150.0) million domestic Commercial Paper facility which on 31 December 2021 was unused (unused). Cargotec's total liquidity position includes EUR 107.0 (80.9) million of cash and cash equivalents in different currencies subject to currency-related or other regulatory restrictions, and, therefore, these balances may not be utilised outside these countries within a short period of time. Nevertheless, these restricted balances are typically available for immediate use locally in these countries and therefore these balances are included in cash and cash equivalents.

Total liquidity

MEUR	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	488.8	484.8
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities during next 12 months	-43.4	-155.6
Total liquidity in balance sheet	**745.4**	**629.2**
Assets held for sale and associated liabilities held for sale*	-	-1.8
Total liquidity	**745.4**	**627.4**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

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's bilateral bank loan agreements and syndicated revolving credit facility include a covenant restricting the corporate capital structure. According to the covenant, the relation between net debt and equity (gearing) must be retained below 125 percent. In the loan agreements, which are made prior to 1 Jan 2019, gearing in the covenant restricting the capital structure is based on calculation methodology, which was applied prior to IFRS 16. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

In connection with the Cargotec and Konecranes announced merger, companies obtained necessary financial commitments for the financing of completion of the merger. On 31 December 2021, Cargotec held undrawn term loan facility with total amount of EUR 300 million. The EUR 300 million facility for Cargotec is available starting from the effective date of the merger until two business days thereof and has a maturity date falling two years from the earlier of 30 June 2022 or the effective date of the merger subject to the extension option of twelve months, provided that certain customary conditions precedent have been fulfilled.

The following tables represent the maturity analysis of the company's financial liabilities and derivatives. The figures are non-discounted contractual cash flows.

Maturities of financial liabilities

31 Dec 2021 MEUR	2022	2023	2024	2025	2026	Later	Total
Derivatives							
Currency forward contracts, outflow	-2,949.2	-	-	-	-	-	-2,949.2
Currency forward contracts, inflow	2,953.2	-	-	-	-	-	2,953.2
Derivatives, net	**4.1**	**-**	**-**	**-**	**-**	**-**	**4.1**
Interest-bearing liabilities							
Repayments of loans from financial institutions	-8.6	-124.9	-149.9	-74.9	-49.9	-	-408.0
Repayments of corporate bonds	-	-	-99.8	-99.6	-149.1	-	-348.5
Repayments of lease liabilities	-34.8	-28.8	-22.0	-16.5	-10.8	-50.0	-163.0
Total interest charges	-17.2	-14.6	-9.9	-6.7	-4.4	-4.8	-57.5
Accounts payable and other non-interest bearing liabilities	-524.5	-19.6	-13.3	-20.6	-10.2	-4.6	-592.7
Total in balance sheet	**-581.0**	**-187.9**	**-294.7**	**-218.3**	**-224.4**	**-59.4**	**-1,565.7**
Assets held for sale and associated liabilities held for sale*	-	-	-	-	-	-	-
Total	**-581.0**	**-187.9**	**-294.7**	**-218.3**	**-224.4**	**-59.4**	**-1,565.7**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

31 Dec 2020 MEUR	2021	2022	2023	2024	2025	Later	Total
Derivatives							
Currency forward contracts, outflow	-2,448.6	-1.3	-	-	-	-	-2,449.8
Currency forward contracts, inflow	2,442.3	1.3	-	-	-	-	2,443.6
Derivatives, net	**-6.3**	**0.1**	**-**	**-**	**-**	**-**	**-6.2**
Interest-bearing liabilities							
Repayments of loans from financial institutions	-119.5	-199.8	-174.7	-	-24.9	-	-519.0
Repayments of corporate bonds	-	-149.8	-	-99.7	-99.5	-148.9	-497.9
Repayments of lease liabilities	-36.1	-27.8	-20.6	-15.1	-11.0	-55.6	-166.2
Total interest charges	-23.6	-15.0	-12.2	-8.2	-5.6	-8.1	-72.7
Accounts payable and other non-interest bearing liabilities	-362.2	-21.5	-14.6	-13.2	-9.7	-3.6	-424.9
Total in balance sheet	**-547.8**	**-413.8**	**-222.0**	**-136.2**	**-150.8**	**-216.2**	**-1,686.9**
Assets held for sale and associated liabilities held for sale*	-5.1	-6.0	-1.7	-0.4	-0.4	-0.9	-14.5
Total	**-552.9**	**-419.8**	**-223.8**	**-136.6**	**-151.2**	**-217.1**	**-1,701.4**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Credit and counterparty risks

The business units are responsible for managing the operational credit risks. Because of the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risk related to sales contracts is mitigated by using payment terms that are based on advance payments, bank guarantees or other guarantees, and by monitoring the creditworthiness of customers. Credit risks related 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 5.3, Accounts receivable and other non-interest-bearing receivables.

The Treasury Committee sets financial counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and, if needed, may reject a counterparty with immediate effect. Only large financial institutions with a high credit rating are accepted as counterparties. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee.

Cargotec's total credit risk exposure on 31 December 2021 including credit risk related to both on-balance sheet and off-balance sheet items amounted to EUR 1,370.8 (31 Dec 2020: 1,291.5) million. From the total exposure, EUR 17.8 (9.0) million relates to financial assets measured at fair value through profit or loss. Comparison figure for credit risk exposure includes EUR 33.1 million in items, which are classified as assets held for sale.

Credit risk position

31 Dec 2021		Credit risk			
MEUR	Note	Low	Increased	High	Total
On-balance sheet credit risk from customer contracts					
Accounts receivable	5.3	597.4	23.9	11.6	632.9
Unbilled receivables	5.3	111.2	-	-	111.2
Total		**708.6**	**23.9**	**11.6**	**744.0**
On-balance sheet credit risk from other financial assets					
Loans receivable and other interest-bearing assets	8.2	13.9	2.3	-	16.2
Derivative assets (risk after ISDA netting)	8.5	5.5	-	-	5.5
Equity warrants	8.5	1.0	-	-	1.0
Other non-interest-bearing receivables	5.3	10.4	-	10.1	20.5
Cash and cash equivalents	8.3	488.8	-	-	488.8
Total		**519.5**	**2.3**	**10.1**	**532.0**
Off-balance sheet credit risk from contracts with customers					
Customer financing	9.2	13.6	-	-	13.6
Operating lease receivables	9.1	81.2	-	-	81.2
Total		**94.8**	**-**	**-**	**94.8**
Total credit risk exposure in balance sheet		**1,322.9**	**26.2**	**21.7**	**1,370.8**
Assets held for sale*	7.4	-	-	-	-
Total credit risk exposure		**1,322.9**	**26.2**	**21.7**	**1,370.8**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

31 Dec 2020		Credit risk			
MEUR	Note	Low	Increased	High	Total
On-balance sheet credit risk from customer contracts					
Accounts receivable	5.3	499.1	26.8	9.1	535.0
Unbilled receivables	5.3	93.9	-	-	93.9
Total		**593.0**	**26.8**	**9.1**	**628.9**
On-balance sheet credit risk from other financial assets					
Loans receivable and other interest-bearing assets	8.2	20.1	2.6	-	22.7
Derivative assets (risk after ISDA netting)	8.5	2.2	-	-	2.2
Equity warrants	8.5	-	-	-	-
Other non-interest-bearing receivables	5.3	10.5	-	6.9	17.3
Cash and cash equivalents	8.3	484.8	-	-	484.8
Total		**517.5**	**2.6**	**6.9**	**527.0**
Off-balance sheet credit risk from contracts with customers					
Customer financing	9.2	18.1	-	-	18.1
Operating lease receivables	9.1	84.3	-	-	84.3
Total		**102.4**	**-**	**-**	**102.4**
Total credit risk exposure in balance sheet		**1,213.0**	**29.4**	**16.0**	**1,258.4**
Assets held for sale*	7.4	27.0	5.3	0.7	33.1
Total credit risk exposure		**1,240.0**	**34.8**	**16.7**	**1,291.5**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

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

The credit losses recognised in the statement of income amounted to EUR 2.4 (31 Dec 2020: 7.1) million of which EUR 3.0 (4.8) million relates to credit losses from customer receivables disclosed in note 5.3, Accounts receivable and other non-interest-bearing receivables and EUR -0.7 (2.4) million of reversals of earlier impairment losses related to loan receivables.

Cargotec holds no significant amounts of external loan receivables except for the EUR 12.4 (31 Dec 2020: 19.6) million vendor note from the associated company Bruks Siwertell Group. Additional information about the vendor note is disclosed in note 8.2, Financial instruments by measurement category.

The derivative assets and liabilities are presented at their gross fair values as the IFRS offsetting criteria are not met. Cargotec has derivative positions with several banks, and related transactions are effected under the ISDA agreement that allows for settling on a net basis all outstanding items within the scope of the agreement, such as in the event of bankruptcy. At the reporting date, the remaining counterparty risk after net settlement, as allowed by ISDA, was EUR 5.5 (31 Dec 2020: 2.2) million for Cargotec and EUR 1.5 (8.2) million for the counterparties.

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

Operational risks of the treasury function

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

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

Capital structure management

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

Total capital is calculated as the sum of equity and net debt. Gearing, calculated as the ratio of net debt to equity, is the key figure monitored in capital structure management. Interest-bearing 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 2021	31 Dec 2020
Interest-bearing liabilities	919.5	1,183.1
Lease liabilities included in interest-bearing liabilities	163.0	166.2
Loans receivable and other interest-bearing assets	-16.2	-22.7
Cash and cash equivalents	-488.8	-484.8
Interest-bearing net debt in balance sheet	**414.5**	**675.5**
Interest-bearing net debt of assets and related liabilities held for sale*	-	6.7
Interest-bearing net debt	**414.5**	**682.2**
Equity	1,547.0	1,301.4
Gearing	**26.8%**	**52.4%**

MEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Operating profit	355.7	70.4
Depreciation, amortisation and impairment	117.4	144.0
EBITDA	**473.1**	**214.4**
Interest-bearing net debt / EBITDA	**0.9**	**3.2**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

8.2 Financial instruments by measurement category

31 Dec 2021 MEUR	Note	Measured at cost or amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total
Share investments		-	36.3	0.3	36.6
Loans receivable and other interest-bearing assets		15.1	-	1.2	16.2
Derivative assets	8.5	-	1.3	10.5	11.8
Accounts receivable and other non-interest-bearing receivables	5.3	754.4	-	10.1	764.5
Cash and cash equivalents	8.3	488.8	-	-	488.8
Total financial assets in the balance sheet		**1,258.2**	**37.7**	**22.1**	**1,318.0**
Financial assets including in assets held for sale*	7.4	-	-	-	-
Total financial assets		**1,258.2**	**37.7**	**22.1**	**1,318.0**
Interest-bearing liabilities	8.4	919.5	-	-	919.5
Derivative liabilities	8.5	-	2.1	4.8	6.8
Accounts payable and other non-interest-bearing liabilities	5.4	592.7	-	-	592.7
Total financial liabilities in the balance sheet		**1,512.2**	**2.1**	**4.8**	**1,519.0**
Financial liabilities including in liabilities directly associated with assets held for sale*	7.4	-	-	-	-
Total financial liabilities		**1,512.2**	**2.1**	**4.8**	**1,519.0**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

31 Dec 2020 MEUR	Note	Measured at cost or amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total
Share investments		-	37.3	0.3	37.5
Loans receivable and other interest-bearing assets		22.7	-	-	22.7
Derivative assets	8.5	-	5.7	7.6	13.3
Accounts receivable and other non-interest-bearing receivables	5.3	639.4	-	6.9	646.3
Cash and cash equivalents	8.3	484.8	-	-	484.8
Total financial assets in the balance sheet		**1,147.0**	**43.0**	**14.7**	**1,204.7**
Financial assets including assets held for sale*	7.4	33.1	-	-	33.1
Total financial assets		**1,180.1**	**43.0**	**14.7**	**1,237.8**
Interest-bearing liabilities	8.4	1,183.1	-	-	1,183.1
Derivative liabilities	8.5	-	2.3	17.1	19.4
Accounts payable and other non-interest-bearing liabilities	5.4	424.9	-	-	424.9
Total financial liabilities in the balance sheet		**1,607.9**	**2.3**	**17.1**	**1,627.3**
Financial liabilities including in liabilities directly associated with assets held for sale*	7.4	9.0	-	4.8	13.8
Total financial liabilities		**1,616.9**	**2.3**	**21.9**	**1,641.1**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Financial assets and liabilities measured at fair value through profit and loss include currency forwards, a loan receivable from Coast Autonomous Inc and related equity warrant as well as a vendor loan receivable related to the sale of RCI ownership and a conditional consideration related to a business combination. Financial assets and liabilities measured at fair value through other comprehensive income include forward exchange contracts subject to hedge accounting and an equity investment in Jiangsu Rainbow Heavy Industries Co., Ltd (RHI), which is separately classified in this category. The value of RHI ownership decreased during the period by EUR 14.9 million due to sales of shares and increased by EUR 13.9 million due to the share price development. Fair value changes related to derivatives for which hedge accounting is applied are accumulated in other comprehensive income during hedge accounting and recycled to statement of income when hedge accounting related to sales transaction ceases, and to value of inventory when hedge accounting related to purchase transaction ceases. The recurring measurement of derivative instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables based on which these measurements are categorised in the fair value hierarchy as level 2 fair values. RHI's share is listed on the Shenzhen Stock Exchange in China, as a result of which the valuation presented is classified as Level 1 of the fair value hierarchy. The fair values of other instruments measured at fair value through profit or loss are partly based on non-market based variables, and, therefore, these measurements are categorised in the fair value hierarchy as level 3 fair values. Other items are recognised on balance sheet at amortised cost and information about their fair values is presented under each respective note to the extent that the difference between the book value and fair value is significant.

Loans receivable and other interest-bearing assets mainly consist of receivables from sales of businesses. The largest of these receivables is a EUR 12.4 (31 Dec 2020: 19.6) million vendor loan related to the sale of Siwertell AB in 2018. Loan repayments are tied to the annual result of Bruks Siwertell Group, and its maximum length is 10 years. The carrying value of the Loans receivable and other interest-bearing asset includes credit loss-related write-downs of EUR 0.1 (31 Dec 2020: 0.7) million.

8.3 Cash and cash equivalents

MEUR	Note	31 Dec 2021	31 Dec 2020
Cash at bank and on hand		464.4	473.6
Short-term deposits		24.4	11.2
Cash and cash equivalents in the balance sheet		**488.8**	**484.8**
Cash and cash equivalents classified as assets held for sale*	7.4	-	0.4
Cash and cash equivalents in total		**488.8**	**485.2**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2021	31 Dec 2020
Cash and cash equivalents	488.8	484.8
Bank overdrafts used	-0.6	-2.5
Cash and cash equivalents in the statement of cash flows	**488.2**	**482.3**

8.4 Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	Note	31 Dec 2021	31 Dec 2020
Non-current			
Loans from financial institutions		399.5	399.4
Corporate bonds		348.5	497.9
Lease liabilities	9.1	128.1	130.1
Total in the balance sheet		**876.1**	**1,027.4**
Current			
Loans from financial institutions		7.9	117.0
Lease liabilities	9.1	34.8	36.1
Bank overdrafts used		0.6	2.5
Total in the balance sheet		**43.4**	**155.6**
Total interest-bearing liabilities in the balance sheet		**919.5**	**1,183.1**
Interest-bearing liabilities including in liabilities directly associated with assets held for sale*	7.4	-	7.7
Total interest-bearing liabilities		**919.5**	**1,190.7**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

On 31 December 2021, the average interest rate of long-term loans, corporate bonds and leasing liabilities was 1.7 (31 Dec 2020: 1.8) percent. The average interest rate of short-term loans was 3.9 (1.8) percent. Average interest rate figures include assets held for sale and liabilities directly associated with assets held for sale.

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

Corporate bonds

			Fair value, MEUR		Book value, MEUR	
Loan period	Coupon rate, %	Nominal value	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
2017–2021*	Fixed 1.75	150.0 MEUR	-	151.6	-	149.8
2017–2024	Fixed 2.38	100.0 MEUR	103.4	102.6	99.8	99.7
2019–2025	Fixed 1.25	100.0 MEUR	100.5	98.4	99.6	99.5
2019–2026	Fixed 1.63	150.0 MEUR	151.7	147.1	149.1	148.9

* Cargotec made a voluntary total redemption for the EUR 150 million senior unsecured bond in December 2021, where the original maturity date was in March 2022.

Reconciliation of interest-bearing liabilities

MEUR	Note	Non-current interest-bearing liabilities including repayments	Lease liabilities and current interest-bearing liabilities	Bank overdrafts used	Total interest-bearing liabilities
1 Jan 2021		997.3	183.3	2.5	1,183.1
Cash flows		-250.0	-69.2	-1.9	-321.0
New and changed lease agreements		-	31.3	-	31.3
Companies acquired and sold	7.1	-	18.9	-	18.9
Changes in interest-bearing liabilities included in liabilities directly associated with assets held for sale*	7.4	-	1.5	-	1.5
Translation differences		-	5.1	0.0	5.1
Effective yield adjustment		0.7	-	-	0.7
Interest-bearing liabilities in the balance sheet, 31 Dec 2021		**748.0**	**170.9**	**0.6**	**919.5**
Changes in interest-bearing liabilities included in liabilities directly associated with assets held for sale*	7.4	-	-	-	-
Total interest-bearing liabilities, 31 Dec 2021		**748.0**	**170.9**	**0.6**	**919.5**

MEUR	Note	Non-current interest-bearing liabilities including repayments	Lease liabilities and current interest-bearing liabilities	Bank overdrafts used	Total interest-bearing liabilities
1 Jan 2020		998.4	215.4	10.4	1,224.3
Cash flows		-1.8	-52.2	-7.6	-61.7
New and changed lease agreements		-	35.0	-	35.0
Companies acquired and sold	7.1	-	0.1	-	0.1
Changes in interest-bearing liabilities included in liabilities directly associated with assets held for sale*		-	-7.7	-	-7.7
Translation differences		-0.2	-7.3	-0.3	-7.7
Effective yield adjustment		0.9	-	-	0.9
Interest-bearing liabilities in the balance sheet, 31 Dec 2020		**997.3**	**183.3**	**2.5**	**1,183.1**
Changes in interest-bearing liabilities included in liabilities directly associated with assets held for sale*	7.4	-	7.7	-	7.7
Total interest-bearing liabilities, 31 Dec 2020		**997.3**	**191.0**	**2.5**	**1,190.7**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

8.5 Derivatives

31 Dec 2021 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Currency forwards, cash flow hedge accounting	-	-	-	-
Equity warrants	0.0	1.0	-	1.0
Total	**0.0**	**1.0**	**-**	**1.0**
Current				
Currency forwards, cash flow hedge accounting	1,868.0	1.3	2.1	-0.8
Currency forwards, other	1,087.3	9.5	4.8	4.7
Total	**2,955.3**	**10.8**	**6.8**	**4.0**
Total derivatives	**2,955.3**	**11.8**	**6.8**	**5.0**

31 Dec 2020 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Currency forwards, cash flow hedge accounting	1.3	0.1	0.0	0.1
Equity warrants	-	-	-	-
Total	**1.3**	**0.1**	**0.0**	**0.1**
Current				
Currency forwards, cash flow hedge accounting	1,217.7	5.7	2.3	3.4
Currency forwards, other	1,228.5	7.6	17.1	-9.5
Total	**2,446.2**	**13.3**	**19.4**	**-6.1**
Total derivatives	**2,447.5**	**13.3**	**19.4**	**-6.1**

The derivatives have been recognised at gross fair values in the balance sheet even when entered into with a same counterparty, 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.

8.6 Equity

Total equity consists of share capital, share premium account, translation differences, fair value reserves, reserve for invested non-restricted equity, retained earnings and non-controlling interest. Share premium account includes the amount exceeding the accounting par value of shares received by the company in connection with share subscriptions if the stock options had been decided on under the old Limited Liability Companies Act (29 Sep 1978/734). Translation differences includes translation differences caused by translation of foreign subsidiaries' financial statements into euro, exchange rate gains and losses from the intercompany loan agreements that form part of a net investment. Fair value reserve includes hedge accounted component of fair value changes of derivatives under hedge accounting. Reserve for invested non-restricted equity includes transactions with treasury shares and share subscriptions with stock options. Retained earnings include net income for the period and previous periods. Paid dividends and donations approved by the Annual General Meeting are deducted from retained earnings. Additionally, retained earnings include actuarial gains and losses from defined benefit plans, gains and losses on designated share investments measured at fair value, and the cost of equity-settled share-based payments. Share-based payments are described in note 3.2 Share-based payments.

Shares and share capital

According to Cargotec's Articles of Association, the company's share capital is divided into class A and class B shares, both without nominal value. Cargotec Corporation's class B shares are quoted on Nasdaq Helsinki. 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 2021	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2021	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2021	-	-224,840	-224,840
Number of shares outstanding 31 Dec 2021	**9,526,089**	**54,957,239**	**64,483,328**
Number of shares 1 Jan 2020	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2020	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2020	-	-224,840	-224,840
Number of shares outstanding 31 Dec 2020	**9,526,089**	**54,957,239**	**64,483,328**

Dividend distribution

After 31 December 2021, the following dividends were proposed by the Board of Directors to be paid: EUR 1.07 per each class A share and EUR 1.08 per outstanding class B share, a total of EUR 69,546,733.35.

9. OTHER NOTES

9.1 Leases

Accounting principle

Leases, Cargotec as lessee
Cargotec leases property, plant and equipment in most of the countries it operates in under contracts that meet the definition of a lease. Short-term lease agreements, with contractual and expected lease periods not exceeding 12 months, are accounted for as off-balance sheet leases if there is no purchase option. Also long-term lease agreements in which the underlying leased asset is of low value are accounted for as off-balance sheet leases. Expenses related to these leases are recognised in the statement of income as incurred over the lease period.

Lease agreements which do not qualify for the short-term or low-value exemption are recognised on the balance sheet as lease liabilities and right-of-use assets at the commencement of the lease period. Lease liabilities are initially measured at present value by determining the expected reasonably certain lease payments and discounting them with an incremental borrowing rate that is determined separately for the main lease types in each relevant currency. Rent components not directly related to the leased asset are excluded from the lease value on the balance sheet. If a lease has no maturity date, the lease liability is determined based on the enforceable lease period considering the termination rights of both contractual parties. Lease payments are allocated to repayments of lease liabilities and finance charges so that a constant interest rate on the outstanding balance is obtained. Lease liability is included in the interest-bearing liabilities on the statement of financial position, and is measured at amortised cost. Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted by lease advances paid or incentives received, initial direct costs, and estimated dismantling, removal and restoration costs at the end of the lease period, if relevant. Right-of-use assets are included in the property, plant and equipment on the statement of financial position, and they are depreciated over the lease period on a straight-line basis unless the asset is expected to be fully consumed before the end of the lease term or purchased, in which case the depreciation period is determined based on the expected useful life of the asset. An off-balance sheet lease commitment becoming onerous leads to a recognition of a separate loss provision, whereas an on-balance sheet lease becoming onerous leads to an impairment of the related right-of-use asset.

Lease modifications are accounted for either as new lease contracts or as changes in the existing lease contracts depending on the type of the modification. Modifications accounted for as changes in the existing leases, and changes in the estimates applied in lease accounting, such as those related to the use of an option to prolong a lease or to purchase a leased asset, trigger a remeasurement of the lease liability and the right-of-use asset at an updated discount rate. Contractual rent changes tied to indexes also trigger a remeasurement of the lease liability and the right-of-use asset but without a change in the applied discount rate.

Leases, Cargotec as lessor
Cargotec rents out equipment under contracts that meet the definition of a lease, and are accounted for either as operating or finance leases. In an operating lease the risks and rewards incidental to ownership of an asset remain with the lessor. The leased asset is recognised on the balance sheet according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation of the leased asset is determined by considering the normal depreciation policy of similar assets in own use and the planned use after the lease period.

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

Estimates and assumptions requiring management judgement

Leases

Measurement of the on-balance sheet leases partly requires a use of judgment, in particular, when determining the capitalised lease term. If a lease contract includes an option to prolong or purchase the leased asset, the decision to include or exclude the option in the value of the capitalised lease liability and right-of-use asset is based on an estimate of the likelihood to exercise the option. In practice, the probability to exercise an option is estimated from the needs of the business as part of the real estate management process and taking into account the contractual conditions, leasehold improvements made or needed, and the local market situation. Additional information about the right-of-use assets related to leases is disclosed in notes 6.3, Property, plant and equipment.

Cargotec leases property and equipment in most of the countries where it operates. Leased properties include land and buildings mainly for use as offices, manufacturing facilities, workshops, and warehouses. The average length of Cargotec's property leases on reporting date is 8.8 (31 December 2020: 9.3) years and contracts typically include an option or options to prolong, or an option to early terminate the lease. Optional lease periods are reflected in the capitalised value of the leases based on the real estate management process in which the remaining reasonably certain lease period is reassessed on a regular basis, and typically the capitalisation threshold is met, depending on the location and use of the property, from a few months to a couple of years before the end of the ongoing lease period. Leased equipment include mainly vehicles and machines with fixed rents and lease terms. The average length of Cargotec's equipment leases on reporting date is 2.7 (31 December 2020: 2.6) years. Cargotec lease agreements typically do not include variable rent elements except for the rent escalation clauses tied to inflation-related indexes. The weighted average discount rate applied to determine the present value of lease liability on reporting date is 4.1 (31 December 2020: 4.2) percent.

Cargotec as lessee

MEUR	Note	31 Dec 2021	31 Dec 2020
Off-balance sheet leases			
Lease payments related to off-balance sheet leases			
Less than one year		3.0	0.6
One to two years		0.0	0.1
Two to three years		0.0	0.0
Three to four years		0.0	0.0
Four to five years		-	0.0
Over five years		-	-
Total		**3.1**	**0.7**
Off-balance sheet lease commitments on reporting date			
Lease payments related to short-term leases		1.4	0.2
Lease payments related to low-value leases		1.7	0.5
Total		**3.1**	**0.7**
On-balance sheet leases			
Lease payments related to on-balance sheet leases			
Less than one year		40.3	44.2
One to two years		33.3	35.0
Two to three years		25.6	26.2
Three to four years		19.5	18.7
Four to five years		13.0	13.9
Over five years		54.8	62.7
Total*		**186.5**	**200.8**
Present value of lease payments related to on-balance sheet leases	8.4		
Less than one year		34.8	38.3
One to two years		28.8	30.1
Two to three years		22.0	22.3
Three to four years		16.5	15.4
Four to five years		10.8	11.4
Over five years		50.0	56.4
Total*		**163.0**	**173.9**

MEUR	Note	31 Dec 2021	31 Dec 2020
Future interest expense related to on-balance sheet leases*		23.6	26.9
Right-of-use assets	6.3		
Land and buildings		109.3	119.0
Machinery and equipment		29.5	25.2
Total on balance sheet		**138.8**	**144.3**
Assets held for sale	7.4	-	5.5
Total		**138.8**	**149.8**
Leases in the statement of income			
Depreciation related to right-of-use assets	6.3	37.2	43.3
Interest expense on lease liabilities	2.5	7.0	7.4
Early termination gain (-) / loss (+)		-0.4	1.5
Impairment related to right-of-use assets	6.3	4.6	4.5
Rent expense from off-balance sheet leases:		7.6	1.8
Portion related to short-term leases	9.2	4.3	0.7
Portion related to low-value leases	9.2	3.3	1.1
Total		**56.0**	**58.5**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		7.6	1.8
Lease payments related to on-balance sheet leases		47.6	51.5
Total*		**55.2**	**53.2**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

Cargotec as lessor

MEUR	Note	31 Dec 2021	31 Dec 2020
Off-balance sheet leases			
Operating lease receivables			
Less than one year		29.2	28.5
One to two years		19.2	16.6
Two to three years		23.8	27.7
Three to four years		6.1	7.5
Four to five years		2.2	2.6
Over five years		0.6	1.4
Total		**81.2**	**84.3**
Property, plant and equipment related to off-balance sheet leases	6.3		
Land and buildings		3.2	2.2
Machinery and equipment		115.6	119.6
Total		**118.8**	**121.8**
On-balance sheet leases			
Finance lease receivables			
Less than one year		0.6	0.7
One to two years		0.4	0.6
Two to three years		0.3	0.5
Three to four years		0.3	0.3
Four to five years		0.1	0.3
Over five years		-	0.0
Total*		**1.6**	**2.3**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

MEUR	Note	31 Dec 2021	31 Dec 2020
Present value of finance lease receivables			
Less than one year		0.5	0.6
One to two years		0.3	0.6
Two to three years		0.3	0.4
Three to four years		0.3	0.3
Four to five years		0.1	0.3
Over five years		-	0.0
Total*		**1.5**	**2.2**
Future interest income related to finance lease receivables*		0.1	0.1
Finance lease receivables			
Land and buildings		1.3	1.9
Machinery and equipment		0.2	0.3
Total*		**1.5**	**2.2**
Leases in the statement of income			
Rent income related to operating leases		34.7	32.2
Selling profit or loss related to finance leases		2.2	1.3
Interest income related to finance leases		0.1	0.0
Total		**37.0**	**33.5**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		30.9	34.6
Lease payments related to on-balance sheet leases		1.6	2.3
Total*		**32.5**	**36.9**

* Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 7.4 Assets held for sale.

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

Rental income recognised in sales from operating leases was EUR 32.3 (2020: 29.4) million and rental income recognised in other operating income from operating leases was EUR 2.4 (2.8) million.

9.2 Commitments

Accounting principle

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

A contingent liability is disclosed in Cargotec's notes when there is a possible obligation that arises from past events and whose existence is confirmed by one or more doubtful future events. A Contingent liability is also disclosed in notes as in present obligation which is not recognised as a provision or liability in the balance sheet, since it is not probable that payment will be required or the amount of the obligation cannot be measured reliably.

MEUR	31 Dec 2021	31 Dec 2020
Guarantees given on behalf of associated companies and joint ventures	2.9	1.3
Guarantees given on behalf of others	-	0.4
Customer financing	13.6	18.1
Off-balance sheet leases	3.1	0.7
Other contingent liabilities	2.5	2.5
Total	22.1	23.0

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 31 December 2021 was EUR 420.0 (31 Dec 2020: 398.8) million.

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

Off-balance sheet leases include the lease commitments related to short-term leases, low-value leases, and leases that have not yet commenced. The aggregate off-balance sheet lease expenses totalled EUR 7.6 (2020: 1.8) million. Information regarding leases is disclosed in note 9.1, Leases.

In addition, Cargotec has commitments related to its investments in joint ventures. These commitments are disclosed in note 7.2, Joint ventures and associated companies.

Contingent liabilities

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

9.3 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, the CEO and other members of the Leadership Team, their close family members and entities controlled directly or indirectly by them. In addition, major shareholders with more than 20 percent ownership of shares or of the total voting rights in the company, are included in related parties.

Transactions with associated companies and joint ventures

1 Jan–31 Dec 2021 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	-	1.0	1.0
Purchase of products and services	-	4.3	4.3

1 Jan–31 Dec 2020 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	0.6	5.8	6.5
Purchase of products and services	8.1	35.8	43.9

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

Balances with associated companies and joint ventures

31 Dec 2021 MEUR	Associated companies	Joint ventures	Total
Loans receivable	13.0	-	13.0
Accounts receivable	0.0	0.4	0.4
Accounts payable	-	1.1	1.1

31 Dec 2020 MEUR	Associated companies	Joint ventures	Total
Loans receivable	20.3	-	20.3
Accounts receivable	0.1	2.0	2.0
Accounts payable	-	1.0	1.0

Dividends received from associated companies and joint ventures

1 Jan–31 Dec 2021 MEUR	Associated companies	Joint ventures	Total
Dividends received	-	5.0	5.0

1 Jan–31 Dec 2020 MEUR	Associated companies	Joint ventures	Total
Dividends received	-	0.1	0.1

Remuneration to the members of the Board of Directors, the CEO and other members of the Leadership team is presented in note 3.3, Management remuneration.

Acquisitions and disposals with related parties are presented in note 7.1, Acquisitions and disposals.

Cargotec did not have other material business transactions with its related parties than those presented above.

9.4 Merger plan to combine Cargotec and Konecranes

On 1 October 2020, Cargotec Corporation and Konecranes Plc announced their combination agreement and a merger plan to combine the two companies through a merger. Extraordinary general meetings of Cargotec and Konecranes held on 18 December 2020 approved the merger. Various competition authorities in the EU, UK, and US, among others, are currently reviewing the proposed transaction.

In July 2021, the European Commission and the UK Competition and Markets Authority opened a phase II review in connection with the planned transaction. Cargotec and Konecranes expect the merger approval processes to continue during the first half of 2022 so that the merger can be completed by the end of June.

In August 2021, Cargotec Corporation and Konecranes Plc announced that the companies have received unconditional approval from the State Administration for Market Regulation, the competition authority in China, for their planned merger. Also in August, Cargotec and Konecranes announced that the Boards of Directors of Cargotec and Konecranes have agreed to select Cargotec's present CEO Mika Vehviläinen as the President and CEO of the Future Company, and that the Board of Directors of Cargotec has made the appointment accordingly. The appointment of Mika Vehviläinen will become effective upon completion of the transaction. In November 2021, the planned high-level operating model and leadership team of the Future Company was announced.

In December 2021, Cargotec and Konecranes submitted a remedy package to the European Commission ("EC") comprising a commitment to divest Konecranes' Lift Truck business and Cargotec's Kalmar Automation Solutions. The proposed divestitures would eliminate overlaps between the parties' Container Handling Equipment businesses but allow the combined company (the "Future Company") to combine their other businesses and continue to be a strong player in all aspects in Container Handling Equipment. Cargotec and Konecranes understand that the EC will now examine the proposed remedy package and conduct customary market testing.

Should clearance be obtained based on the offered remedy package, the merger would proceed comprising of Konecranes' Industrial Equipment and Service businesses as currently operated, Cargotec's MacGregor and Hiab businesses as currently operated as well as the operations of Konecranes' Port Solutions and Cargotec's Kalmar businesses other than the areas subject to divestment proposal.

The divestments, if made in line with the proposed commitments, will not change the industrial logic behind the combination of Cargotec and Konecranes. The Companies will announce the expected high-level financial impact of the proposed remedies in due course once information is available on the exact scope and possible ancillary arrangements relating to the possible remedy divestments. The final decision on possible divestitures of any businesses as well as possible terms and conditions thereof will be confirmed at a later stage when the ongoing merger reviews have completed. The possible divestitures are further subject to various local legal requirements. Cargotec and Konecranes have started an assessment of possible external buyers in order to identify the best alternatives to satisfy the authorities' requests and to support the future development of these businesses. Further announcements on the approval processes will be made in due course once further decisions on possible material approval conditions and possible divestitures are made. Further investigations regarding the proposed remedies and negotiations with relevant competition authorities regarding antitrust concerns continue.

Cargotec and Konecranes are awaiting the authorities' decisions and continue to work towards the merger being completed by the end of H1 2022. Until all merger closing conditions are met and the deal is completed, both companies continue to operate fully separately and independently.

Cargotec and Konecranes update the total cost estimate in connection with the merger to be approximately EUR 125 million. The estimate presented in the third quarter interim reports on 28 October 2021 was approximately EUR 100 million. The costs consist mostly of expenses related to financial reporting, legal matters and advisory services (excluding the estimated transaction costs of the refinancing and integration planning). A considerable part of the total costs and the cost estimate increase are related to the processes for applying for the necessary merger control approvals for the merger, and the cost estimate may change as the competition authority processes progress.

The proposed merger will create a global leader in sustainable material flows with a number of valuable customer-centric brands and complementary offerings in industry, factories, ports, terminals, road transport and sea freight handling.

Upon completion, the combination will be carried out as an absorption-type merger in which Konecranes shareholders receive as a merger consideration 2.0834 new Cargotec class B shares and 0.3611 new Cargotec class A shares for each Konecranes share held upon completion of the merger and after the share split described below. To enable the consideration of the merger, Cargotec will carry out a free share issue (share splitting) in which each Cargotec shareholder will be issued free of charge new Cargotec shares in proportion to their holdings. For each existing Cargotec A class share, two new Cargotec class A shares will be issued and for each Cargotec class B share, two new Cargotec class B shares will be issued. As a result of the transaction, the shareholders of Cargotec and Konecranes will each own about half of the new company.

In accordance with IFRS, the merger will be accounted for as a business combination in which Cargotec is the acquirer into which Konecranes will merge. The assets and liabilities of Konecranes on the merger date will be measured at fair value in the purchase price allocation and consolidated into Cargotec from then on.

The value of the acquisition depends on the market price of Cargotec's class A and B shares at the time of the merger. At the reporting date, 31 December 2021, the value of the shares to be paid to Konecranes shareholders in the merger based on the market price of Cargotec's class B share and the outstanding shares of Konecranes amounted to approximately EUR 2,826.9 million.

Additional information on the merger is available through www.sustainablematerialflow.com

9.5 Events after the balance sheet date

On 3 February 2022 Cargotec and Konecranes announced, as previously communicated, that Cargotec and Konecranes have continued their dialogue and cooperation with relevant competition authorities to find satisfactory ways to mitigate concerns raised by the competition authorities to secure approvals to complete the merger of Cargotec and Konecranes. Based on ongoing dialogue with the authorities, the remedy requirements are more complex than expected.

Cargotec and Konecranes have discussed remedies with relevant competition authorities based on a commitment offered to the European Commission to divest Konecranes' Lift Truck business and Cargotec's Kalmar Automation Solutions. Both companies consider the offered remedy package as sufficient and feasible. Further investigations regarding the proposed remedies and negotiations with relevant competition authorities regarding antitrust concerns continue.

Cargotec and Konecranes are awaiting the authorities' decisions and continue to work towards the merger being completed by the end of H1 2022. Until all merger closing conditions are met and the deal is completed, both companies continue to operate fully separately and independently.

KEY FIGURES

Key financial figures

Consolidated statement of income		2021	2020	2019	2018	2017
Sales	MEUR	3,315	3,263	3,683	3,304	3,250
Sales to outside of Finland	MEUR	3,244	3,184	3,607	3,229	3,175
Operating profit	MEUR	356	70	180	190	222
% of sales	%	10.7%	2.2%	4.9%	5.8%	6.8%
Comparable operating profit[1]	MEUR	232	227	264	242	259
% of sales[1]	%	7.0%	6.9%	7.2%	7.3%	8.0%
Income before taxes	MEUR	333	34	146	161	189
% of sales	%	10.0%	1.1%	4.0%	4.9%	5.8%
Net income for the financial period	MEUR	247	8	89	108	133
% of sales	%	7.4%	0.2%	2.4%	3.3%	4.1%
Depreciation, amortisation and impairment	MEUR	117	144	134	77	72
Wages and salaries	MEUR	611	617	629	567	570

[1] Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation. 2020 comparison figures have been restated according to the new definition.

Consolidated balance sheet and investments		2021	2020	2019	2018	2017
Equity	MEUR	1,547	1,301	1,427	1,429	1,425
Total assets	MEUR	4,027	3,888	4,227	3,684	3,569
Interest-bearing net debt	MEUR	414	682	774	625	472
Net working capital	MEUR	184	103	158	271	115
Capital expenditure in intangible assets and property, plant and equipment	MEUR	64	59	61	46	47
Capital expenditure in customer financing	MEUR	16	26	39	34	37
Capital expenditure, total % of sales	%	2.4%	2.6%	2.7%	2.4%	2.6%

Other key figures		2021	2020	2019	2018	2017
Return on equity (ROE)	%	17.3%	0.6%	6.3%	7.6%	9.4%
Return on capital employed (ROCE)[1]	%	14.5%	2.8%	7.3%	8.4%	10.2%
Equity to asset ratio[2]	%	40.6%	35.3%	36.4%	40.9%	42.2%
Gearing[3]	%	26.8%	52.4%	54.2%	43.8%	33.1%
Interest-bearing net debt / EBITDA[3]		0.9	3.2	2.5	2.3	1.6
Orders received	MEUR	4,427	3,121	3,714	3,756	3,190
Order book	MEUR	2,847	1,824	2,089	1,995	1,566
Cash flow from operations before financing items and taxes	MEUR	169	296	361	126	253
Research and development costs	MEUR	102	105	102	89	92
% of sales	%	3.1%	3.2%	2.8%	2.7%	2.8%
of which capitalised	MEUR	4.9	-	0.2	0.5	0.5
Average number of employees		11,232	12,066	12,470	11,589	11,128
Number of employees 31 Dec		11,174	11,552	12,587	11,987	11,251

[1] Cargotec has refined the treatment of the interest rate component of currecfy forward contracts in the calculation of return on capital employed in 2019. As a result, the capital employed increased 0.4 percentage points in 2018 and 0.5 percentage points in 2017 compared to the figures published in these accounting periods.

[2] Liabilities to customers for long-term projects and prepayments for maintenance contracts and software business have been reclassified in the financial year ended 31 December 2018 from the balance sheet account "Accounts payable and other non-interest-bearing liabilities" to the line "Advances received". As a result, the equity ratio increased by 0.8 percentage points in 2017.

[3] In 2017-2018 included the cross-currency hedging of US Private Placement corporate bond. The bond maturated in February 2019.

From the beginning of 2019, Cargotec applies the new accounting standard IFRS 16, Leases, and the new interpretation IFRIC 23, Uncertainty over Income Tax Treatments. The data for the comparison periods has not been restated and therefore it is not completely comparable.

From the beginning of 2018, Cargotec applies the new IFRS 15 Revenue Recognition and IFRS 9 Financial Instruments accounting standards as well as the amendments to the IFRS 2 Share-based payment standard. IFRS 15 was adopted retrospectively and the figures for the financial year ended 31 December 2017 have been adjusted accordingly. IFRS 9 standard and amendments to IFRS 2 standard was adopted non-retrospectively and the figures for the periods prior to 1 January 2018 have not been restated, and therefore these are not completely comparable.

Share-related key figures

		2021	2020	2019	2018	2017
Earnings per share	EUR	3.82	0.13	1.39	1.66	2.05
Diluted earnings per share	EUR	3.82	0.13	1.39	1.65	2.05
Equity per share	EUR	23.95	20.14	22.12	22.16	22.06
Dividend per class B share	EUR	1.08[4]	1.08	1.20	1.10	1.05
Dividend per class A share	EUR	1.07[4]	1.07	1.19	1.09	1.04
Total dividends	MEUR	70[4]	70	77	71	68
Dividend per earnings, class B share	%	28.2%[4]	855.3%	86.4%	66.4%	51.1%
Dividend per earnings, class A share	%	28.0%[4]	847.4%	85.9%	65.9%	50.8%
Effective dividend yield, class B share	%	2.5%[4]	3.2%	4.0%	4.1%	2.2%
Price per earnings, class B share		11.5	267.8	21.8	16.1	23.0
Development of share price, class B share						
Average share price	EUR	44.70	24.77	31.09	41.28	49.85
Highest share price	EUR	52.80	37.14	38.48	51.30	59.25
Lowest share price	EUR	33.60	15.15	24.12	26.46	40.26
Closing price at the end of period	EUR	43.84	33.82	30.24	26.72	47.20
Market capitalisation 31 Dec[1]	MEUR	2,828	2,182	1,950	1,720	3,047
Market capitalisation of class B shares 31 Dec[2]	MEUR	2,409	1,859	1,660	1,464	2,595
Trading volume, number of class B shares traded	('000)	36,795	53,902	28,772	33,506	33,407
Trading volume, number of class B shares traded	%	66.2%	93.2%	53.0%	60.1%	60.0%
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)	54,950	54,937	54,850	55,020	54,965
Number of class B shares 31 Dec[2]	('000)	54,957	54,957	54,878	54,802	54,974
Diluted weighted average number of class B shares[2]	('000)	55,043	54,982	54,951	55,163	55,227

Trading information is based on Nasdaq Helsinki Ltd statistics.

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

Calculation of key figures

IFRS key figures

Earnings per share (EUR) = $\frac{\text{Net income attributable to the equity holders of the parent}}{\text{Average number of outstanding shares during financial year}}$

Diluted earnings per share (EUR) = $\frac{\text{Net income attributable to the equity holders of the parent}}{\text{Average number of diluted outstanding shares during financial year}}$

Alternative performance measures

According to the ESMA Guidelines on Alternative Performance Measures, an Alternative Performance Measure (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. In addition to IFRS key figures, Cargotec uses the following alternative performance measures:

Key figure		Definition	Reason for use	Reconciliation
Operating profit (MEUR and % of sales)	=	Sales - cost of goods sold + other operating income - selling and marketing expenses - research and development expenses - administration expenses - restructuring costs - other operating expenses + share of associated companies' and joint ventures' net income	Operating profit is used to measure business profitability. It describes the profitability of the business before taking into account financial items and taxes.	Statement of income
Comparable operating profit (MEUR and % of sales)	=	Operating profit excluding items significantly affecting comparability	Comparable operating profit is used to monitor and forecast profit development and set related targets. It is calculated by excluding items significantly affecting comparability from operating profit, which makes it easier to compare the profitability of the business at different time periods.	Note 2.1, Segment information
Items significantly affecting comparability (MEUR)		Items significantly affecting comparability include, in addition to restructuring costs, mainly impacts of the purchase price allocation, capital gains and losses, gains and losses related to acquisitions and disposals, acquisition and integration costs including costs related to contemplated merger with Konecranes Plc, impairments and reversals of impairments of assets, insurance benefits, and expenses related to legal proceedings.	Factor used to calculate Comparable operating profit.	Note 2.4, Restructuring costs and other items affecting comparability
Cash flow from operations before financing items and taxes	=	Net income for the financial year + depreciation, amortisation and impairment + financing items + taxes + other adjustments + changes in net working capital	Represents cash flow from operations after income from sales less operating expenses. Measures the company's ability to meet its financial commitments, including interest payments, taxes, investments, and equity and debt payments. Used to monitor and forecast business performance.	Statement of cash flows

Key figure		Definition	Reason for use	Reconciliation
Interest-bearing net debt / EBITDA, last 12 months	=	Interest-bearing net debt / EBITDA, last 12 months	Used to measure corporate capital structure and financial capacity.	Note 8.1, Financial risk management
Interest-bearing net debt (MEUR)	=	Interest-bearing liabilities (non-current interest-bearing liabilities + current portion of interest-bearing liabilities + current other interest-bearing liabilities) - interest-bearing receivables (non-current and current loans receivable and other interest-bearing assets) - cash and cash equivalents +/- foreign currency hedge of corporate bonds	Interest-bearing net debt represents Cargotec's indebtedness. Used to monitor capital structure and as a factor to calculate Interest-bearing net debt / EBITDA and Gearing.	Note 8.1, Financial risk management
EBITDA (MEUR), last 12 months	=	Operating profit + depreciation, amortisation and impairment, last 12 months	Factor used to calculate Interest-bearing net debt / EBITDA.	Note 8.1, Financial risk management
Net working capital (MEUR)	=	Inventories + operative derivative assets + accounts receivable + other operative non-interest-bearing assets - provisions - advances received - operative derivative liabilities - accounts payable - pension obligations - other operative non-interest-bearing liabilities	Net working capital is used to follow the amount of capital needed for the business to operate. It does not include financing items, taxes nor non-current assets. Used as a factor to calculate Operative capital employed.	Note 5.1, Net working capital
Operative capital employed (MEUR)	=	Goodwill + other intangible assets + property, plant and equipment + investments in associated companies and joint ventures + share investments + working capital receivables - working capital liabilities	Operative capital employed refers to the amount of capital needed for the business to operate and generate profits. It does not include taxes or financing items. Used to measure the efficiency with which the capital is used.	Note 2.1, Segment information
Investments	=	Additions to intangible assets and property, plant and equipment including owned assets and right-of-use assets, excluding assets acquired through business combinations	Investments refer to money used to acquire long-term assets. Used as a factor in cash flow calculation.	Note 6.2 Other intangible assets; note 6.3 Property, plant and equipment
Return on equity (ROE) (%), last 12 months	= 100 x	Net income for the financial year, last 12 months / Total equity (average for the last 12 months)	Represents the rate of return that shareholders receive on their investments.	Net income for financial year: Statement of income; Total equity: Balance sheet
Return on capital employed (ROCE) (%), last 12 months	= 100 x	Income before taxes + financing expenses, last 12 months / Total assets - non-interest-bearing debt (average for the last 12 months)	Represents relative profitability or the rate of return that has been received on capital employed requiring interest or other return.	Income before taxes and financing expenses: Statement of income; Total assets and non-interest-bearing debt: Balance sheet
Non-interest-bearing debt	=	Total assets - total equity - non-current interest-bearing liabilities - current portion of interest-bearing liabilities - current other interest-bearing liabilities	Used as a factor to calculate Return on capital employed (ROCE).	Balance sheet
Equity to asset ratio	= 100 x	Total equity / Total assets - advances received	Used to measure solvency and describe the share of the company's assets financed by equity.	Balance sheet

Key figure		Definition	Reason for use	Reconciliation
Gearing (%)	= 100 x	Interest-bearing net debt / Total equity	Represents the company's indebtedness by measuring the amount of interest-bearing debt in proportion to equity capital. Some of Cargotec's loan agreements include a covenant restricting the corporate capital structure, measured by gearing.	Note 8.1, Financial risk management

In the calculation of the balance sheet related key figures the assets held for sale and liabilities related to assets held for sale are included in the applicable account groups, even though in the balance sheet they are presented on one row.

Share-related key figures

Key figure		Definition
Equity / share (EUR)	=	Total equity attributable to the equity holders of the parent / Number of outstanding shares at the end of the financial year
Dividend / share (EUR)	=	Dividend for the financial year / Number of outstanding shares at the end of the financial year
Dividend / earnings (%)	= 100 x	Dividend for the financial year / share / Earnings per share
Effective dividend yield (%)	= 100 x	Dividend / share / Closing price for the class B share at the end of the financial year
Price / earnings (P/E)	=	Closing price for the class B share at the end of the financial year / Earnings per share
Average share price (EUR)	=	EUR amount traded during financial year for the class B share / Number of class B shares traded during the financial year
Market capitalisation at the end of the financial year	=	Number of class B shares outstanding at the end of the financial year x closing price for the class B share at the end of the financial year + Number of class A shares outstanding at the end of the financial year x closing day average price for the class B share
Trading volume	=	Number of class B shares traded during the financial year
Trading volume (%)	= 100 x	Number of class B shares traded during the financial year / Average weighted number of class B shares during the financial year

Key exchange rates for euro

Closing rate	31 Dec 2021	31 Dec 2020
SEK	10.250	10.034
USD	1.133	1.227

Average rate	1–12/2021	1–12/2020
SEK	10.147	10.479
USD	1.185	1.145

Additional information on currency risk is disclosed in note 8.1, Financial risk management.

FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

Parent company income statement

EUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Sales		**265,999,464.85**	**192,154,994.22**
Administration expenses	3, 4, 5	-267,836,343.69	-194,454,454.30
Other operating income		3,797,273.38	103,831.00
Operating profit / loss		**1,960,394.54**	**-2,195,629.08**
Financing income and expenses	6	57,649,095.28	-84,112,929.59
Profit / Loss before appropriations and taxes		**59,609,489.82**	**-86,308,558.67**
Group contributions		970,000.00	5,345,000.00
Income taxes	7	669,879.77	-1,252,837.92
Profit / Loss for the period		**61,249,369.59**	**-82,216,396.59**

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

Parent company balance sheet

EUR	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets	8		
Intangible assets	9	21,363,462.08	27,722,857.86
Tangible assets		31,874.44	52,812.14
Investments	10		
Investments in subsidiaries	10	2,716,731,966.18	2,590,176,987.06
Investments in joint ventures	10	-	-
Other investments		3,558,320.83	3,788,468.03
Total non-current assets		**2,741,685,623.53**	**2,621,741,125.09**
Current assets			
Long-term receivables	11, 13	84,745,551.54	90,690,700.56
Short-term receivables	12, 13	655,533,589.41	773,087,449.65
Cash and cash equivalents		286,074,305.00	361,769,271.65
Total current assets		**1,026,353,445.95**	**1,225,547,421.86**
Total assets		**3,768,039,069.48**	**3,847,288,546.95**

EUR	Note	31 Dec 2021	31 Dec 2020
EQUITY AND LIABILITIES			
Equity			
Share capital		64,304,880.00	64,304,880.00
Share premium account		97,992,301.08	97,992,301.08
Reserve for invested non-restricted equity		70,545,576.58	73,898,537.60
Retained earnings		609,645,880.84	761,326,759.09
Profit / Loss for the period		61,249,369.59	-82,216,396.59
Total equity	14	**903,738,008.09**	**915,306,081.18**
Provisions		**-**	**29,688.80**
Liabilities			
Non-current liabilities	13, 15	750,000,000.00	900,000,000.00
Current liabilities	13, 16	2,114,301,061.39	2,031,952,776.97
Total liabilities		**2,864,301,061.39**	**2,931,952,776.97**
Total equity and liabilities		**3,768,039,069.48**	**3,847,288,546.95**

Figures are presented according to the Finnish Accounting Standards (FAS).
The balance sheet for 2020 has been adjusted, more information in note 18, Adjustment to the 2020 balance sheet.

Parent company cash flow statement

TEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Operating profit / loss	1,960	-2,196
Adjustments to the operating profit / loss for the period	5,347	6,824
Change in working capital:		
Change in non-interest-bearing receivables	-21,788	-3,913
Change in non-interest-bearing payables	11,916	6,097
Interest paid	-16,971	-23,809
Interest received	8,685	7,982
Dividends received	88,167	9,800
Income taxes paid	-108	-522
Other financing income and expenses	-33,144	33,340
Cash flow from operating activities	**44,063**	**33,604**
Investments to tangible and intangible assets	-171	-943
Investments to subsidiaries and other companies	-152,856	-143,344
Proceeds from sales of group companies and other companies	1,400	163,373
Cash flow from investing activities	**-151,628**	**19,086**
Received and paid group contributions	5,345	9,300
Acquisition of treasury shares	-3,353	-
Proceeds from sale of treasury shares	-	931
Increase in loans receivable	-136,513	-239,479
Disbursement of loans receivable	289,792	275,328
Proceeds from short-term borrowings	633,402	578,936
Repayments of short-term borrowings	-437,339	-524,718
Proceeds from long-term borrowings	-	249,538
Repayments of long-term borrowings	-250,000	-250,778
Profit distribution	-69,465	-77,281
Cash flow from financing activities	**31,869**	**21,777**
Change in cash and cash equivalents	-75,695	74,468
Cash and cash equivalents 1 Jan	361,769	287,301
Cash and cash equivalents 31 Dec	**286,074**	**361,769**

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

Notes to the parent company financial statements

1. Accounting principles for the parent company financial statements

Basis of preparation

Cargotec Corporation's (1927402-8) financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Foreign currency transactions

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

Revenue recognition

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

Income taxes

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

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

Intangible and tangible assets, amortisation and depreciation

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

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

Investments

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

Loans receivable

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

Cash and cash equivalents

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

Loans payable

Loans payable are initially recognised as a liability on the balance sheet at an amount received. Transaction costs and interests are recognised as finance expense in the income statement by applying the effective interest rate.

Derivative instruments

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

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

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

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

Equity

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

Statutory provisions

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

2. Financial risk management

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

Currency risk

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

The parent company's open currency exposure on 31 December 2021 was, in absolute terms, EUR 7.5 (31 Dec 2020: 10.7) million.

Interest rate risk

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

Liquidity and funding risk

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

Credit and counterparty risk

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

External loan receivables on 31 December 2021 were EUR 10.1 (31 Dec 2020: 7.1) million, and cash and equivalents EUR 286.1 (31 Dec 2020: 361.8) million. The parent company's cash and equivalents are held in banks that have a solid credit rating and are approved by the Treasury Committee. More information about the credit risk related to derivatives is disclosed in the note 8.1 in the consolidated financial statements.

Operational risks of the treasury function

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

3. Personnel expenses

TEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Wages and salaries	23,297	18,793
Pension costs	4,358	2,686
Other statutory employer costs	581	891
Total	**28,236**	**22,370**

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

Average number of employees

	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
White-collar	208	189

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 634,480 (2020: 602,142). Additionally in 2021 two members of the Cargotec's Board of Directors received each an EUR 150,000 compensation based on a separate consulting agreement for the merger related preparation work.

The salaries and remunerations paid to the CEO, including base salary, fringe benefits, short-term incentive payout and taxable income from the share-based incentive programme 2019 and second installment of the matching share programme 2019-2022 (2020: share-based incentive programme 2018 and first installment of the matching share programme 2019-2022), totalled EUR 2,453,614 (1,637,694). The CEO is entitled to a supplemental defined contribution pension benefit. According to the renewed pension agreement in 2020, the CEO is entitled to retire at the age of 65. If the CEO's service ends before the retirement age of 65 determined in the pension agreement, the CEO is entitled to begin taking the supplemental pension at the age of 62. No supplemental pension contributions have been paid in 2021 or 2020. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 244,189 (185,894) was recorded in year 2021.

The key management's compensation is described in more detail in note 3.3, Management remuneration, in the consolidated financial statements.

4. Depreciation, amortisation and impairment charges

TEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Planned depreciation and amortisation		
Intangible rights	6,495	6,748
Other capitalised expenditure	33	38
Machinery and equipment	23	30
Total	**6,551**	**6,816**

5. Audit fees

TEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Annual audit	792	621
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	-	545
Tax advice	37	387
Other services	1,200	624
Total	**2,029**	**2,177**

The auditing firm PricewaterhouseCoopers Oy acted as Cargotec's auditor until the Annual General Meeting (AGM) on 23 March 2021. The AGM elected the auditing firm Ernst & Young Oy as the new auditor. The table above presents the fees to Ernst & Young globally since 23 March 2021 and to PricewaterhouseCoopers until 23 March 2021. Ernst & Young's fees in 2021 were in total EUR 1.4 million, including EUR 0.7 million fees for audit and EUR 0.7 million for other services.

6. Financing income and expenses

TEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Interest income		
From group companies	6,299	6,579
From third parties	1,386	696
Total	**7,685**	**7,275**
Other financing income		
From group companies	6,994	12,161
Dividends from group companies	88,167	9,789
Exchange rate differences	16	-
Total	**95,177**	**21,950**
Interest expenses		
To group companies	-514	-5,216
To third parties	-14,089	-15,919
Total	**-14,602**	**-21,135**
Other financing expenses		
To group companies	-	30,849
To joint ventures*	-	-25,980
To third parties	-5,699	-10,598
Exchange rate differences	-	-106
Total	**-5,699**	**-5,835**
Reversals of impairments / impairments		
Reversals of impairments of investments in subsidiaries	49,182	54,315
Impairments of investments in subsidiaries	-74,094	-136,470
Impairments of investments in joint ventures	-	-4,213
Total	**-24,912**	**-86,368**
Total financing income and expenses	**57,649**	**-84,113**

* Loss on sale of investment in Rainbow-Cargotec Industries Co., Ltd.

7. Income taxes

TEUR	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Current year tax expense	-676	-2,814
Change in deferred tax asset	1,346	1,562
Total	**670**	**-1,252**

8. Intangible assets

TEUR	Intangible rights	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2021	70,830	12,865	-	83,695
Additions	145	-	-	145
Disposals	-	-	-	-
Transfers between groups	-	24	-	24
Acquisition cost 31 Dec 2021	**70,975**	**12,889**	**-**	**83,864**
Accumulated amortisation 1 Jan 2021	-43,576	-12,395	-	-55,971
Amortisation during the period	-6,495	-33	-	-6,528
Transfers between groups	-	-		-
2021	**-50,071**	**-12,428**	**-**	**-62,499**
Book value 31 Dec 2021	**20,904**	**460**	**-**	**21,364**
Acquisition cost 1 Jan 2020	68,715	12,865	1,171	82,751
Additions	101	-	843	944
Disposals	-	-	-	-
Transfers between groups	2,014	-	-2,014	-
Acquisition cost 31 Dec 2020	**70,830**	**12,865**	**-**	**83,695**
Accumulated amortisation 1 Jan 2020	-36,811	-12,374	-	-49,185
Amortisation during the period	-6,748	-38	-	-6,786
Transfers between groups	-17	17	-	-
2020	**-43,576**	**-12,395**	**-**	**-55,971**
Book value 31 Dec 2020	**27,254**	**469**	**-**	**27,723**

TEUR	2021	2020
Capitalised interest expense	10	44

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

9. Tangible assets

TEUR	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 Jan 2021	1,287	121	1,409
Additions	-	-	-
Transfers between groups	26	-24	2
Acquisition cost on 31 Dec 2021	**1,313**	**97**	**1,410**
Accumulated depreciation on 1 Jan 2021	-1,259	-97	-1,356
Depreciation during the period	-23	-	-23
Accumulated depreciation on 31 Dec 2021	**-1,282**	**-97**	**-1,379**
Book value on 31 Dec 2021	**31**	**0**	**31**
Acquisition cost on 1 Jan 2020	1,287	121	1,409
Additions	-	-	-
Acquisition cost on 31 Dec 2020	**1,287**	**121**	**1,409**
Accumulated depreciation on 1 Jan 2020	-1,229	-97	-1,326
Depreciation during the period	-30	-	-30
Accumulated depreciation on 31 Dec 2020	**-1,259**	**-97**	**-1,356**
Book value on 31 Dec 2020	**28**	**24**	**53**

10. Investments

TEUR	2021	2020
Investments in subsidiaries		
Acquisition cost 1 Jan	3,687,173	3,707,458
Accumulated impairments 1 Jan	-1,096,996	-1,014,841
Additions	152,856	143,394
Reductions	-1,390	-163,679
Impairments	-24,912	-82,155
Book value 31 Dec	**2,716,732**	**2,590,177**

TEUR	2021	2020
Investments in joint ventures		
Acquisition cost 1 Jan	0	36,691
Reductions	-	-32,478
Impairments	-	-4,213
Book value 31 Dec	**0**	**0**

TEUR	2021	2020
Other investments		
Acquisition cost 1 Jan	3,788	3,788
Reductions	-230	-
Book value 31 Dec	**3,558**	**3,788**

Subsidiary companies' full name, country of domicile and parent company's shareholding are disclosed in note 7.3, Subsidiaries, in the consolidated financial statements.

11. Long-term receivables

TEUR	31.12.2021	31.12.2020
Loans receivable from group companies	78,020	78,040
Loans receivable from others	-	6,853
Deferred tax asset from third parties	5,264	3,921
Derivative assets	-	44
Deferred assets	1,461	1,833
Total	**84,746**	**90,691**

The balance sheet for 2020 has been adjusted, more information in note 18, Adjustment to the 2020 balance sheet.

12. Short-term receivables

TEUR	31 Dec 2021	31 Dec 2020
From group companies		
Loans receivable	546,144	698,538
Accounts receivable	35,428	22,568
Derivative assets	31,144	21,904
Deferred assets	5,384	6,317
Total	**618,101**	**749,327**
From third parties		
Loans receivable	10,136	242
Accounts receivable	4,365	1,231
Derivative assets	10,798	13,266
Deferred assets	12,134	9,021
Total	**37,433**	**23,760**
Total current receivables	**655,534**	**773,087**

Deferred assets

TEUR	31 Dec 2021	31 Dec 2020
Group contribution	970	5,345
Interest income	650	792
Periodisations	4,429	5,092
VAT receivable	3,360	2,297
Other accruals	8,110	1,812
Total	**17,518**	**15,338**

The balance sheet for 2020 has been adjusted, more information in note 18, Adjustment to the 2020 balance sheet.

13. Derivatives

Fair values of derivative financial instruments

31 Dec 2021 TEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	31,144	21,025	10,119
Other currency forward contracts	10,798	6,843	3,955
Total	**41,942**	**27,869**	**14,073**

31 Dec 2020 TEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	21,904	35,121	-13,218
Other currency forward contracts	13,330	19,380	-6,050
Total	**35,234**	**54,502**	**-19,268**

Nominal values of derivative financial instruments

TEUR	31 Dec 2021	31 Dec 2020
Intra-group currency forward contracts	2,618,438	1,880,209
Other currency forward contracts	2,955,270	2,447,540
Total	**5,573,708**	**4,327,749**

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

14. Equity

TEUR	2021	2020
Restricted equity		
Share capital 1 Jan	64,305	64,305
Share capital 31 Dec	**64,305**	**64,305**
Share premium account 1 Jan	**97,992**	**97,992**
Share premium account 31 Dec	97,992	97,992
Total restricted equity	**162,297**	**162,297**
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	73,899	72,533
Acquisition of treasury shares	-3,353	-
Proceeds from sale of treasury shares	-	1,365
Reserve for invested non-restricted equity 31 Dec	**70,546**	**73,899**
Retained earnings 1 Jan	679,111	838,608
Profit distribution	-69,465	-77,281
Retained earnings 31 Dec	**609,646**	**761,327**
Loss / Profit for the period	61,249	-82,216
Total non-restricted equity	**741,441**	**753,009**
Total equity	**903,738**	**915,306**
Distributable equity	**741,441**	**753,009**

15. Non-current liabilities

TEUR	31 Dec 2021	31 Dec 2020
Corporate bonds	350,000	500,000
Loans from financial institutions	400,000	400,000
Total non-current liabilities	**750,000**	**900,000**

Maturity after 5 years

TEUR	31 Dec 2021	31 Dec 2020
Loans from financial institutions	-	150,000
Total	**-**	**150,000**

Corporate bonds

				Book value, TEUR	
Loan period	Interest	Coupon rate, %	Nominal value	31 Dec 2021	31 Dec 2020
2017–2021	Fixed*	1.75	150,000 TEUR	-	150,000
2017–2024	Fixed	2.38	100,000 TEUR	100,000	100,000
2019–2025	Fixed	1.25	100,000 TEUR	100,000	100,000
2019–2026	Fixed	1.63	150,000 TEUR	150,000	150,000

* Cargotec made a voluntary total redemption for the EUR 150 million senior unsecured bond in December 2021, where the original maturity date was in March 2022.

The balance sheet for 2020 has been adjusted, more information in note 18, Adjustment to the 2020 balance sheet.

16. Current liabilities

TEUR	31 Dec 2021	31 Dec 2020
To group companies		
Loans from group companies	2,010,113	1,814,051
Accounts payable	1,339	1,546
Derivative liabilities	21,025	35,121
Accruals	26,093	22,313
Total	**2,058,571**	**1,873,031**
To third parties		
Loans from financial institutions	-	99,966
Bank overdrafts used	3	3
Accounts payable	19,985	14,800
Derivative liabilities	6,843	19,380
Accruals	28,899	24,773
Total	**55,730**	**158,922**
Total current liabilities	**2,114,301**	**2,031,953**

Accruals

TEUR	31 Dec 2021	31 Dec 2020
Accrued salaries, wages and employment costs	8,205	8,242
Accrued interests	4,176	6,545
Other accruals	42,612	32,265
Total	**54,992**	**47,052**

The balance sheet for 2020 has been adjusted, more information in note 18, Adjustment to the 2020 balance sheet.

17. Commitments

TEUR	31 Dec 2021	31 Dec 2020
Security for guarantees		
Guarantees given on behalf of group companies	420,028	398,849
Guarantees given on behalf of associated companies and joint ventures	2,934	1,271
Guarantees given on behalf of others	-	400
Other contingent liabilities		
On its own behalf	1,500	1,500
Leasing commitments		
Maturity within the next financial period	1,341	1,168
Maturity after the next financial period	2,959	3,686
Total	**428,762**	**406,874**

18. Adjustment to the 2020 balance sheet

The balance sheet for loans 2020 has been adjusted as follows:

EUR	Note	31 Dec 2020, original	corrections	31 Dec 2020, final
ASSETS				
Non-current assets				
Intangible assets	8	27,722,857.86		27,722,857.86
Tangible assets	9	52,812.14		52,812.14
Investments				
Investments in subsidiaries	10	2,590,176,987.06		2,590,176,987.06
Investments in joint ventures	10	-		-
Other investments	10	3,788,468.03		3,788,468.03
Total non-current assets		**2,621,741,125.09**		**2,621,741,125.09**
Current assets				
Long-term receivables	11, 13	88,858,182.80	1,832,517.76	90,690,700.56
Short-term receivables	12, 13	772,222,832.81	864,616.84	773,087,449.65
Cash and cash equivalents		361,769,271.65		361,769,271.65
Total current assets		**1,222,850,287.26**		**1,225,547,421.86**
Total assets		**3,844,591,412.35**		**3,847,288,546.95**

EUR	Note	31 Dec 2020, original	corrections	31 Dec 2020, final
EQUITY AND LIABILITIES				
Equity				
Share capital		64,304,880.00		64,304,880.00
Share premium account		97,992,301.08		97,992,301.08
Reserve for invested non-restricted equity		73,898,537.60		73,898,537.60
Retained earnings		761,326,759.09		761,326,759.09
Loss / Profit for the period		-82,216,396.59		-82,216,396.59
Total equity	14	**915,306,081.18**		**915,306,081.18**
Provisions		**29,688.80**		**29,688.80**
Liabilities				
Non-current liabilities	13, 15	897,336,497.28	2,663,502.72	900,000,000.00
Current liabilities	13, 16	2,031,919,145.09	33,631.88	2,031,952,776.97
Total liabilities		**2,929,255,642.37**		**2,931,952,776.97**
Total equity and liabilities		**3,844,591,412.35**		**3,847,288,546.95**

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 2017–2021, EUR

	2021	2020	2019	2018	2017
Earnings per share	3.82	0.13	1.39	1.66	2.05
Equity per share	23.95	20.14	22.12	22.16	22.06
Dividend per class B share	1.08[1]	1.08	1.20	1.10	1.05
Dividend per class A share	1.07[1]	1.07	1.19	1.09	1.04
Effective dividend yield, class B share, %	2.5%[1]	3.2%	4.0%	4.1%	2.2%
Price per earnings, class B share	11.46	267.8	21.8	16.1	23.0
Development of share price, class B share					
Average share price	44.70	24.77	31.09	41.28	49.85
Highest share price	52.80	37.14	38.48	51.30	59.25
Lowest share price	33.60	15.15	24.12	26.46	40.26
Closing price at the end of period	43.84	33.82	30.24	26.72	47.20

[1] Board's proposal

Shares and share capital

Cargotec has two classes of shares, of which class B shares are listed and class A shares are unlisted. At the Annual General Meeting, each class A share is assigned one vote, as is each block of ten class B shares, with the provision that each shareholder is entitled to at least one vote. The total number of votes attached to all shares was 15,039,849 at the end of 2021.

There were no changes in Cargotec Corporation's share capital in 2021. On 31 December 2021, share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 55,182,079 class B shares and 9,526,089 class A shares.

Dividend distribution

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

Dividend proposal

The Board of Directors proposes to the Annual General Meeting (AGM), that of the distributable profit, a dividend of EUR 1.07 for each class A shares and EUR 1.08 for each class B shares outstanding be paid for the financial year 2021.

Own shares and share issue

On 23 March 2021, Cargotec's Board of Directors decided on a directed share issue related to the reward payments for share based incentive programmes. The share reward payments are related to the performance period 2019–2020 of Cargotec's share-based incentive programme launched in 2017 as well as the second matching period of matching share programme, and 2019 restricted shares programme launched in 2019.

In the share issue, 75,691 own class B shares held by the company were transferred without consideration to the key employees participating in the share-based incentive programmes in accordance with the programme-specific terms and conditions. Cargotec purchased the shares at the market price on 25–26 February 2021 at public trading on Nasdaq Helsinki Ltd.. More detailed information about the launch and the terms and conditions of the programmes is available in stock exchange releases published on 8 February 2017 and on 20 February 2019.

The decision on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting on 19 March 2019. According to the authorisation, the Board of Directors can decide on a share issue amounting to a maximum of 952,000 class A shares and 5,448,000 class B shares.

At the end of 2021, Cargotec held a total of 224,840 own class B shares, accounting for 0.35 percent of the total number of shares and 0.15 percent of the total number of votes. At the end of the year, the number of outstanding class B shares totalled 54,957,239.

Share price development and trading

In 2021, Cargotec's class B share price increased by 30 percent, from EUR 33.82 to EUR 43.84. Over the same period, the OMX Helsinki Benchmark Cap Index increased by 20 percent.

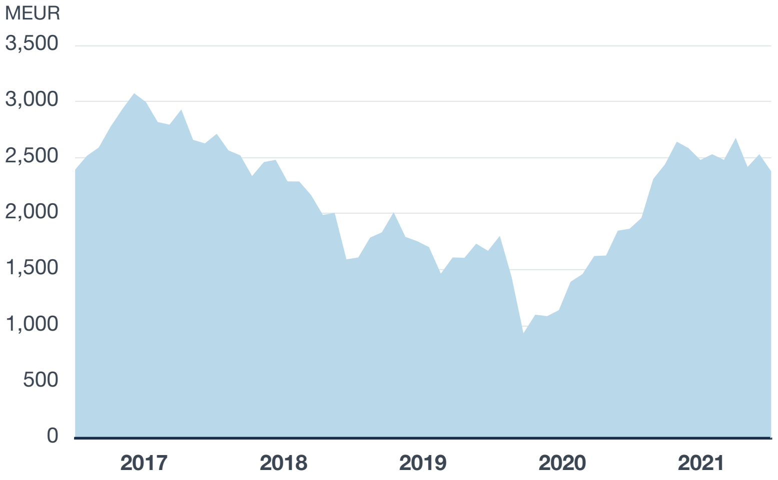
At the end of 2021, the total market value of class B shares, calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 2,409 (31 Dec 2020: 1,859) million, excluding own shares held by the company. Cargotec's year-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the year, was EUR 2,828 (2,182) million, excluding own shares held by the company.

The class B share closed at EUR 43.84 (33.82) on the last trading day of 2021 and the volume weighted average price for the financial period was EUR 44.70 (24.77) on Nasdaq Helsinki Ltd. The highest quotation for 2021 was EUR 52.80 (37.14) and the lowest EUR 33.60 (15.15). In 2021, a total of 37 (55) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,644 (1,369) million. The average daily trading volume of class B shares was 146,012 (219,123) shares or EUR 7 (5) million.

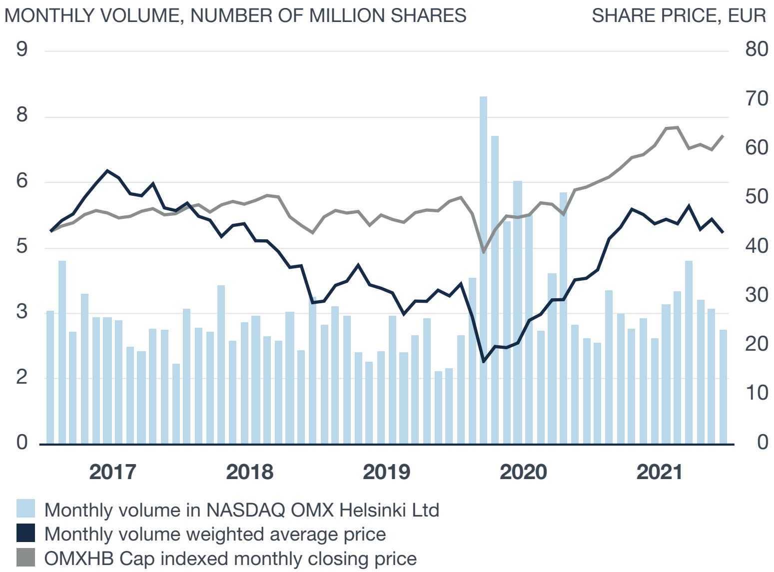
In addition, according to Fidessa, a total of 59 (55) million class B shares were traded in several alternative marketplaces in 2021, such as Cboe APA and Cboe BXE, corresponding to a turnover of EUR 2,640 (1,441) million.

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

MARKET CAPITALISATION, CLASS B SHARES



SHARE PRICE AND VOLUME



Shareholders

At the end of 2021, Cargotec had 39,562 (37,576) registered shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin was the largest owner when including shares owned directly as well as through companies in which a controlling interest is held. There were 17,979,814 (16,309,801) nominee-registered shares, representing 27.79 (25.21) percent of the total number of shares, which corresponds to 11.95 (10.84) percent of all votes.

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

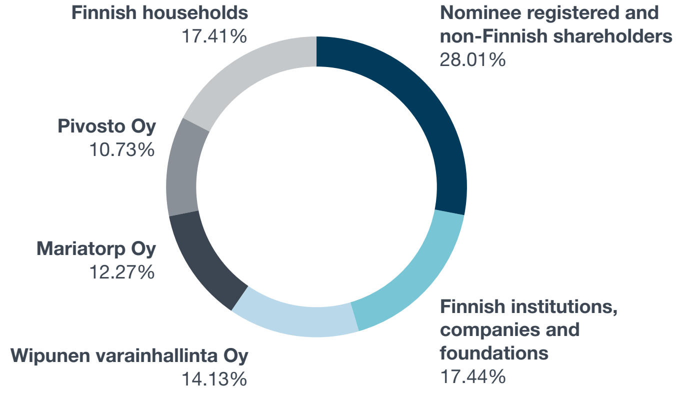
	Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1	Wipunen varainhallinta oy	2,940,067	6,200,000	9,140,067	14.13	3,560,067	23.67
2	Mariatorp Oy	2,940,067	5,000,000	7,940,067	12.27	3,440,067	22.87
3	Pivosto Oy	2,940,067	4,000,000	6,940,067	10.73	3,340,067	22.21
4	KONE Foundation	705,888	1,232,454	1,938,342	3.00	829,133	5.51
5	Ilmarinen Mutual Pension Insurance Company		1,374,000	1,374,000	2.12	137,400	0.91
6	Varma Mutual Pension Insurance Company		1,148,632	1,148,632	1.78	114,863	0.76
7	The State Pension Fund		650,000	650,000	1.00	65,000	0.43
8	Elo Mutual Pension Insurance Company		635,319	635,319	0.98	63,531	0.42
9	Herlin Heikki Juho Kustaa		400,000	400,000	0.62	40,000	0.27
10	OP-Finland Small Firms Fund		330,360	330,360	0.51	33,036	0.22
11	Sigrid Jusélius Foundation		326,000	326,000	0.50	32,600	0.22
12	Nurminen Hanna Kirsti		270,268	270,268	0.42	27,026	0.18
13	Cargotec Oyj		224,840	224,840	0.35	22,484	0.15
14	Veritas Pension Insurance Company Ltd.		201,172	201,172	0.31	20,117	0.13
15	Anna Karolina Blaberg		182,745	182,745	0.28	18,274	0.12
16	Herlin Olli Ilkka Julius		175,000	175,000	0.27	17,500	0.12
17	Herlin Ville		160,000	160,000	0.25	16,000	0.11
18	Jenny and Antti Wihuri Foundation		160,000	160,000	0.25	16,000	0.11
19	Nordea Pro Finland Fund		159,185	159,185	0.25	15,918	0.11
20	Hakakari Tapio Kalervo		158,525	158,525	0.25	15,852	0.11
	Total	**9,526,089**	**22,988,500**	**32,514,589**	**50.25**	**11,824,935**	**78.62**
	Nominee registered			17,979,814			
	Other owners			14,213,765			
	Total number of shares issued on 31 Dec 2021			**64,708,168**			

Based on ownership records of Euroclear Finland Ltd.

Number of shares	Number of shareholders	% of shareholders	Total shares	% of total number of shares
1–100	24,159	61.07	1,003,659	1.55
101–500	11,290	28.54	2,763,855	4.27
501–1,000	2,152	5.44	1,645,298	2.54
1,001–10,000	1,799	4.55	4,589,005	7.09
10 001–100,000	132	0.33	3,458,893	5.35
100,001–1 000,000	21	0.06	4,993,986	7.75
Over 1,000,000	8	0.02	46,023,349	71.12
Total	**37,575**	**100.00**	**64,478,045**	**99.67**
of which nominee registered			17,979,814	27.79
In the joint book-entry account			5,283	0.01
Number of outstanding shares on 31 December 2021			**64,483,328**	**99.65**
Own shares on 31 December 2021	1		224,840	0.35
Total number of shares on 31 December 2021			**64,708,168**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

BREAKDOWN BY SHAREHOLDER CATEGORY ON 31 DECEMBER 2021



Based on ownership records of the Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2021, the aggregate shareholding of the Board of Directors, the CEO and companies in which they have a controlling interest was 2,940,067 (2,940,067) class A shares and 6,510,805 (6,567,500) class B shares, which correspond to 14.61 (14.69) percent of the total number of all shares and 23.88 (23.92) percent of all votes.

The CEO Mika Vehviläinen is covered by the share-based incentive programmes 2020 and 2021, third installment of the matching share programme 2019-2022 and share-based bridge incentive programme 2020-2023.

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

Additional information:

Corporate Governance statement 2021
Remuneration statement 2021
CVs of Board members (Cargotec.com)
CVs of Leadership Team members (Cargotec.com)

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 3. February 2022

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board

Jaakko Eskola
Member of the Board

Teresa Kemppi-Vasama
Member of the Board

Johanna Lamminen
Member of the Board

Casimir Lindholm
Member of the Board

Kaisa Olkkonen
Member of the Board

Teuvo Salminen
Member of the Board

Heikki Soljama
Member of the Board

Mika Vehviläinen
CEO

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 3. February 2022

Ernst & Young Oy
Authorised Public Accountant Firm

Heikki Ilkka
Authorised Public Accountant

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Cargotec Oyj

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cargotec Oyj (business identity code 1927402-8) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including summaries of significant accounting policies, as well as the parent company's balance sheet, statement of income, statement of cash flows and notes.

In our opinion

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

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

Basis for Opinion

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

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

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.3 to the consolidated financial statements.

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

Key Audit Matters

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

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Revenue recognition over time and project related provisions
The accounting principles and disclosures about revenue recognition and project related provisions are included in notes 2.2. and 5.5.
 	
Revenue from sales of machines and equipment, the manufacturing of which requires a significant amount of design work, is recognized over time by using the percentage of completion method if it is assessed that the product is not suitable as such or with minor modifications for another customer, and if Cargotec has a contractual right to a payment regarding the produced output. The percentage of completion is determined either by reference to the individual contract costs incurred to date as a percentage of the total estimated contract cost or by completion of a certain physical milestone.
 	
The Group has significant projects, where revenue is recognized over time, in the Kalmar and MacGregor segments. In year 2021, approximately 13 % percent of total sales of 3.3 billion euro was recognized on an over time basis.
 	
The recognition of revenue and the estimation of the outcome of a project require significant management judgment, in particular with respect to estimating the stage of completion and cost to complete.
 	
The Group makes several types of provisions related to risks associated with long-term contracts and revenue recognition over time. These provisions require high level of management judgment and are a key audit matter due to that reason.
 	
Based on above, revenue recognition over time, including project related provisions, was a key audit matter. Revenue recognition over time was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).
	Our audit procedures in connection with project related provisions, and to address the risk of material misstatement in respect of the revenue recognition over time, included, among others:
	
	• Assessment of the Group's accounting policies over revenue recognition over time and recognition of project related provisions;
	• Gaining an understanding of the revenue recognition process including related provisions;
	• Inspecting on a sample basis the project documentation such as contracts and other written communication;
	• Testing on a sample basis the percentage of completion and provision calculations as well as comparing the estimates to actuals;
	• Evaluation of financial development and current status by
	  • analyzing the changes in assumptions relating to estimated revenues, costs, and related provisions and receipts of project payments, and
	  • discussions with different levels of the organization including project level, segment and group management; and
	• Assessing the Group's disclosures in respect of revenue recognition and related provisions.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Valuation of goodwill
The accounting principles and disclosures relating to goodwill are included in notes 2.7 and 6.1.
 	
At the balance sheet date December 31, 2021, the value of goodwill amounted to 966,8 million euros of which 270,5 million euros relate to Kalmar, 227,3 million euros to Hiab and 469,0 million to MacGregor.
 	
Goodwill is tested for impairment at least annually and whenever there is an indication that goodwill may be impaired. Due to the current uncertainty in the financial operating environment, MacGregor's goodwill has been tested for impairment on a quarterly basis.
 	
The annual impairment testing of goodwill was based on the management's estimate about the value-in-use of the cash generating units. There are a number of assumptions used to determine the value-in-use of the cash generating units, including revenue growth, margins and the discount rate applied on net cash-flows. The estimated value-in-use may vary significantly when underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.
 	
The valuation of goodwill was a key audit matter because the annual impairment testing required management judgment with respect to the key assumptions used and because of the significance of goodwill to the financial statements.
 	
Valuation of goodwill related to the MacGregor segment is also a significant risk of material misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).
	Our audit procedures to address the risk of material misstatement in respect of valuation of goodwill included among others
	
	• Involvement of our valuation specialists to assist us in evaluating the key assumptions used in impairment testing by comparing management's assumptions to externally derived data and to our independently calculated industry averages, in particular those relating to
	  • the forecasted revenue growth,
	  • the forecasted margin and
	  • the weighted average cost of capital used to discount the net cash-flows.
	• Testing of the accuracy of the impairment calculations prepared by the management and comparison of the sum of discounted cash flows against Cargotec's market capitalization.
	• Evaluation of the adequacy of disclosures of the impairment testing results.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Information on our audit engagement

We were appointed as auditors by the Annual General Meeting with effect from 23 March 2021.

Other information

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

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

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

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

Helsinki, 3 February 2022

Ernst & Young Oy

Authorized Public Accountant Firm

Heikki Ilkka

Authorized Public Accountant

CARGOTEC'S INVESTOR RELATIONS

Mission and goal

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

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

Investor Relations leads the Capital Markets Day and other IR events arrangements for investors and analysts. It also gathers and analyses market information and investor feedback to be used by Cargotec's management and the Board of Directors.

Investor relations prepares videos, blogs, podcasts etc. about current topics, such as about interim reports or specific events. All material can be found from Cargotec website's Investor section.

Silent period

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

Investor relations in 2021

The coronavirus pandemic began in 2020 and was still impacting the travel and meeting opportunities in 2021. The safety and health of our employees, customers and partners were of key importance in all Cargotec's operations and Cargotec's investor relations also adjusted its activities accordingly.

In 2021, investor and analyst meetings organised by Cargotec's investor relations were predominantly virtual: participants convened online via various web conferencing applications while the material was distributed virtually to meeting participants. Towards the end of the year physical meetings were also held. Members of the investor relations team also participated in some investor meetings abroad. In total, the investor function organised tens of virtual meetings in 2021. The team members hosted the meetings and many meetings were attended by Cargotec's CEO Mika Vehviläinen or CFO Mikko Puolakka, giving insight about Cargotec as an investment to those attending the meetings. In addition, Cargotec's Investor Relations function participated in various investor meetings organised by brokerage firms; in many cases Cargotec's CEO or CFO was also attending these meetings.

The IR team arranged a virtual Hiab event in September. Presenting in the event were Hiab's President Scott Phillips (left), Cargotec's IR Director Aki Vesikallio, Hiab's VP Strategy Hermanni Lyyski and SVP Services Michaël Bruninx.

The Investor Relations team produced 17 videos in 2021. The videos presented Cargotec's operations from many perspectives, covering interim report information and business areas, as well as strategy development during the year. At the end of 2021, the videos have been viewed about 7,500 times on Cargotec's Youtube channel.

The IR team wrote seven blog texts in 2021, which were published on the company website www.cargotec.com. The blog topics ranged from interim report Q&A to tips about how to create and maintain winning investor relations web content.

In March, the IR team arranged a sustainability presentation for analysts. In the event, Cargotec's sustainability team presented current topics like the upcoming EU taxonomy and governance. The event was well attended with over 40 participants including sell-side analysts, equity and debt investors as well as bankers. The event recording has received about 400 views at Cargotec's Youtube channel.

Another significant virtual event was organised in September, when the IR team invited institutional investors and analysts to acquaint themselves with Hiab's business. At the event, Hiab's President Scott Phillips, SVP Hiab Finance Simon Greaves, SVP Services Michaël Bruninx and VP Strategy Hermanni Lyyski gave a Hiab business update and answered questions. About 50 analysts and investors attended the event. The event recording has been viewed about 600 times.

In December, the IR team held a traditional Cargotec Christmas lunch meeting for analysts. This time the meeting was arranged as a hybrid meeting where the participants were able to attend the meeting either in person in Helsinki, Finland, or virtually, participating in the discussion and viewing the presentation over the web. Cargotec's CEO Mika Vehviläinen and CFO Mikko Puolakka were present in the meeting with about 12 analysts attending mainly from Europe and the Nordic countries.

With the aim to continuously improve investor relations, the IR team executed several development projects during 2021. As an example, a website analytics dashboard was taken into use during the year. The dashboard focuses specifically on monitoring the performance and usage of investor pages. The IR newsletter service was actively developed as well during the year.

Cargotec IR in social media

Cargotec's IR team has been actively using social media to engage and serve private investors in particular. Cargotec's social media channels regularly post content of interest to investors, which can also be followed through the hashtag #CargotecIR. The intention has been to serve investors in their preferred channels.

Cargotec's Instagram account Cargotecglobal was launched in 2021. The account highlights significant events and announcements from both Cargotec and its business areas. The IR team has taken an active role in maintaining and providing content to the account. In addition to Cargotec's corporate accounts, members of the investor relations team, especially Investor Relations Director Aki Vesikallio, have personally been active on social media to create discussion and distribute content to the target audience.

Cargotec's LinkedIn account is quite popular, with more than 40,000 people currently following the company's activities through this channel. The number of Cargotec followers in LinkedIn increased by almost 15 percent. The IR team actively updates LinkedIn, providing updates about Cargotec and its business area events, financial releases and other topics of interest to LinkedIn users.

Acknowledgements

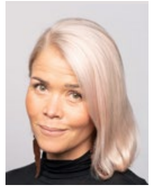
In May, the Finnish Foundation for Share Promotion and the Finnish Society of Financial Analysts nominated Cargotec's IR pages the best in Finland in 2021. The competition aims to improve the investor communications of companies listed on the Helsinki Stock Exchange. According to the jury, Cargotec's IR pages provide relevant information to investors in a versatile and easy-to-use manner. Cargotec was also praised for its active investor relations work.

Webranking by Comprend ranks yearly the corporate websites of European companies to evaluate how well they meet the needs and expectations of their stakeholders, such as analysts, investors, jobseekers, and the media. From Finland, Webranking by Comprend evaluated the web pages of the 50 largest companies, placing Cargotec as the 5th top website performer in Finland. The position improved as in the previous year Cargotec's ranking was 8.

Financial information in 2022

3 February 2022	Financial statements review 2021
Week 8, 2022	Financial Statements 2021 and Annual Report 2021
17 March 2022	Annual General Meeting
27 April 2022	Interim report January–March 2022
27 July 2022	Half year financial report January–June 2022
26 October 2022	Interim report January–September 2022

Investor relations contact information



Heidi Gustafsson
Executive Assistant to the CFO and SVP Corporate Communications
Tel. +358 50 570 2082

Aki Vesikallio
Director, Investor Relations
Tel. +358 40 729 1670

Martti Henttunen
Senior Manager, Communications and Investor Relations
Puh. +358 40 570 1878

CONTACT US

Cargotec Corporation
Porkkalankatu 5, Helsinki, Finland
P.O. Box, 00501 Helsinki
Tel. +358 20 777 4000

Websites
www.cargotec.com
www.kalmarglobal.com
www.hiab.com
www.macgregor.com

Business identity code
1927402–8

Follow us

Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec has committed to the United Nations Global Compact Business Ambition for 1.5°C. Cargotec's sales in 2021 totalled approximately 3.3 billion and it employs around 11,000 people.
www.cargotec.com

Annual Report 2021

GRI Index 2021

The Annual Report 2021 consists of the annual review, the financial review, the corporate governance statement and the remuneration report. The Financial review includes the Board of Directors' report, the financial statements, and the auditor's report. All documents are available at the company website www.cargotec.com/2021.

CARGOTEC