ANNUAL REPORT 2022

CARGOTEC

CARGOTEC

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.

1.5°C COMPANY

WE SUPPORT

UN GLOBAL COMPACT

CARGOTEC

Smarter cargo flow for a better everyday

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ABOUT THIS REPORT

Cargotec publishes its Annual Report 2022 in February 2023. 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.

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, which is the official ESEF version of Cargotec's financial review 2022. 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.

The annual review 2022 highlights Cargotec's strategy and performance in 2022 and provides links to additional information on the company website, for example. The review describes relevant aspects of the company's operations and impacts on the surrounding world, while recognising the interdependency between them. The approach is inspired by the Integrated Reporting framework, which builds on recognising both positive and negative impacts on stakeholders, society and the environment beyond the reporting year.

Together with the Annual Report, Cargotec also publishes its GRI index for the year 2022. The independent limited assurance report is included in the GRI index. All materials are available on the company website at www.cargotec.com.

OUR BUSINESS IN 2022

CARGOTEC IN BRIEF

Europe, Middle East and Africa (EMEA)

Share of sales
47%

Personnel
7,901

Assembly / R&D
- Croatia
- Finland (Head office)
- Germany
- Ireland
- Italy
- Netherlands
- Norway
- Poland
- Spain
- Sweden
- United Kingdom

Americas (AMER)

Share of sales
36%

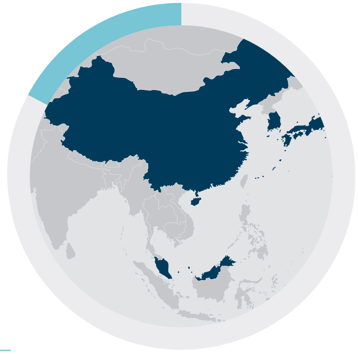
Personnel
1,550

Assembly/R&D
- Brazil
- United States

Asia-Pacific (APAC)

Share of sales
17%

Personnel
2,075



Assembly/R&D
- China
- Japan
- Malaysia
- Singapore
- South Korea
- Vietnam

Cargotec has operations in about 100 countries

Sales, MEUR
4,089

Comparable operating profit, MEUR
332

Total personnel
11,526

Services, share of total sales
31%

Eco portfolio sales*, MEUR
1,288

Eco portfolio, share of total sales*
31%

CO_2 emission change**
+5%

* According to updated criteria

** Compared to 2019 baseline. While emission intensity improved in 2022, total emissions increased due to sales growth.

BUSINESS AREAS IN BRIEF

KALMAR

Kalmar is the global leader in sustainable cargo handling for ports, terminals, distribution centres and heavy industry.

Kalmar's orders received in 2022 were EUR 2,081 million, and its sales amounted to EUR 1,943 million. Service sales were EUR 551 million. Kalmar's comparable operating profit was EUR 190 million, representing ca. 10 percent of sales.

"We achieved record sales in services. An important example is our web shop which delivered more than 50 percent of our parts sales."

Michel van Roozendaal
President, Kalmar

READ MORE ONLINE

KALMAR – SHARE OF CARGOTEC SALES	SERVICES, SHARE OF KALMAR'S SALES	NUMBER OF PERSONNEL
47%	28%	5,012

HIAB

Hiab is the 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 2022 were EUR 1,807 million, and its sales amounted to EUR 1,578 million. Service sales were EUR 411 million. Hiab's comparable operating profit amounted to EUR 224 million, representing ca. 14 percent of sales.

"We worked effectively with our partners and customers to understand each other's challenges and overcome them with solutions."

Scott Phillips
President, Hiab

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HIAB – SHARE OF CARGOTEC SALES	SERVICES, SHARE OF HIAB'S SALES	NUMBER OF PERSONNEL
39%	26%	3,778

MACGREGOR

MacGregor is the leader in sustainable maritime cargo and load handling with a strong portfolio of products, services and solutions.

MacGregor's orders received in 2022 were EUR 976 million, and its sales amounted to EUR 569 million. Service sales was EUR 301 million. MacGregor's comparable operating profit amounted to EUR -36 million, representing ca. -6 percent of sales.

"Our merchant ship and service businesses are profitable and stand for about 90 percent of our sales. In the offshore segment we have initiated a restructuring programme, and we work really hard on that."

Leif Byström
President, MacGregor

READ MORE ONLINE

MACGREGOR – SHARE OF CARGOTEC SALES	SERVICES, SHARE OF MACGREGOR'S SALES	NUMBER OF PERSONNEL
14%	53%	1,978

CEO REVIEW
EVENTFUL AND SUCCESSFUL YEAR

The year 2022 was good for Cargotec. While the year was characterised by many events and various global crises, Cargotec's orders received, sales and comparable operating profit were at a record level. The execution of the refocused strategy progressed with success.

During the year, we experienced many significant events, both globally and in the business.

Mika Vehviläinen
CEO, Cargotec

Cargotec's year 2022 was successful. We achieved the highest orders received ever, with sales and comparable operating profit also at a record level. The service sales were also record-breaking, constituting 31 percent of consolidated sales.

During the year, we experienced many significant events, both globally and in our business. The component challenges and the Covid-19 pandemic continued from the previous year, and in February we witnessed the condemnable attack of Russia on Ukraine. At the end of the first quarter, the planned merger of Cargotec and Konecranes was cancelled, and inflation and energy availability were topics of discussion throughout the year.


Cargotec's CEO Mika Vehviläinen

Uncertainty characterised the market environment in 2022. This was reflected in, for example, the development of the global GDP per capita affecting the demand for Cargotec's core businesses Hiab and Kalmar. According to the World Bank's economic outlook, the global economy grew by less than 3 percent in 2022, and the advanced economies group (a group of countries which includes several key Cargotec markets), the estimated growth was 2.5 percent.

In MacGregor's market environment, the level of merchant ship contracting declined in 2022 against a strong comparison period. Higher new vessel construction costs and extended lead times due to shipyard capacity restrictions weakened the ordering activity which, however, was still significantly higher compared to previous years. In the offshore sector, the number of the new unit contracts was still clearly below the historical average.

Execution of the re-focused strategy progressed well

We announced our re-focused strategy at the beginning of the year, right after the cancelled merger. The focus is now on sustainability and growth in our core businesses Hiab and Kalmar. We also announced plans to exit from Kalmar heavy cranes business, evaluate the strategic options for MacGregor, and review the operational model to support the re-focused group. We maintain our vision to become a leader in sustainable cargo flow.

The implementation of the strategy progressed rapidly during the year. We exited Kalmar's heavy crane business, transferring the heavy cranes-related immaterial rights to our subcontractor. With the arrangement, we were able to maintain the important service business, while still carrying the responsibility for the remaining customer order book. The majority of the heavy cranes order book is planned to be delivered in 2023. The changes in the operating model, aimed at increasing the independence of the business areas, have also been taken into use. Regarding the evaluation of strategic options for MacGregor, Cargotec's Board of Directors decided in November that, in the future, MacGregor would no longer be part of Cargotec's portfolio.

In connection with our Capital Markets Day in November, we published new performance targets for our core businesses. They illustrate our strategy to grow profitably by solving customers' sustainability challenges. The targets are above-market sales growth, a comparable operating profit of 12 percent in 2025 and 15 percent in 2030, doubling the eco portfolio sales compared to traditional products, and cutting the carbon dioxide emissions in Cargotec's value chain by 50 percent from the 2019 level by 2030. Presenting sustainability and financial targets side by side demonstrates how essential sustainability is in Cargotec's strategy.

We continue our work to reduce our carbon dioxide emissions.

Mika Vehviläinen
CEO, Cargotec

Product development innovations supported our responsibility goals

In 2022, in line with Cargotec's strategy, we proceeded to develop our businesses towards an even more sustainable direction. The sales of our eco-solutions portfolio increased by 54 percent compared to the previous year, constituting a quarter of our total sales. Customer interest in eco-efficient equipment is constantly growing, which creates a definite and increasing business opportunity for Cargotec.

During 2022, Kalmar started serial production of fully electric reachstackers, selling the first of these to customers in Norway and Sweden. Hiab launched a record number of products and solutions in 2022, around 40 in total. For example, Hiab now provides an electric version of all its truck mounted forklifts.

We did not reach our goal of lowering our carbon dioxide emissions from the level of the 2019 base year. Compared to the 2019 level, the increase in carbon dioxide emissions in the entire Cargotec value chain was 5 percent. The emission intensity decreased but not enough to compensate for the increase in emissions brought about by the increase in sales. We continue our work to reduce our carbon dioxide emissions. As an example, in 2022 Hiab introduced the world's first hooklift made mostly from fossil-free steel.

Our people are in a key role

The last three years have been challenging for all of us. Due to the corona pandemic, physical interaction became more difficult or stopped completely. At the same time working remotely increased while travelling ground to a halt.

In 2022, we paid special attention to the well-being and resilience of our personnel both globally and locally. As an example, we wanted to ensure that the needed information and tools to improve work well-being are available and that the team leaders and management consider the work-life balance of the personnel as one of the key enablers of good work performance and atmosphere. While there is still room for improvement, the progress in these areas has been good, having contributed to the high overall favourability score of our annual employee engagement survey Compass (75 percent).

New beginnings

In December, I informed Cargotec's Board of Directors of my intention to retire from Cargotec. In February 2023, the Board announced that it has appointed Casimir Lindholm as Cargotec's new President and CEO as of 1 April 2023. I want to express my congratulations and best wishes to Casimir in leading the financially and operationally strong Cargotec into its next development phase.

In 2023, it will be ten years since I started in my position. It has been a pleasure and a privilege to lead the transformation and development of Cargotec together with so many committed and talented colleagues, customers and partners.

I thank our employees for their work efforts as well as our customers and shareholders for their trust in the year 2022.

Mika Vehviläinen
CEO, Cargotec

KEY FIGURES

The performance of our core businesses Hiab and Kalmar was excellent in 2022. Our order book is strong, and the orders received were at a record level. MacGregor's difficulties continued and resulted in a negative comparable operating profit. Due to the increase in sales, CO_2 emissions in our value chain increased compared to the base year 2019.

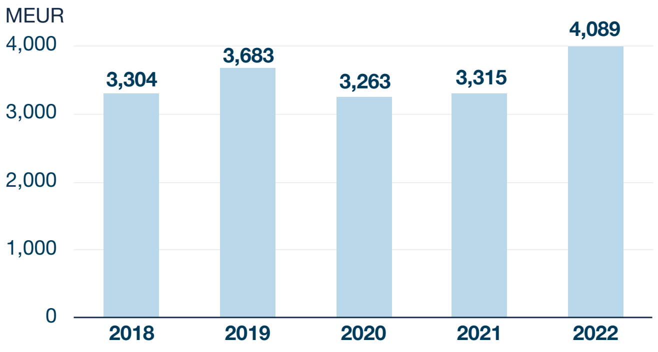
The orders received for 2022 increased by 10 percent from the comparison period and amounted to EUR 4,862 million. Our order book increased by 24 percent to EUR 3,541 million at the end of the year. Sales increased by 23 percent from the comparison period to EUR 4,089 million euros while cash flow increased to EUR 231 million. The increase in inventories caused by bottlenecks in the supply chain still burdened cash flow. Service sales increased by 17 percent and totalled EUR 1,264 million, representing 31 percent of consolidated sales.

The comparable operating profit increased by 43 percent and totalled EUR 332 million, representing ca. 8 percent of sales. The comparable operating profit increase was driven by higher sales in Kalmar and Hiab.

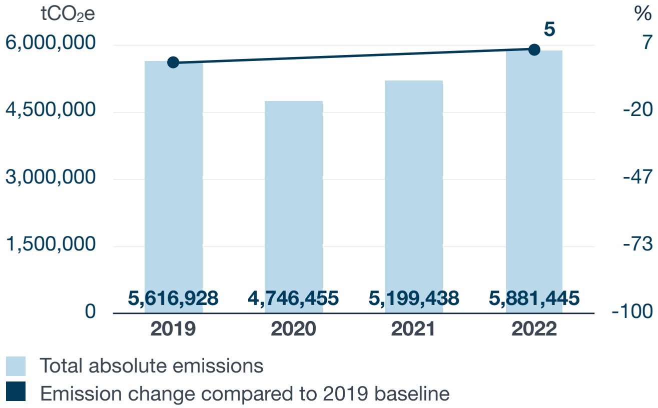
Cargotec's science-based target is to reduce greenhouse gas emissions across its value chain by at least 50 percent by 2030 compared to a 2019 baseline. These emissions increased by five percent in 2022 due to sales growth. Emission intensity decreased but not sufficiently to compensate for the increase in emissions. During the year, we improved the calculation and collection methodology of our scope 3 climate data. As a consequence of the methodology improvements, Cargotec's scope 3 emissions for 2019-2021 were restated, which resulted in a change in the baseline of our science-based target. For more details, please see our GRI Index.

During 2022, Cargotec revised its eco portfolio criteria to support its EU Taxonomy reporting. Eco portfolio sales totalled EUR 1,288 million, representing

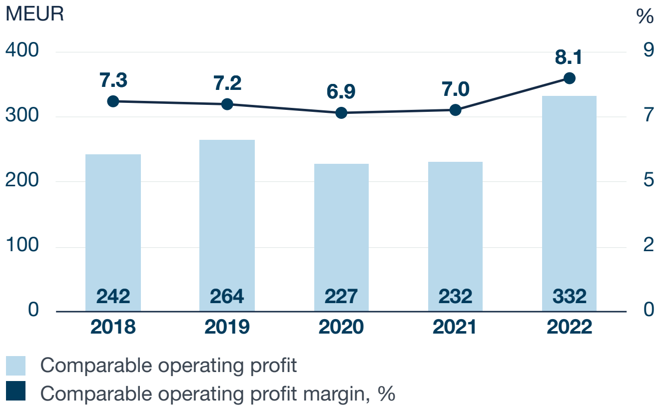
SALES



CO_2 EMISSIONS

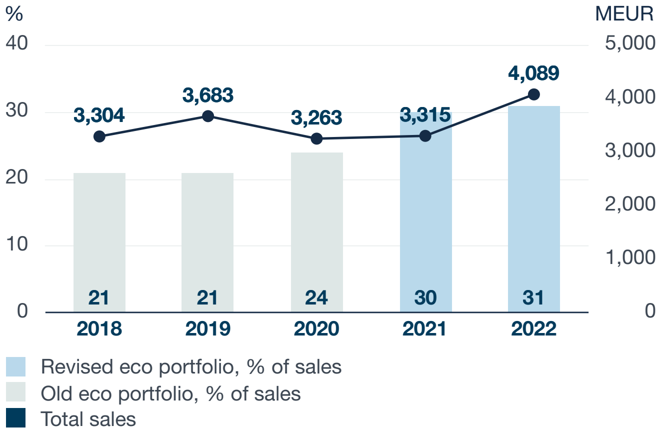


COMPARABLE OPERATING PROFIT*



*Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021. 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

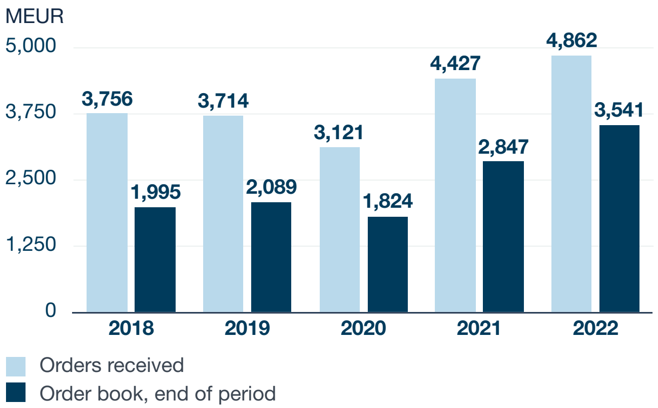


31 percent of consolidated sales. The 2021 figure has been restated based on the updated eco portfolio criteria. For more details, please see page 34.

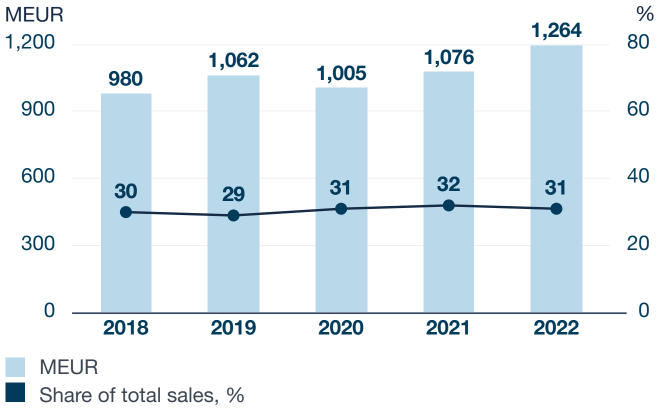
Cargotec's safety performance is monitored primarily with the industrial injury frequency trend (IIFR, number of injuries per million hours worked). Cargotec's safety target for 2022 was to have an IIFR rate below 5 across the whole organisation. Cargotec achieved this target as the organisation's IIFR improved to 4.8 (2021: 6.0). The IIFR improved at assembly sites to 5.7 (7.3) and at non-assembly sites to 4.3 (5.3). Cargotec's safety figures cover the company's own employees and external contractors, excluding subcontractors due to missing information on working hours.

The Board of Directors proposes to the Annual General Meeting convening on 23 March 2023 that a dividend of EUR 1.34 for each class A shares and EUR 1.35 for each outstanding class B shares be paid. Cargotec aims for a growing dividend 30–50% of earnings per share.

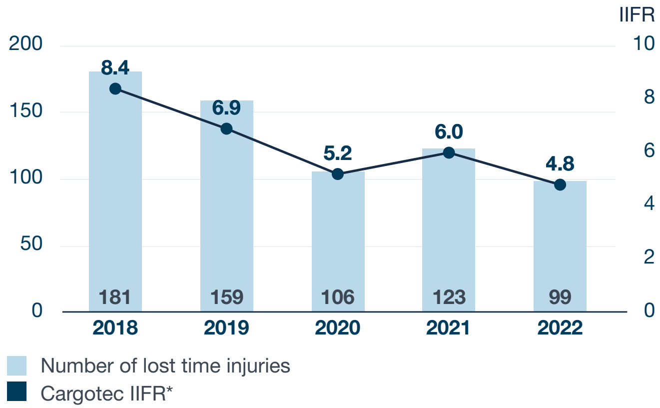
ORDERS RECEIVED AND ORDER BOOK



SERVICE SALES

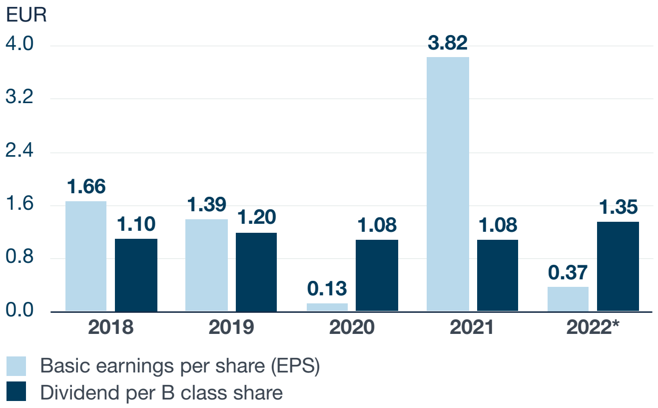


INDUSTRIAL INJURY FREQUENCY RATE*



* Number of injuries per million hours worked

EARNINGS PER SHARE (EPS) AND DIVIDEND



* Board's proposal for dividend

HIGHLIGHTS OF THE YEAR

Cargotec refocused its strategy in 2022 for higher financial performance through sustainability and growth in profitable core businesses Hiab and Kalmar. According to the strategy, MacGregor will not be part of Cargotec's portfolio in the future, and Cargotec has exited Kalmar's heavy cranes business.

Cargotec's Board of Directors appointed Mr. **Jaakko Eskola as the new Company Chair**. Jaakko Eskola succeeded Mr. Ilkka Herlin who chose to step down as the Chair of the Board, having served as Chair for 17 years since 2005. Ilkka Herlin continues as a member of the Board and as the Vice Chair.

In December, in accordance with the terms of his CEO service contract, **Cargotec's CEO Mika Vehviläinen** informed Cargotec's Board of Directors of his intention to retire from Cargotec during 2023. The Board initiated a search for a successor and, in February 2023, announced that it has appointed **Casimir Lindholm** (M.Sc. (Econ.), MBA), b. 1971, as Cargotec's new President and CEO as of 1 April 2023.

Cargotec held a **Capital Markets Day** in Helsinki, Finland, in November. The event focused on Cargotec's refocused strategy, its core businesses Hiab and Kalmar as well as future shareholder potential. The hybrid event gathered a large audience of analysts and investors, participating both on location as well as online.

In 2022, the number of **orders for Kalmar hybrid straddle and shuttle carriers exceeded 500 worldwide**. When the life cycle CO_2 emissions of these hybrid products are compared against conventional ones, the achieved CO_2 emission reduction is more than 400,000 tonnes. In addition, over 500 Kalmar Eco Reachstackers and more than 400 Kalmar medium electric forklifts were sold by the end of 2022.

Kalmar started the **serial production of Kalmar Electric Reachstackers**, and sold the first units to customers in Norway and Sweden. In addition, the **world's first electric heavy forklift made by Kalmar** was sold to a customer in Austria. Both products were launched at the end of 2021. Kalmar also announced that it will **upgrade and expand its manufacturing plant** in Kansas, US to respond to the logistics industry's growing demand for electric terminal tractors. The investment worth close to EUR 20 million makes the plant the largest terminal tractor manufacturing facility in North America.

Kalmar's long-standing collaboration with APM Terminals continued with **repeat orders of 62 Kalmar Hybrid AutoStrads** for APMT's Los Angeles facility, and 23 manually-driven, semi-automated hybrid shuttle carriers, complemented by services, maintenance and support, to its TM2 terminal in Tangiers, Morocco.

Kalmar signed a comprehensive five-year **service agreement** with a Swedish steel producer including the provision of equipment, parts and service personnel. Under the agreement, Kalmar will optimise uptime and productivity for the equipment involved in the customer's internal logistics operations.

Hiab received a **significant order for MOFFETT truck mounted forklifts** in the US worth over EUR 24 million. The order was made by an existing customer, one of the country's largest building materials and supply companies.

Hiab launched the **comprehensive, intelligent HiPerform™ service solution** which optimises the performance of customers' Hiab equipment. The solution comprises Hiab HiConnect™, Hiab Uptime™ and Hiab ProCare™, providing connectivity, real-time monitoring and diagnostics, as well as tailored service agreements.

Hiab launched a new **HIAB railway loader crane range** that is designed to comply with complex railway regulations and requirements. The HIAB RAIL series offers customers a range of equipment to maintain the railway infrastructure network.

Hiab entered into an agreement to **acquire the family-owned Swedish industrial group Olsbergs.** Olsbergs is the technological leader in the design and manufacture of hydraulic valves and remote control systems. Its solutions are used to manoeuvre Hiab's truck mounted loader cranes and forestry cranes. The closing of the transaction took place on 1 January 2023.

MacGregor received **two significant orders for heavy lift cranes**. These orders include the supply of 56 heavy lift cranes for fourteen 62,000 dwt multipurpose vessels.

MacGregor received the **2022 SMART4SEA Technology Award** for the development of its condition-based and predictive maintenance service OnWatch Scout.

MacGregor received **significant orders to supply comprehensive packages of RoRo equipment** for eight multi-fuel and zero-carbon-ready Aurora-class pure car and truck carriers (PCTCs). The Aurora-class can transport up to 9,100 cars and will be the world's largest and most sustainable car carrier.

READ MORE ONLINE ↗

CARGOTEC IN A CHANGING WORLD

GROWING BY SOLVING SUSTAINABILITY CHALLENGES

To become the global leader in sustainable cargo flow, we seek the sweet spots where profitable growth and sustainability meet and where we can help solve global challenges. We respond to these challenges by realising our strategy in our everyday business, aiming for the highest sustainability standards in our industry. Our business impacts people, society and the environment, and we strive to minimise our negative impacts while maximising the ones that contribute to solving global challenges.

GLOBAL CHALLENGES

Together with our customers, we want to positively impact:

- Climate change
- Labour scarcity
- Limited resources
- Changing logistic chains

Profitable growth through sustainability

OUR IMPACTS

In realising our strategy, we create both positive and negative impacts on:

- Society and trade
- Knowledge
- People, health and safety
- Climate and environment

OUR RESPONSE

We support our customers through:

- Investing in sustainable innovation
- Driving increasing recurring revenues
- Seeking organic and inorganic growth
- Aiming for highest sustainability standards in our industry

MEGATRENDS

Long-term macroeconomic and societal development trends impact and change the world around us. The following megatrends support our strategy and journey to become the 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 around 8 billion and estimated to reach closer to 10 billion by 2050. Simultaneously, the share of the world's population living in cities is expected to grow from 55 percent to 80 percent. At the same time the global GDP per capita is growing.

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

Examples from Cargotec offering:
Kalmar One, MacGregor Cargo Boost solution, Hiab construction and waste management (segment) solutions.

Sustainability

Description
Today, consumer and investor behaviour is increasingly guided by the environmental, social and governance dimensions of sustainability. Governments, investors, companies and consumers now demand concrete actions to address climate change and protect ecosystems. Cargotec perceives sustainability as a great business opportunity, especially within climate change mitigation.

Implications
Our customers face increasing pressure from stakeholders to address climate change in their operations and industries. Also other aspects of ESG, such as safety, are key challenges customers need to solve and mitigate. Sustainability presents great opportunities for us to leverage existing and innovate new solutions to help our customers.

Examples from Cargotec offering:
Kalmar fully electric portfolio, MacGregor offshore wind offering & range of electric cranes, Hiab electric load handling solutions.

Digitalisation

Description
The rapid development of digital solutions continues in all areas of society. Today, we see a 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 help them optimise their operations, improve productivity and safety, and reduce inefficiencies and emissions. Our business areas are present across the cargo flow network, enabling us to gain valuable insights throughout the value chain and shape the cargo and load handling industry by providing value adding software, automation and intelligent solutions.

Examples from Cargotec offering:
Kalmar Insight, MacGregor OnWatch Scout solution, Hiab HiConnect platform.

STRATEGY

Our vision is to become the global leader in sustainable cargo flow. We influence the flow of the world's supply chains, making them more efficient while providing solutions for lowered CO_2 emissions. In seizing profitable growth through sustainability, we seek to transform the logistics industry while capturing the business opportunities that come with it. Our solutions and actions help our customers drive the transition to a circular, 1.5°C world.

Where to win

Grow in core and adjacent businesses

We will continue to seek profitable 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 customers and regulation to provide a sustainable offering. We want to provide intelligent solutions that help our customers reduce their burden on the climate and solve sustainability-related challenges.

Invest in industry innovation and transformation

Continuous investments in innovation are a prerequisite for long-term success. New technologies in terms of electrification, AI, robotics and automation are transforming Cargotec's industries. Investments in industry innovation and transformation enable us to create an eco portfolio offering 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. Promoting services and extending the life cycle of products are also key elements of the circular economy.

Ways to win

People and leadership

Good leadership and inclusion drive innovation and growth, as people feel safe to reveal their knowledge and talents. 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 important differentiators that make us stand out from our competition.

Mission Climate

To focus even more on sustainability, we launched a programme called Mission Climate in 2021. Mission Climate drives emission reductions across Cargotec through sustainable innovations and supporting related capability building.

Innovations and new business models

We want 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 R&D investments.

Life cycle solutions

We aim to expand 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 and help them reach their circularity targets.

Operational excellence

We want to continually improve our performance and productivity to ensure a good profit position to invest in new innovations. It is important to empower the full organisation in creating lasting improvement and operational excellence.

How to measure

We measure the success of our strategy against the following metrics:

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

Cargotec's purpose is to enable smarter cargo flow for a better everyday.

We do this through our ever developing smart and sustainable solutions, and by improving the global goods flow, which will positively impact people's daily lives.

TARGETS

BUSINESS AMBITION FOR 1.5°C

Performance targets for Cargotec's core businesses Hiab and Kalmar

Eco portfolio sales: double the growth compared to traditional products

Reduce CO_2 emissions in Cargotec's value chain[1] by **25%** by 2025 and by **50%** by 2030

Sales growth faster than market[2]

Comparable operating profit **12%** by 2025 and **15%** by 2030

Cargotec also aims for a growing dividend of 30–50% of EPS and to keep gearing below 50%

1) Scopes 1, 2 & 3, compared to 2019
2) Global GDP, IMF World Economic Outlook, current prices

2022 sustainability targets	2022 progress	2023 and long-term targets
IIFR **<5.0** in all operations	IIFR **4.8** in all operations	IIFR **<4.0** in all operations by 2023 (<3.5 by 2025)
Implement a Responsible Sourcing Programme	Programme in place and being implemented	90% of strategic suppliers with an average sustainability score of **>54%** by 2023**
>55% of electricity in own operations will be renewable	**57%** of electricity in own operations was renewable	**>60%** of electricity in own operations will be renewable by 2023 (75% by 2026)
Sustaining the Integrity index* at **>76%** favourable	Integrity index* **77%** favourable	Improvement of the Integrity index* to **>77%** favourable
Code of Conduct online training completion rate **100%**	Completion rate **92%**	Human rights training completion rate (part of Code of Conduct training) **100%**
Assess offering against revised eco portfolio criteria to prove EU Taxonomy alignment	Taxonomy-alignment reported for the first time.	Achieve carbon neutrality in our own operations by 2030

CARBON NEUTRAL

* 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 covers aspects such as code of conduct, fair treatment, safety and environmental sustainability. Pride and Hope captures to what extent employees are proud to be part of the company and hold a positive outlook of their unit. Leadership measures the quality of leadership our employees receive.

** 90 percent of our strategic suppliers to complete our sustainability self-assessment and reach an improved combined average score (54 percent in 2022).

OUR IMPACTS - THE FOUNDATION FOR OUR SUSTAINABILITY WORK

The transformation towards a sustainable world impacts Cargotec's business. At the same time, in pursuing our vision of becoming the global leader in sustainable cargo flow, we impact the world around us in many ways.

We have recognised our most significant impacts and constantly look for ways to minimise our negative impacts while optimising positive ones.

Our most significant positive impact stems from providing essential infrastructure in society. Every day, our solutions, services and products keep cargo and load handling running. As we innovate and develop world-class cargo handling practices, we also create and distribute knowledge. By continuously increasing the efficiency of our solutions and optimising maintenance, we help save energy and resources, which reduces the strain the logistic sector has on the environment. We also take action to provide safe, inclusive and fair working conditions for our employees and encourage our partners to do the same.

On the other hand, we need to use natural resources to run our business and we cause emissions throughout the value chain, particularly during the extraction and production of raw materials and the use phase of Cargotec's equipment and solutions. We strive to minimise these and any other negative impacts our business may have on people and the environment.

Sustainability is a key enabler of Cargotec's strategy and integrated into our decision making. For example, we have embedded climate-related targets in our strategic performance targets.

CARGOTEC'S SUSTAINABILITY AGENDA

A robust sustainability agenda

Our solutions and actions help our customers drive the transition to a circular, 1.5°C world. This enables us to seize profitable growth through sustainability.

At the same time, we take action to ensure that our environmental ambitions are founded on safe, inclusive, transparent and ethical business practices - for people and society at large.

Ensuring that our own operations are sustainable is not good enough. We make sure that all aspects of sustainability are considered in all phases of our business, from design and sourcing to product use and end-of-life.

Cargotec's most relevant - material - sustainability topics are identified in a materiality analysis. In this process, we engage with internal and external stakeholders to understand their thoughts and concerns while thoroughly evaluating the impact of each topic. The next materiality analysis update will be done during 2023, in which we will consider the concept of double materiality.

We have identified seven material topics where our potential and actual impacts are most significant and where we will direct most of our resources to:

- Climate change
- Circularity
- Human rights
- Health & safety
- Diversity, equity & inclusion
- Sustainable finance
- Responsible sourcing & sales

In 2022, we strengthened our sustainability governance model and the management of our impacts in the value chain. For more information about the governance of sustainability at Cargotec, see the Board of Directors' report.

THE UPRIGHT PROJECT

To better understand our concrete impacts on our stakeholders and to report more transparently, we have collaborated with the Upright Project since 2020. For a detailed analysis of our net impact, see Cargotec's Upright profile here.

The Upright model quantifies a company's net impacts by using machine learning-based technology that processes information in millions of scientific articles, which is one way to measure and follow up on the organisation's impact and value creation. To get a better understanding of the impact model please visit uprightproject.com.

Our stakeholders

Our purpose is to enable smarter cargo flow for a better everyday. This ambition can only be achieved through inclusive cooperation with all participants in our value chain. Understanding our stakeholders' needs and expectations is a must for us to perform in the best possible way.

Cargotec's main stakeholders are its customers, personnel, suppliers and investors. Other stakeholder groups include authorities, research and educational institutions, industry associations, local communities and the media. Our main stakeholders are identified based on both their potential influence on Cargotec and our potential impact on them. We work closely with our customers, suppliers, personnel and shareholders to ensure we achieve our purpose to provide a smarter cargo flow for a better everyday.

We uphold an open and transparent dialogue with our stakeholders by actively responding to information requests and proactively providing information on our website, in social media and through various forms of direct communication. Our ongoing dialogue and collaboration with stakeholders enable us to identify opportunities to create value and provide input for setting our sustainability targets. Integrity, fairness, confidentiality and compliance with stock exchange rules guide all our communications.

For examples of our stakeholder interaction, see cargotec.com.

We uphold an open dialogue with our stakeholders to understand their expectations for Cargotec. In 2023, we will pay special attention to stakeholder views as part of our materiality analysis update.

Cargotec is a signatory of the UN Global Compact which is a call for companies to align their strategy and operations with 10 principles on human and labour rights, the environment and anti-corruption. The UN Global Compact helps businesses contribute towards the UN's Sustainable Development Goals (SDGs). The SDGs are a set of 17 global goals that aim to achieve prosperity for people and the planet by 2030, and companies have an important role in reaching them. At Cargotec, we firmly believe that, with our vision to become a leader in sustainable cargo flow, we contribute to six SDGs in particular. For more information, see chapters Society & trade, Knowledge, People, health and safety and Climate and environment.

OUR IMPACTS

SOCIETY & TRADE

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. Cargotec's solutions and services also help drive the transformation of the logistic sector towards a low-carbon economy.

Society & trade

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

Through our global scale and presence in all areas of the logistics chain, we impact individuals and communities globally. Our solutions contribute to local and global infrastructure and trade by making logistics processes more efficient, sustainable and safe on roads, in ports, and on seas around the globe. We also contribute to the financial well-being of many sectors of society with tax payments, wages and dividends. We provide employment in 46 countries and, in 2022, the wages and benefits we paid to our employees totalled 762 million euros.

CO_2 disclosure is a key element in our Business Partner Code of Conduct, and we actively encourage our suppliers to set ambitious emission reduction targets.

By conducting business in an ethical manner, sourcing responsibly and proactively aligning our business with the principles of sustainable finance, we can contribute to stable societies, fair trade and the green transition.

Responsible sourcing and sales

Cargotec works with over 2,500 direct suppliers. Through our purchasing power, we can influence our suppliers and support them in improving their performance related to, for example, human rights and the environment. Our positive impact is especially visible within climate action: CO_2 emission disclosure is a key element in our Business Partner Code of Conduct and we actively encourage our suppliers to set ambitious emission reduction targets.

At the same time, we recognise that the components and services we purchase may impact people and the environment. In our supply chain, the biggest negative impacts stem from the production of steel, the extraction of raw-materials and minerals as well as the use of hazardous substances in our products.

In addition, we must pay attention to whom we sell to. For example, we screen all our customers to ensure that we do not engage in business with customers that are on trade sanction lists. On the other hand, our solutions have great potential to create positive environmental impacts as they help customers reduce their greenhouse gas emissions and make their operations safer.

Managing our supply chain

Our responsible sourcing programme focuses on identifying and mitigating sustainability risks in the entire supply chain and is systematically managed throughout our business areas. The main policies and processes to support the programme and respect for human rights in our sphere of interest include our:

- Business Partner Code of Conduct
- Supplier approvals and contracting
- Supplier engagement and audits
- SpeakUp line (accessible to both internal and external stakeholders).

Our Business Partner Code of Conduct (BPCoC) is fully aligned with our own Code of Conduct. While it is designed to cover all partners, it focuses on our supply chain. In the BPCoC, we have requirements for our partners related to, for example, health and safety, freedom of association as well as prohibition of child and forced labour.

During our approval process, new suppliers must meet pre-requirements and pass an audit conducted by Cargotec before they can be approved as suppliers. The pre-requirements include committing to our Business Partner Code of Conduct, a risk assessment conducted by Cargotec and a supplier self-assessment in a third-party platform. The audit focuses on the supplier's compliance with management of labour and human rights, anti-corruption and the environment. Approximately 20 percent of the questions in the audit checklist are related to sustainability topics. In 2022, we audited six new direct suppliers for Hiab, nine for Kalmar and six for MacGregor.

If any non-compliance of our BPCoC is found in our assessments or audits, we decide on corrective measures and timelines together with the partner. Our priority is always to collaborate with our partners to improve their sustainability performance. However, if the partner is unwilling to take the mutually agreed corrective action, Cargotec has the right to terminate the contract. In 2022, we supported several suppliers with driving decarbonisation in their operations and improving their own supplier management processes. To do this, we shared information, tools and Cargotec's best practices on relevant topics, such as managing hazardous substances, conflicts of interest and greenhouse gas emissions.

Focused efforts to improve supplier sustainability

During 2022, our Business Partner Code of Conduct was rolled out to all suppliers, and we continued to conduct sustainability audits of both existing strategic suppliers and potential new ones.

During the year, we also began using a new tool for performing supplier self-assessments. Based on the results, our suppliers are performing best in company management and the responsible sourcing of raw materials. Most improvement is needed within working conditions, human rights and supplier management. Cargotec will act on the findings with, for example, onsite audits of suppliers with missing information or below-average performance.

Our 2023 target for responsible sourcing is to have 90% of strategic suppliers complete our sustainability self-assessment and reach an improved combined average score (54% in 2022).

Decarbonisation of the supply chain

In decarbonising our supply chain, we focus on innovation and collaboration. For more information, see page 32.

Responsible minerals and hazardous substances

In January 2022, Cargotec became a member of the cross-industry platform Responsible Minerals Initiative (RMI). The goal of RMI is to support responsible mineral sourcing globally through developing business practices. While Cargotec does not directly source minerals from mines, smelters or refiners, we recognise that we are part of their downstream value chain. As such, we can play a role in addressing conflicts, human rights abuses and environmental issues related to the mining of minerals through strong multi-stakeholder partnerships. The RMI provides tools for increasing the transparency of the origin of conflict minerals and cobalt used in the value chain, including a due diligence tool and the Responsible Minerals Assurance Process (RMAP) to audit smelters and refiners.

During the year, using our sustainability assessments, we identified those Cargotec suppliers that use critical minerals and asked them to provide information on the smelters and refiners they work with. Our goal is to only use smelters and refiners that conform with the RMI's RMAP audits.

Cargotec's responsible sourcing also covers the management of hazardous substances in our products. Our long-term goal is to minimise and eventually eliminate such substances from our products. We use an industry-led blockchain web database that helps us communicate our legal obligations to the authorities regarding REACH, SCIP and other regulations, but also supports us in communicating with our suppliers. During 2022, we continued our dialogue with suppliers on hazardous substances.

Responsible sales

We are currently identifying what responsible sales could mean for Cargotec in the longer run and where we should focus. This work will continue in 2023.

Sustainable finance

By considering sustainability in financial decision making, Cargotec can have a big positive impact on the world around it. Aligning our eco portfolio solutions with sustainability-related regulation, for example, makes visible how these solutions contribute to international environmental goals, such as the EU's climate targets, and how we compare to our peers.

To support our ambition to pursue profitable growth through sustainability, we strengthened the management of sustainable finance in 2022. This work will continue in 2023.

Advancing sustainable finance at Cargotec has four focus areas:

- *Sustainability as a dimension of equal importance in financial performance management.* We aim to ensure that sustainability becomes an additional lens to cost and benefits in our financial performance management. In practice, this will help us to, for example, forecast and monitor our eco portfolio sales. Remuneration incentives are also part of this work. In 2022, Cargotec's Board of Directors set a remuneration incentive for the Cargotec Leadership Team that is based on eco portfolio order intake and progress towards Cargotec's climate targets.

- *Compliance with sustainability-related regulation.* Our goal is to convert into financial figures the opportunities and challenges that sustainability-related regulation may bring to our business. For example, in 2022, we updated the eco portfolio criteria to cover two categories: climate solutions and circular solutions. This means that the sales of the eco portfolio consists of the revenue of climate solutions (equal to the KPI of the taxonomy-aligned revenue) and circular solutions (equal to the KPI of the revenue that Cargotec considers to support the draft objective of transitioning to a circular economy). A summary of the criteria is available here. Read more about Cargotec's interpretation of the EU Taxonomy in the Board of Directors' report.

- *Support Cargotec's business areas in sustainability-related financial matters.* With increasing understanding of sustainability in Cargotec's finance function, we can better support our business areas in related matters. We can, for example, conduct scenario calculations for new eco portfolio solutions and how they could support the business areas in achieving their financial and climate targets. This will help us find a balance between profitable growth and sustainability.

- *Prepared for sustainability-linked loans.* Sustainability and debt financing are becoming more and more integrated, which means that the cost of borrowing is increasingly impacted by the borrower's performance measured against sustainability targets. Cargotec signed its first such loan of EUR 50 million with a maturity of five years in 2020. The loan agreement includes sustainability targets where our performance will have an impact on our interest margin. In 2022, Cargotec entered into a EUR 330 million sustainability-linked revolving credit facility, where the key performance indicator (KPI) of the facility is directly linked to our climate-related performance target.

Ethics & compliance

Cargotec operates in a complex global environment, and our industry is exposed to ethics and compliance risks related to, for example, bidding for large projects and using sales intermediaries. With our strong governance practices and commitment to integrity, we can make a positive impact in our value chain and industry by setting the example for all our stakeholders.

Aiming for highest ethical standards

Our Code of Conduct sets the foundation for how business is done at Cargotec – always in line with the highest ethical standards. We regularly educate all of our employees on various areas of the Code of Conduct.

Violations of Cargotec's Code of Conduct may put our people and business at risk. We encourage everyone to openly raise and discuss compliance concerns and to seek guidance when in doubt. Our channels for reporting a concern include:

- Discussing directly with the line manager
- Informing HR or Ethics and Compliance functions
- Using our SpeakUp line, an externally hosted reporting tool which allows for anonymous reporting and can be accessed by both internal and external stakeholders.

All reported incidents are evaluated confidentially and investigated according to our response process. In substantiated cases, the need for disciplinary or remedial actions is discussed in Cargotec Leadership Team's Code of Conduct panel.

Continued focus on managing risks

According to our analysis of Code of Conduct-related questions in our annual employee engagement survey, 83 percent of respondents considered Cargotec as an ethical company in 2022 (2021: 82%).

During the year, Kalmar introduced ethics and compliance-related onsite visits. The visits feature risk and compliance discussions with relevant leadership teams, training sessions for high-risk employee groups, as well as meetings with key personnel and, when possible, key stakeholders, such as dealers, agents and customers. In 2022, Kalmar's Ethics and Compliance function conducted five site visits.

In 2022, we organised targeted ethics and compliance workshops and training sessions for management, sales, HR and project services teams. The sessions focused on anti-corruption, third-party, conflict of interest and export controls. In addition, we introduced a new Code of Conduct e-learning focusing on three key areas: Conflicts of interest, Health and safety and Workplace environment. The online training was completed by 92 percent of Cargotec employees (2021: 84%). The completion rate covers employees who were employed by Cargotec at the launch of the training in September and remained employees by the year's end. Onsite training workshops were arranged for employees without an email address or access to our intranet.

During the year, 93 reports (2021: 60 reports) of alleged misconduct were made through various channels. In 73 percent of closed investigations (2021: 73%), the allegations were substantiated at least partly, with some cases resulting in disciplinary actions, such as warnings and terminations of employment.

During the year, we made a voluntary self-disclosure to the authorities regarding compliance with certain export regulations in the context of MacGregor's US Government business.

For more detailed information about our ethics and compliance-related performance, see the Board of Directors' report.

OUR IMPACTS
KNOWLEDGE

In addition to providing high-quality equipment to customers, Cargotec creates and distributes knowledge among its stakeholders and within the industry.

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.

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 the information, technological innovation and expertise Cargotec has and develops related to cargo and load handling solutions.

We create and distribute knowledge among our stakeholders, such as suppliers, customers and research partners. This effort depends on one of our greatest resources: our employees. We employ many highly skilled engineers, technicians and business professionals, whose time and expertise make all of Cargotec's positive impacts happen.

R&D expenditure in 2022
EUR
100 million

Solving industry challenges with knowledge and data

Besides equipment, 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 of knowledge infrastructure, that is, the backbone of equipment and systems through which the digital economy performs and the digitalisation of cargo handling is made possible. Our freight management, optimisation and automation software, in particular, ensure timely and smooth cargo handling operations.

We are committed to solving industry-wide sustainability challenges through intelligent solutions by making use of data and robotics. As new technologies (such as AI, robotics, automation) transform the industry, we believe that continuous investment in innovation is a prerequisite for long-term success. Enhancing industry knowledge contributes to solving global challenges, such as the climate crisis.

Innovation actions

The positive impact of our solutions is founded in our R&D and innovation efforts: this is where new knowledge is created. Innovation and R&D lie at the heart of realising our vision of becoming the global leader in sustainable cargo flow.

New innovations and business models at Cargotec are developed through our Digital Solutions Hub, Emerging Business Accelerator and world-class R&D functions. In 2022, our research and development focused on investments that enable us to achieve our sustainability targets through eco-efficient products and service solutions. The themes that most support this goal include digitalisation, electrification, green energy, automation and robotisation. Our research and product development expenditure in 2022 totalled EUR 100 million.

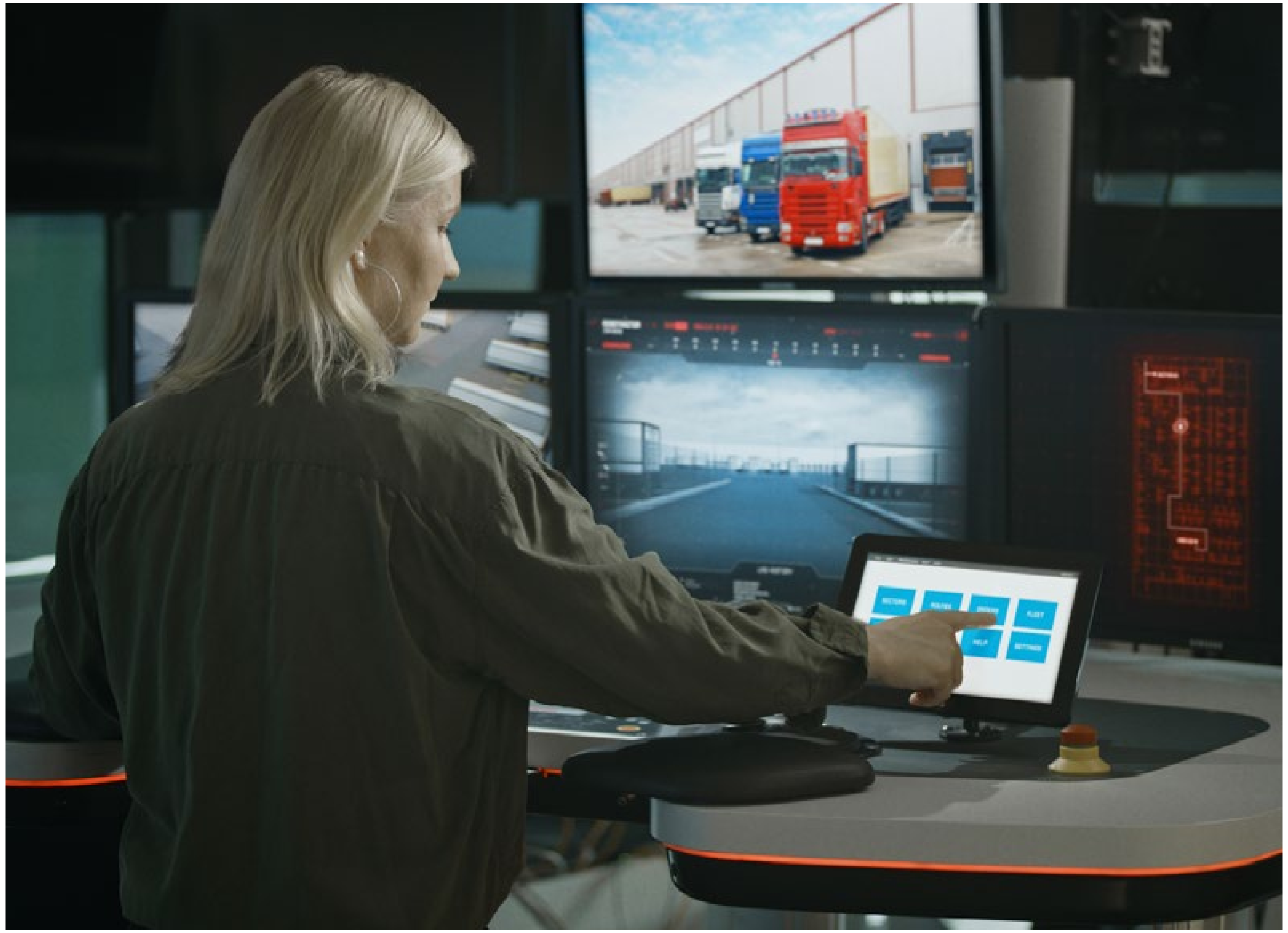
By using cutting-edge cloud technologies and industry best practices, our Digital Solutions Hub (DiSH) accelerates the development of data-driven software and service solutions across Cargotec. DiSH, which was originally hosted on by Cargotec on group level, was moved into the Kalmar and Hiab business areas during 2022. This move helps Kalmar and Hiab to further scale up and monetise on Cargotec's digital assets.

In 2022, with the help of machine learning and artificial intelligence algorithms, we used an Internet-of-Things (IoT) platform created by DiSH to collect, analyse and utilise data from equipment and systems. The data was then used in business applications to improve both customer and internal operations. For example, Kalmar ECOFlex, rolled out during 2022, collects data on how efficiently the customer is operating their equipment and combines it with an automated invoicing system. The goal is to incentivise equipment use in Eco mode which brings both emission and cost reductions.

Cargotec's Emerging Business Accelerator unit (EBA) drives future growth and business innovation together with Cargotec business areas by enabling business and service designers and product owners to work on new initiatives. For example, the rapid market roll-out of Kalmar Remote Services and MacGregor's simulator offerings in 2022 was made possible with the help of the EBA. At the core of the EBA method are modern, systematic ways to investigate, build and scale up both internal and external new products or services. The EBA also leads collaboration with startups and industry-leading peer companies to drive an entrepreneurial and customer-centric culture within Cargotec.

Cargotec participates in programmes that drive innovation and new product development through consortiums that include customers, industry peers and universities. For example, Cargotec joined the WATERBORNE Technology Platform in 2022. The platform aims to establish a continuous dialogue between stakeholders and, for instance, contribute to expectations regarding clean and safe waterborne transport.

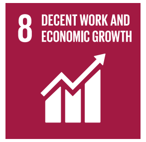
In addition, Kalmar and MacGregor are partners in the AEGIS programme which aims to reduce greenhouse gas emissions through optimising, electrifying and automating operations in small and medium-sized marine terminals and to improve efficiency in the ship loading supply chain.



In 2022, our research and development focused on eco-efficient products and service solutions.

OUR IMPACTS
PEOPLE, HEALTH & SAFETY

Cargotec is committed to respecting human rights and providing a fair and ethical working environment and equal opportunities for its employees, while encouraging its partners to do the same. A safety-first attitude is at our core, and we constantly look for ways to be better.



People, health & 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 reduce the risk of human error and accidents at work.

Human rights

We recognise that our business activities impact people in all parts of our value chain: Cargotec employees, operators of our equipment, supplier employees and local communities. As stated in Cargotec's Code of Conduct, we are committed to respecting the human rights of everyone in our operations and value chain.

Human rights
impact assessment
initiated during 2022.

Committed to respecting human rights

Cargotec's human rights work is based on the United Nations' Guiding Principles on Business and Human Rights (UNGPs), which require companies to conduct due diligence to identify, assess, and remedy impacts on people.

We have concluded that our most significant human rights risks exist in our value chain, such as in the supply chain and business partner operations. In our Business Partner Code of Conduct, we have requirements for our partners related to, for example, health and safety, freedom of association as well as prohibition of child and forced labour.

Due diligence work kicked off

In 2022, we strengthened the management of human rights at Cargotec. We began the creation of a comprehensive human rights due diligence programme covering all Cargotec business areas and functions. As a first step, we initiated a human rights impact assessment to identify adverse impacts on people in our value chain. The assessment, which follows the UNGP framework, identifies impacts caused by us,

ones that we contribute to and ones that are directly linked to our operations, products or services through business relationships. In conducting the assessment, we have considered various data points, including:

- Reports from our SpeakUp channel
- Audit reports
- Internal third-party risk assessment
- High-risk geographic regions
- Health and safety incidents
- Information from onsite supplier audits
- Analysis of our operations and supply chain
- Interviews with our employees and supplier employees.

We will finalise the human rights impact assessment and define Cargotec's salient human rights issues in 2023. Our future human rights due diligence work will focus on preventing, mitigating and remedying these salient issues.

Our target for 2023 is to reach a completion rate of 100 percent for human rights training, as part of our Code of Conduct training.

During the year, we also implemented a new tool for performing supplier self-assessments that can be used to identify high-risk countries in our supply chain. We have also been able to use the insights from this tool in our Group-wide human rights impact assessment. Read more on page 22.

Health and safety

We acknowledge that the various locations at Cargotec – from an office environment to assembly facilities, service locations and various customer sites – pose different types of risks to our employees' health and safety. Keeping our employees safe has always been a top priority to us, and we continue to do our utmost to minimise and eliminate these risks. All our employees must be able to return home healthy and safe after every workday.

We also impact people's health and safety through our value chain. For example, the combustion of diesel-powered machinery, both our own equipment and those that our solutions enable, creates pollutants that can negatively impact people's health. At the same time, the people that operate our equipment may be at risk of getting into an accident. By continuously developing safer, quieter and cleaner high-quality equipment and solutions, we can reduce our negative impacts in the value chain.

Towards zero accidents

In ensuring a strong safety culture at Cargotec and focusing on behaviour-based safety, key themes include raising awareness of safety risks, involving employees in our safety activities, encouraging safe behaviour and further strengthening leadership commitment to safety. With regular training and campaigns, we strive to minimise work-related injuries and accidents, as well as incidents in locations where our solutions are used. We work continuously towards zero accidents in all our operations and always prioritise safety - even with time, cost or customer pressure. The occupational health and safety management system ISO 45001 provides guidance and support in this work. In 2022, 76% of our assembly sites were ISO 45001 certified.

For a more detailed description of our health and safety management processes in our own operations, see the Board of Directors' report.

To ensure the health and safety of people throughout our value chain, we also have related requirements for our suppliers and other business partners. These requirements, described in detail in our Business Partner Code of Conduct, include:

- Providing appropriate health and safety information, training and instructions as well as protective equipment.
- Having effective programs, such as emergency preparedness plans, in place.
- Having clear procedures for identifying, managing, preventing, recording, reporting and adequately responding to occupational injuries and illnesses.
- Providing appropriate resting areas.

In 2022,
76%
of our assembly sites were ISO 45001 certified.

Stronger management of safety

Cargotec's safety performance improved in 2022. Our target was to reach a total Industrial Injury Frequency Rate (IIFR) of less than 5.0 across the organisation. We achieved this target, as the IIFR improved to 4.8 (2021: 6.0). At assembly sites, the IIFR improved to 5.7 (7.3), and at non-assembly sites, it improved to 4.3 (5.3). Hiab reduced its rate of lost time injuries by 29% in 2022.

In 2022, we strengthened the management of health and safety at Cargotec by, for example, forming a working group that comprises representatives from all business areas. The group enables collaboration in areas where the business areas can benefit from joint efforts and increases transparency on health and safety-related actions across Cargotec.

During the year, we increased our safety resources at high-risk sites. At these sites, we will continue to focus on proactive measures, such as encouraging safety observations, as well as sharing best practices and investigation conclusions between sites. At sites with a more mature safety culture, we prioritise behaviour-based safety.

For 2023, our safety-related goal is to reach an IIFR of below 4.0. Key actions in pursuing this goal include introducing new software for reporting and managing safety-related risks and measures, as well as launching a global programme on behaviour-based safety and strengthened safety processes.

During 2022, we also continued to support the wellbeing of our employees with both global and local activities. These included sharing information and tools to improve wellbeing at work, enabling a sustainable work-life balance and highlighting prioritisation as one key aspect for leaders. For more information about wellbeing at Cargotec, see page 29.

Diversity, equity and inclusion

Diversity, equity and inclusion drive creativity, innovation and growth, as they encourage individuals to fully reveal their knowledge, talents and skills. We impact the way our employees experience their workplace, both physically and psychologically. We have the responsibility to ensure that people feel safe coming to work as they are and express themselves freely.

Managing our commitment to equal opportunity

We strive to create an overall environment of inclusion and tolerance at Cargotec. To strengthen this commitment to further develop a diverse organisation, we have signed the Diversity Charter Finland. By signing the Charter, we pledge to provide equal opportunities, recognise individual know-how and needs, manage our employees and customers with fairness and communicate on our progress.

Cargotec is committed to ensuring that all Cargotec people are treated with dignity and respect. We promote equal opportunity and non-discrimination regardless of gender, race, religion, nationality, age, physical ability or any other such characteristic. We have zero tolerance for harassment in all its forms – be it verbal, physical or sexual.

Our internal service centre, Cargotec Business Services (CBS), hosts transparent and systematic processes for various supporting activities, including human resources. The data in CBS's systems helps us implement our principles on equal opportunity systematically and globally. This data, which we have been utilising for this purpose for years, will be a key enabler of our strategic efforts within diversity, equity and inclusion (DE&I) going forward.

In 2022, DE&I was identified as a key element of Cargotec's strategy implementation. During the year, we appointed a leader for the development, implementation and monitoring of the topic. We also kicked off a current state analysis to understand where we are and where we want to go. We will further work on our DE&I strategy and action roadmap in 2023.

Leadership and employee wellbeing

With high inflation, a war in Ukraine, disrupted global supply chains and the continued, although lessened, pressure from the Covid-19 pandemic, the year 2022 brought about an unprecedented amount of external pressure for people everywhere. At Cargotec, we also adapted to a new strategy after a cancelled merger. Despite the turmoil, our people have managed to deliver record results. This success is enabled by our resilience which is built on our ability to adapt to changing circumstances. It stems from our investments in leadership, strong employee engagement, harmonised processes and organisational freedom in decision making. For example, one of our winning strategies for managing the pandemic has been to empower local management to take necessary actions based on guidance from their national governments and local health authorities.

In addition to delivering financial success, our employees signalled high satisfaction with their work environment in 2022. The overall favourability score of our annual employee engagement survey, Compass, which provides valuable information on the work-related feelings and thoughts of our employees, remained high at 75 percent (2021: 75 percent). We consider this a great achievement given the current global uncertainties. The top score of 82 percent was reached in the team climate and performance category (2021: 82), showcasing that teamwork remains our stronghold. At the same time, the results show that we must focus more attention on topics such as work-life balance, stress management and the future direction of the company. Managers follow up on these survey findings in team sessions for collecting feedback and setting up action plans, with special focus on improvement areas. The completion rate of the 2022 Compass survey was 75 percent (2021: 76).

Similarly, our employees signalled positive perceptions of Cargotec as a company in 2022. The Cargotec Integrity index, which measures employee perceptions related to sustainability, pride and hope as well as leadership, reached a favourability score of 77 percent (2021: 76 percent). Our target is to reach a score above 77 percent during 2023. Read more about the Integrity Index on page 17.

Our investments in leadership bear fruit

Our leaders have an essential role in enabling our people to turn our strategy into reality and promoting wellbeing at work. They are in constant contact with teams, individual team members, and the rest of the organisation. It is thus vital that we invest in competent, inspiring, fair and consistent leadership.

We aim to become a company with world-class leadership skills. We have invested heavily in developing the leadership skills of our managers through our development programmes LEAD and GROW. The implementation of these programmes continued in 2022.

We regularly measure the climate our leaders create in their teams with a leadership survey. The results of our 2022 survey show that, according to team members, 62 percent of Cargotec leaders are creating a positive team climate. We were thus able to maintain our long-term target level of over 60 percent, which is considered world-class level. In addition, our Leadership index, calculated based on our annual employee engagement survey, was 76 in 2022 (2021: 76). This shows that our employees feel that their managers are available and present, which proves that our persistent leadership development work continues to bear fruit.

Fostering and awarding personal development

Our long-running Performance and Development Plan (PDP) process supports us in performance management, setting future targets, personal development and promoting a feedback culture. The PDP process includes regular development performance appraisal meetings that, in addition to target setting and mutual feedback, foster continuous dialogue. Our target is to provide everyone a dedicated, personal development plan.

In 2022, 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 2022, approximately 7,000 of our employees were covered by our incentive programmes.

Flexibility as a driver of wellbeing

While the Covid-19 pandemic changed the way we work, the global events of 2022 have proven that change is the only constant and that as people, we will continue to face high pressure outside work. It is crucial that we, as an employer, do our utmost to ensure employee wellbeing in this challenging environment.

A key factor in our wellbeing efforts is flexibility which comes in many forms. For example, when not limited by the nature of their work, our teams decide for themselves what is the best way for them to combine remote work and face-to-face collaboration. Our employment policy includes remote work instructions that offer a range of options for organising work to increase employee motivation and productivity. In 2022, we interviewed employees on their views regarding our flexible work policy and found that the freedom that remote work options bring is a key contributor to employee wellbeing and motivation. We also believe it is a decisive factor for potential future employees.

At Cargotec, flexibility also means that we consider the different circumstances our employees face in their personal lives and provide support where we can. It is important to us that people's various needs are acknowledged and that they feel safe and free to be themselves when they work for Cargotec.

Finally, flexibility and the ability to adapt to change is a key success factor for Cargotec. It gives us the resilience and agility we need to adjust to major developments in our operational environment. Our record results during the global turbulence of 2022 are a proof point of this resilience.

OUR IMPACTS

CLIMATE AND ENVIRONMENT

Managing our environmental impacts lies at the heart of our operations. While Cargotec's business requires natural resources and an environmental footprint is created in all steps of our value chain, we see these challenges as an opportunity to improve our own business and our entire industry.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

Climate & 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.

As laid out in our sustainability policy, our environmental objectives aim to mitigate adverse impacts on the environment and to promote resource and energy efficiency throughout the value chain. Cargotec's biggest environmental impacts are related to climate change and circularity and take place within our supply chain and in the use phase of our products. To maximise our positive impacts and minimise the negative ones, this is where we focus on in our environmental work.

Our progress in climate change and circularity is monitored on group level by a designated material topic lead. In our daily operations, ISO 14001 environmental management systems provide guidance on managing our environmental impact. In 2022, 86 percent of our assembly sites were ISO 14001-certified.

CO_2 emissions increased

+5%

due to sales growth.

Climate change

According to the OECD's International Transport Forum, greenhouse gas emissions generated by international freight transport represent more than 7 percent of global emissions. As a key player in the cargo and load handling industry where much of the equipment is still powered by fossil fuels, Cargotec also contributes to these emissions. On the other hand, our equipment, services and software have the potential to drive the industry toward a circular, low-carbon economy. We see reducing the carbon footprint of our industry as a significant business opportunity for Cargotec.

The greenhouse gas emissions from the extraction and manufacturing of our raw materials and components, mostly steel, are significant. We continuously seek opportunities to drive positive change by decarbonising our supply chain and to turn challenges into innovations.

While the greenhouse gas emissions from our own operations represent only a very small share of our total emissions, they do have an impact on the climate. We have ambitious targets for reducing these emissions and eventually reaching carbon neutrality.

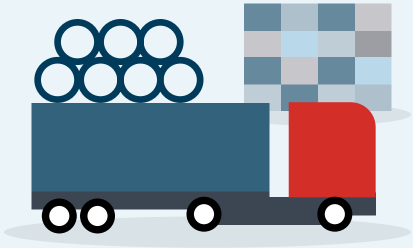
The use phase of Cargotec products by customers is where the large majority of our greenhouse gas emissions are generated, mostly due to emissions from diesel-powered machinery. This is why we believe that developing and proactively offering energy efficient and electric equipment is where we can best improve our climate impact - and seize big business opportunities. Cargo handling solutions are essential in ports, on trucks and on vessels all over the world, so making changes in cargo handling can have a big impact on other sectors, such as the transport sector.

Cargotec impacts the climate but climate change also impacts Cargotec. We have tested the resilience of our climate strategy in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for disclosing climate-related risks and opportunities. We have, for example, analysed how different climate scenarios may impact our operations and value chain and disclosed how we manage potential risks. For more information about this analysis, see cargotec.com.

Challenging ourselves with ambitious targets
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. In 2022, we published our new strategic performance targets for our core businesses. For the

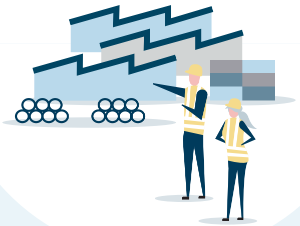
CARGOTEC'S CARBON FOOTPRINT 2022

PURCHASED GOODS*
Scope 3 upstream
26%



Steel structures	Other
43%	57%

OWN OPERATIONS
Scopes 1 & 2
1%



Diesel consumption	Electricity consumption	Other
41%	30%	29%

USE OF SOLD PRODUCTS
Scope 3 downstream
73%

Kalmar	Hiab	MacGregor
70%	23%	7%

*In accordance with our science-based target, only indirect sourcing is included in the carbon footprint.
With this omission, the scope 3 emissions included in the target boundary cover more than 90% of Cargotec's total scope 3 emissions.

first time, these targets also include sustainability-related targets. The targets are to reduce our emissions by 50 percent by 2030 and by 25 percent by 2025, which is in line with our science-based climate target, as well as to double the sales growth of our eco portfolio compared to traditional products. Embedding sustainability-related targets in our performance targets demonstrates that sustainability is truly integrated into our company strategy.

Our science-based target, approved by the Science Based Target initiative (SBTi), is to reduce Cargotec's absolute greenhouse gas emissions by at least 50 percent across all three emission scopes by 2030 compared to a 2019 baseline. As more than 95 percent of our emissions are generated indirectly in our supply chain and the product use phase (scope 3), setting an absolute reduction target in that area is vital to tackle the actual amount of emissions released into the atmosphere. In 2022, our total value chain emissions increased by five percent due to sales growth. Emission intensity decreased but not sufficiently to compensate for the increase in emissions. Read more about our science-based target here.

In our own operations (scopes 1 and 2), we aim to go beyond the ambition of our science-based target and be carbon neutral in our own operations by 2030. In 2022, we reached a 28 percent reduction in scope 1 and 2 emissions compared to a 2019 baseline.

As we work toward our science-based target, our strategic climate target for 2024 is to reduce emissions in our value chain by 1 million tonnes of CO_2 compared to a 2019 baseline. In 2022, these emissions increased by 469,000 tonnes due to sales growth.

A robust climate action plan

Cargotec's strategic climate initiative, Mission Climate, guides us in achieving our science-based target and future-proofing our business through electrification, for example. Mission Climate has three priority areas: decarbonising the supply chain, decarbonising our own operations and boosting our sustainable offering. We focus our efforts on managing and mitigating emissions in the supply chain and the product use phase because, compared to our own operations, that is where our potential and actual climate impact is greatest. To enable this, we focus on climate data and systems, funding and partnerships, and sustainable product design through life cycle assessments.

Cargotec's climate disclosure was top-ranked by CDP in 2022. With the A- rating, we reached CDP's Leadership level for the first time.

READ MORE ONLINE

CDP DISCLOSER 2022

1. Decarbonising the supply chain

In decarbonising our supply chain, we focus on innovation and collaboration. We look for sustainable alternatives to materials and solutions, ensure transparency of data and build on the innovative ideas of our partners.

The majority of greenhouse gas emissions from Cargotec's purchased goods and services are generated by the production of steel. Our goal is to secure early access to low-emission steel on the market and re-engineer Cargotec products so that they can utilise alternative materials. For example, Cargotec and the steel manufacturer SSAB have partnered to introduce fossil-free steel to the cargo and load handling industry in Cargotec's equipment. In 2022, Hiab introduced the world's first load handling equipment made with fossil-free steel. The steel for the MULTILIFT hooklift was produced by SSAB using fossil-free hydrogen instead of coal, which eliminates almost all CO_2 emissions in the manufacturing process. While fossil-free steel is key in significantly reducing our supply chain emissions, it will take a while before it is commercially and widely available. During this transition, we will explore other alternatives as well, such as the increased use of steel produced mainly from scrap material.

We engage with our suppliers to better understand their maturity level and climate strategies, and the climate impact of the components they supply to us. This also increases the transparency of where our supply chain emissions originate from, identifies opportunities to reduce them and sets climate requirements for our suppliers. In 2022, we continued to engage with the suppliers whose emissions are biggest. We also published a Supplier Decarbonisation Handbook to share best practices with our suppliers and provide guidance to them on climate-related target setting, emissions calculation and emission reduction approaches.

During 2022, we also significantly improved the way we calculate and collect our scope 3 climate data related to purchased goods and services. We now have a system where we can automatically pull real-time data from local systems and complement that with data from our suppliers. This means that we have access to fact-based emission data and that we can forecast our emissions and make decisions based on this data on a continuous basis.

2. Decarbonising our own operations

As we have full control over the greenhouse gas emissions in our own operations (scopes 1 and 2), our ambition level here is higher than for scope 3 emissions, and we aim for carbon neutrality by 2030. We will do this by focusing on the biggest emission sources in our operations: electricity use and fuel usage by our service fleet.

About 30 percent of the emissions in our own operations come from electricity use. Our target is to increase the share of renewable electricity to 75 percent by 2026 and to 100 percent by 2030. At the end of 2022, this share was 57 percent, which enabled a significant reduction (-28%) in the greenhouse gas emissions of our own operations compared to a 2019 baseline. To mitigate emissions from fuel usage by our service fleet, we aim to increase the share of remote services and switch to using biofuels or electric vehicles. Reaching carbon neutrality may also require compensation for those emissions that cannot be eliminated.

In 2022, Hiab's innovation centre in Hudiksvall, Sweden, achieved net-zero CO_2e emissions and is the first carbon neutral Cargotec site. The site operates on 100% renewable electricity and bio-heating, and the equipment tested on the site is either electric or runs on fossil-free hydrotreated vegetable oil fuel (HVO100).

During the year, both Kalmar and Hiab's operations at our Stargard site in Poland switched to 100 percent renewable electricity. The switch will enable annual emission savings of nearly 4,000 tonnes of CO_2-equivalents, representing approximately 26 percent of Cargotec's scope 2 emissions. Kalmar's Stargard operations have also used renewable energy for heating for several years (wood pellets made from waste wood).

During 2022, Cargotec also updated its European car policy to begin the transition to only using zero-emission benefit cars and service vans in Europe. Country-specific policies will consider the local infrastructure and availability of hybrid and electric vehicles.

3. Boosting our sustainable offering

Cargotec's low-carbon and intelligent technologies, products and services help solve our customers' sustainability challenges. Our eco portfolio (page 34) plays a key role in this work. In 2022, we updated the eco portfolio criteria so that the portfolio's climate solutions are aligned with the EU Taxonomy regulation.

To prove the greenhouse gas emission saving potential of the equipment included in the eco portfolio, we conducted a series of life cycle assessments (LCAs) in 2022. By conducting LCAs, we are able to compare electric or low-emission equipment to the best performing alternative, which is typically a diesel-powered version of the same equipment. The results confirm that electric or low-emission versions of the equipment enable substantial savings in life cycle emissions. During 2023, to ensure continued consistency in conducting similar LCAs in the future, we will develop a clear process for carrying out such studies at Cargotec. For more detailed information on our interpretation of the EU Taxonomy and the LCAs we conducted during the year, see the Board of Directors' report.

In 2022, Kalmar rolled out its EcoFlex Rental Solution which incentivises emission-efficient behaviour by combining data from equipment with an automated invoicing system. Customers using this solution pay a fixed monthly fee when operating Kalmar equipment in Eco drive mode, while an additional hourly fee is charged when using Normal or Power mode. When operating in Eco mode, customers can reduce emissions and fuel consumption by up to 15%.

Kalmar received its first order intakes for the electric reachstacker from Sweden and Norway in 2022. The reachstackers will produce zero greenhouse gas emissions at source, supporting our customers in reaching their sustainability targets.

Circularity

As a provider of heavy cargo and loading equipment, we are a major user of steel and other materials that can have a negative impact on the environment when made from virgin raw materials. However, while Cargotec's products are mainly made of materials from finite resources, the materials are highly recyclable. By further advancing circularity in our operations and value chain, we can minimise these negative impacts and maximise positive ones.

We foresee many opportunities to contribute to a circular economy and to capture profitable growth through new business models and solutions. For example, Kalmar already offers refurbishments and updates to its equipment to keep them in operation for longer and to improve eco efficiency. Hiab's services and maintenance retain its equipment's original performance levels and reliability for extended periods of time.

The work for further developing circularity in Cargotec's operations and value chain will be kicked off in 2023 by evaluating the related impacts and how to best manage them while seizing business opportunities. Circular solutions, such as used and refurbished equipment and service offering, are an essential part of Cargotec's eco portfolio. In 2022, we assessed the existing eco portfolio to ensure that these solutions fulfil the updated circular economy criteria of the portfolio.

Cargotec's eco portfolio

Cargotec's objective is to seize profitable growth through sustainability. This means that we must integrate sustainability into product development and actively drive up the sales of our eco-efficient solutions. Our eco portfolio, established in 2017, is one of our most important tools in this work. The portfolio highlights the equipment, services and software that enhance our customers' sustainability.

In 2022, Cargotec updated the eco portfolio criteria so that it is structured according to the EU Taxonomy design. Cargotec has the potential to substantially contribute to the Taxonomy's objectives on climate change mitigation and the transition to a circular economy and consequently, the eco portfolio consists of two categories: climate solutions and circular solutions. The portfolio's climate solutions are taxonomy-aligned and thus considered sustainable in the eyes of the Taxonomy regulation.

In 2022, the sales of the revised eco portfolio accounted for 31 percent of our total sales[1]. Our strategic performance target is to double the eco portfolio sales growth compared to traditional products.

According to the updated criteria, all eco portfolio equipment will need to have a life-cycle assessment (LCA) done and verified by a third party. During the year, we conducted a series of these LCAs to ensure that all equipment in the portfolio fulfil the updated criteria.

1 The 2021 figure has been restated according to new eco portfolio criteria. 2022 figures are not comparable to other previous years.

We reported on Cargotec's taxonomy-eligible business activities for the first time in 2021. In 2022, we are also reporting on our taxonomy-aligned activities. For our EU Taxonomy reporting and more information about our eco portfolio, our interpretation of the EU Taxonomy and the LCAs conducted 2022, see the Board of Directors's report. A summary of the updated criteria is publicly available here.

Other environmental impacts

Although not material, we monitor and report on other environmental impacts and emissions besides those related to climate change and circularity. For details, see our GRI Index.

FROM CLIMATE COMMITMENTS TO CLIMATE ACTION

With all the ambitious climate targets out there, what does action look like? At Cargotec, we focus on where it matters most: emissions in the use phase of our equipment.

"To reduce these emissions, we need to have an offering that is electric, low carbon and circular to the largest extent possible," says **Henna Rautanen**, Sustainability Director for Climate and Circularity at Cargotec.

After the update of the eco portfolio criteria, all its climate solutions are sustainable in the eyes of the EU Taxonomy.

"I think this is a great example of how regulation can drive true change," says Rautanen.

READ MORE ONLINE

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2022

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. 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.

Shareholders' Meeting

The Annual General Meeting is held annually within three months of the closing of the financial period, on a day designated by the Board. An extraordinary Shareholders' meeting in respect of specific matters shall be held when considered necessary by the Board, or when requested in writing by a Company auditor or by shareholders representing at least 10 percent of all the issued shares of the Company.

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 17 March 2022. 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 2021. The meeting appointed members of the Board of Directors and the Auditor and 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 outstanding class B shares. The dividend was paid to shareholders who on the record date of dividend distribution, 21 March 2022, were registered as shareholders in the company's shareholder register. The dividend payment day was 28 March 2022.

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 2022, the Board had 18 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 have been Cargotec's strategic focus areas sustainability and profitable growth. In March 2022, the Board decided to to refocus the strategic direction of the Company for higher financial performance. The decision followed the decision of the Boards of

Directors of Cargotec and Konecranes to cancel the planned merger after the negative resolution of the UK Competition & Markets Authority. Cargotec will focus on core businesses Hiab and Kalmar and their independence will be increased. The Board decided to initiate the evaluation of strategic options of MacGregor, including also a potential sale of the business. Based on the evaluation, the Board concluded in November that MacGregor will not be part of Cargotec's portfolio in the future. The Board also confirmed the new performance targets for its core businesses Hiab and Kalmar. Cargotec's business areas 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. Johanna Lamminen, Board member, was nominated as the member responsible for sustainability issues in the Board.

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 Chair and a Vice Chair 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 composition shall 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 of the underrepresented gender.

At the AGM in 2022, the number of Board members was confirmed to eight and the current Board members Jaakko Eskola, Ilkka Herlin, Teresa Kemppi-Vasama, Johanna Lamminen, Casimir Lindholm, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. The former Board member Tapio Hakakari did not stand for re-election to the Board of Directors. In its organising meeting, the Board re-elected Ilkka Herlin as Chair and Jaakko Eskola was elected as Vice Chair. In April Ilkka Herlin stepped down from the position and Jaakko Eskola was elected as Chair. Ilkka Herlin was elected as Vice Chair. At the end of 2022, the age range of the members was between 51 and 68 years. Three Board members were women and five were men, and thus the underrepresented gender comprises 37.5 % of all members of the Board. Thus, 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 2022 the self-assessment was conducted as a written questionnaire that the Board discussed among themselves.

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 2022, 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 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 2022.

Board and committee members' participation in meetings 2022

Name	Board of Directors	Audit and Risk Management Committee	Nomination and Compensation Committee
Eskola Jaakko	18/18		7/7
Hakakari Tapio*	4/4		2/2
Herlin Ilkka	18/18	3/5	7/7
Kemppi-Vasama Teresa	17/18		7/7
Lamminen Johanna	18/18		
Lindholm Casimir	18/18		5/5
Olkkonen Kaisa	18/18	5/5	
Salminen Teuvo	18/18	5/5	
Soljama Heikki	18/18		

* Board member until 17 March 2022

Board members 31 Dec 2022

Jaakko Eskola
Chair, b. 1958

M.Sc. (Eng.)

Board member since 2021
Chair since 2022

Chair of the Nomination and Compensation Committee

Independent of the Company and largest shareholders

Main position: Non-executive director

Ownership 31 Dec 2022*:
3,438 B shares

Ilkka Herlin
Vice Chair, b. 1959

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

Board Chair 2005–2022
Vice Chair since 2022

Member 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: Chair and owner, Wipunen varainhallinta oy; Board member, Foundation for a Living Baltic Sea

Ownership 31 Dec 2022*:
2,940,067 A shares,
6,211,020 B shares

Teuvo Salminen
member, b. 1954

M.Sc. (Econ), APA exam 1983

Board member since 2010

Chair of the Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2022*:
11,047 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 Chair of the Board, Kemppi Oy

Ownership 31 Dec 2022*:
1,895 B shares

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 2022*:
1,895 B shares

* Direct ownership and the ownership of controlled corporations.

Board members 31 Dec 2022

Casimir Lindholm
member, b. 1971

M.Sc. (Econ.), MBA

Board member since 2021

Member of the Nomination and Compensation Committee

Independent of the Company and largest shareholders

Main position: President and CEO, Eltel Group

Ownership 31 Dec 2022*:
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 2022*:
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 2022*:
2,185 B shares

Board member until 17 March 2022:
Tapio Hakakari, b. 1953, LL.M.
Board member 2005-2022, Vice Chair 2009-2022

* 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 Chairs 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. 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 2022, the committee met five times. The meeting attendance is reported in the above table. The committee handled and prepared financial and treasury topics for Board approval. The representatives of the auditing firm Ernst & Young presented their work and observations to the committee in connection with the Company's annual and interim reports. Reports on risk management, internal audit as well as ethics and compliance were presented quarterly to the committee. The committee received reports on tax and treasury issues, information security management, project risk management development, legal claims, 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. The committee members were Jaakko Eskola, Ilkka Herlin, Teresa Kemppi-Vasama, Tapio Hakakari until 17 March 2022 and Casimir Lindholm as of the same date. Ilkka Herlin was the Chair of the committee until 27 April 2022 and Jaakko Eskola as of that 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 2022, the committee convened seven 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 2022. 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 2022.

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). In December 2022, Vehviläinen informed Cargotec's Board of Directors of his intention to retire from Cargotec during 2023, in accordance with the terms of his CEO service contract. The Board initiated a search for a successor.

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 2022 and the remuneration of the Leadership Team is described on the Company website at www.cargotec.com.

Leadership Team 31 Dec 2022

Mika Vehviläinen
CEO

B. 1961, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2022*:
126,705 B shares

Mikko Puolakka
Executive Vice President, CFO

B. 1969, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2022*:
33,599 B shares

Scott Phillips
President, Hiab

B. 1966, American citizen

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

Ownership 31 Dec 2022*:
28,506 B shares

Michel van Roozendaal
President, Kalmar, as of 1 July 2022; President, Kalmar Mobile Solutions until 30 June 2022

B. 1963, Dutch citizen

M.Sc. (Aerospace Eng.), MBA

Ownership 31 Dec 2022*:
41,706 B shares

Leif Byström
President, MacGregor

B. 1962, Swedish citizen

Bachelor degrees in Business Administration and Innovation Engineering

Ownership 31 Dec 2022*:
282 B shares

* Direct ownership and the ownership of controlled corporations.

Leadership Team 31 Dec 2022

Outi Aaltonen
Senior Vice President, General Counsel

B. 1965, Finnish citizen

LL.M

Ownership 31 Dec 2022*:
6,352 B shares

Carina Geber-Teir
Senior Vice President, Communications

b. 1972, Finnish citizen

M. Sc. (Pol.)

Ownership 31 Dec 2022*:
1,307 B shares

Mikael Laine
Senior Vice President, Strategy

B. 1964, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2022*:
15,130 B shares

Soili Mäkinen
CIO, Senior Vice President, Digitalisation until 31 December 2022; Senior Vice President, Sustainable Business Development as of 1 January 2023

B. 1960, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2022*:
12,115 B shares

Mikko Pelkonen
Senior Vice President, Human Resources

B. 1970, Finnish citizen

B.A.

Ownership 31 Dec 2022*:
51,135 B shares

Leadership Team member until 30 June 2022:
Antti Kaunonen
President, Kalmar Automation Solutions
B. 1959, Finnish citizen, Dr. Tech.

* 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), and

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).

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. Group 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 AGM that convened on 17 March 2022 re-elected the auditing firm Ernst & Young Oy as Cargotec's auditor. Heikki Ilkka from Ernst & Young Oy has been the principal auditor since 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	2022	2021
Audit fees	3.5	3.2
Tax advice	0.0	0.1
Other services	1.1	1.6

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 Group Communications are responsible for ensuring the accuracy of and compliance with the policy. Cargotec's 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 annual 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 the Company's 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.

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 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.

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 leadership 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.

REMUNERATION REPORT 2022

This Remuneration Report sets out how Cargotec Corporation ("Company") has implemented its Remuneration Policy in 2022. This report includes information concerning remuneration of the Board of Directors ("Board") and the CEO of Cargotec between 1 January 2022 and 31 December 2022. 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 2023.

Letter from the Chair 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 27 May 2020. Cargotec has followed the Remuneration Policy's decision making process and remuneration governance model in 2022. There haven't been any claw-backs made in 2022. Our Remuneration Policy and overall remuneration philosophy reinforce Cargotec's values and ethical principles, aligning 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 reflect our key performance indicators.

As part of Cargotec's remuneration principles, sustainability has had a central role ever since the Company was founded. Over the years Cargotec's Board of Directors has evaluated various models about how to connect sustainability topics to leadership remuneration. Based on assessments, sustainability themes have been prudently and rationally included in the leadership incentive programmes in recent years.

The eco portfolio order intake and the Mission Climate programme roadmap were included in the 2022 performance share programme evaluation criteria. These concrete, measurable issues have brought the increasing of offering and sales of solutions that reduce the emissions of our customers into our remuneration criteria. The inclusion of sustainability metrics in the evaluation of management remuneration is a process that will develop over the coming years.

In October 2020, Cargotec and Konecranes Plc announced their plans to combine the two companies through a merger. Competition authorities in the EU and China had already approved the merger but, in March 2022, the UK Competition & Markets Authority blocked the merger. The completion of the planned merger would have required approvals from all relevant competition authorities. Thus, Cargotec and Konecranes cancelled the planned merger.

The merger would have created substantial value for our industry as well as shareholders and the combination would have created a strong European company. The cancellation, however, was a reality that could not be avoided, and the Company took a determined step forward, announcing its refocused strategy at the beginning of the year.

As per the refocused strategy, the Company will focus on sustainability and growth in the profitable core businesses Hiab and Kalmar, and exit from Kalmar's heavy port cranes business. In terms of MacGregor, after evaluating its strategic options, the Board of Directors announced in November that MacGregor will not be part of Cargotec's portfolio in the future.

The implementation of the strategy progressed well during 2022. With regards to Kalmar's heavy crane business, the related intellectual properties and assets have been transferred to Cargotec's subcontractor, and the majority of the heavy cranes order book is planned to be delivered in 2023. The changes in the operating model, aimed at increasing the independence of the business areas, have also been taken into use.

Supported by the refocused strategy, Cargotec's business performance in 2022 was good. While the year was characterised by various global crises, Cargotec's orders received, sales and comparable operating profit were at a record level. Also the service and eco portfolio sales were record-high. Customer interest in eco-efficient equipment is constantly growing, which creates a clear and increasing business opportunity for Cargotec.

In December 2022, Cargotec's CEO Mika Vehviläinen informed Cargotec's Board of Directors of his intention to retire from Cargotec during 2023, after which the Board initiated a search for a successor.

Under Mika's leadership, Cargotec has made critical changes to its strategy, structure and performance that position the Company strongly for success. The work to develop Cargotec to its full potential continues, and we thank Mika warmly for his leadership and work for the benefit of Cargotec.

Jaakko Eskola
Chair of the Board and Board's Nomination and Compensation Committee

Cargotec 2022 Remuneration in brief

Cargotec's Remuneration Policy's key principles were followed through 2022. For the financial period 2022, the annual fixed salary of Cargotec's CEO Mika Vehviläinen was EUR 727,661 including fringe benefits. In addition, he received the following variable pay programme payment: Short-term incentive payout of EUR 179,608 (2021 annual bonus programme, payout is based on 2021 performance). From the matching share programme he received a payout of EUR 613,804. Additionally he received a supplemental pension contribution of EUR 700,000. Total remuneration paid to the CEO in 2022 was (2021): 2,221,073 Euros (2,453,614 Euros).

In 2022, the CEO participated in the following variable pay programmes (pay-for-performance):

- 2022 Annual Bonus Programme (STI): Achievement EUR 447,911 / 48% 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 8,133 class B shares / 100% of the maximum from the measuring period 2022 (incentive payment in 2023 after the measuring period 2022).
- 2021-2023 Performance Share Programme: Achievement 6,969 class B shares / 91% of the maximum from the measuring period 2021 (incentive payment in 2024 after the measuring periods 2022 and 2023).
- 2022-2024 Performance Share Programme: Achievement 3,961 class B shares / 49% of the maximum from the measuring period 2022 (incentive payment in 2025 after the measuring periods 2022, 2023 and 2024).
- 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. The CEO participated also in the 2022-2024 retention programme.

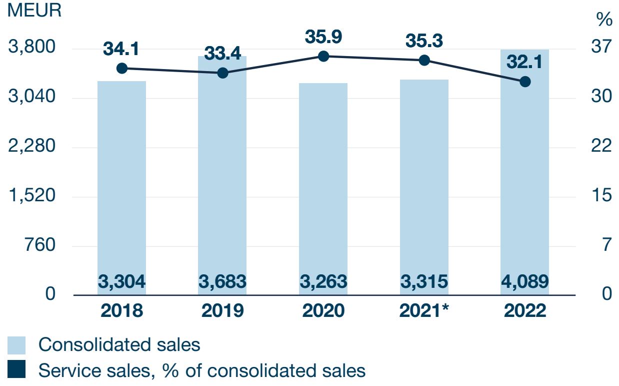
Based on the decision of the AGM of 17 March 2022, there were changes implemented in the Board's annual remuneration in 2022.

Development of Financial Performance and Remuneration

5-year Development of Financial Performance

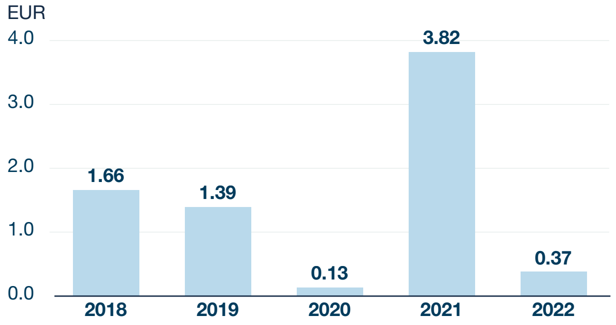
The following graphs summarise Cargotec's key financial and shareholder return performance indicators in the last 5 years. The CEO's financial performance targets in the variable pay programmes are aligned with Cargotec's financial performance and strategic targets.

SERVICE AND SOFTWARE SALES AS A % OF CONSOLIDATED SALES

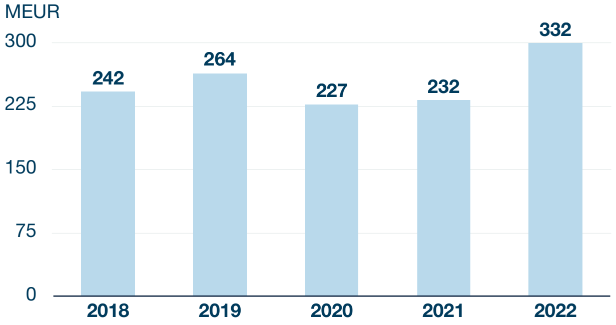


*Software sales include automation software and, until 1 July 2021, the strategic business unit Navis

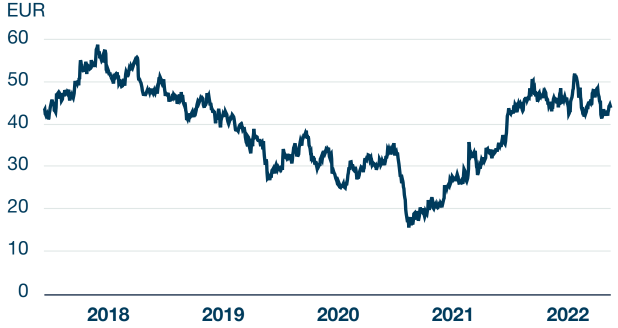
BASIC EARNINGS PER SHARE



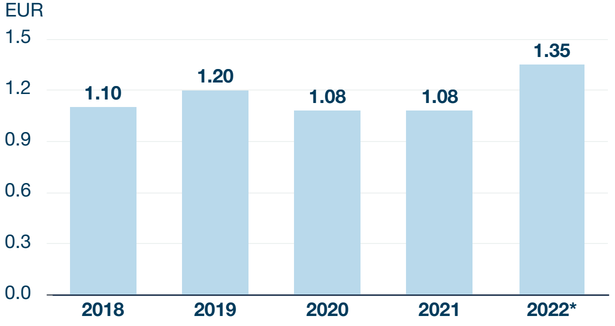
COMPARABLE OPERATING PROFIT



SHARE PRICE 2018–2022



DIVIDEND PER CLASS B SHARE



* Boards proposal for dividend

CEO Paid Compensation Development and Breakdown

	2018	2019	2020	2021	2022
Fixed salary[1]	701,190	699,659	650,958	704,795	727,661
Short-term incentives (STI)[2]	340,184	124,344	580,942	764,452	179,608
Long-term incentives (LTI)	1,821,328[3]	715,784[4]	106,506[5]	163,962[6]	0
Restricted shares	-	-	-	-	-
Matching shares	-	-	299,289[7]	820,406[8]	613,804[9]
Supplemental pension	500,000	0	0	0	700,000
Total remuneration	3,362,702	1,539,787	1,637,694	2,453,614	2,221,073

Development					
Base salary	0%	0%	0%	0%	5%
Total remuneration	18.5%	-54.2%	6.4%	49.8%	-9.5%

[1] Annual fixed salary includes base salary, holiday pay and fringe benefits. Monthly base salary EUR 55,000 during the period of 1 January 2018–31 March 2022 and EUR 57,750 during the period of 1 April 2022–31 December 2022.

[2] Short-term incentive payment based on previous year performance.

[3] Performance Share Programme, performance period 2015–2017.

[4] Performance Share Programmes, performance period 2016–2018 and performance period 2017-2018 (2019 ownership and value creation period).

[5] Performance Share Programme, performance period 2018–2019 (2020 ownership and value creation period).

[6] Performance Share Programme, performance period 2019–2020 (2021 ownership and value creation period).

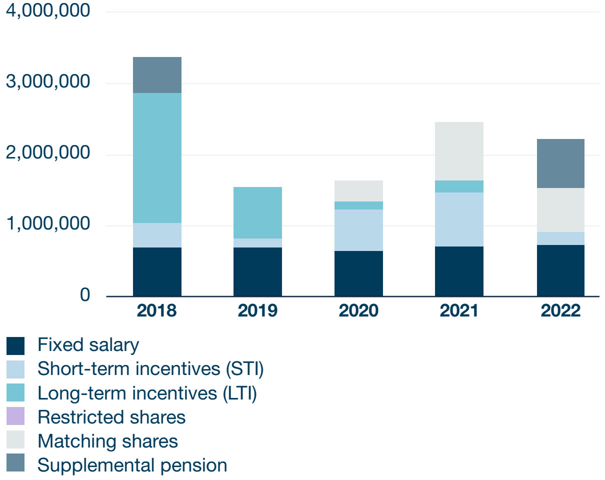
[7] Matching Share Programme, 1st installment in 2020.

[8] Matching Share Programme, 2nd installment in 2021.

[9] Matching Share Programme, 3rd installment in 2022.

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 5% (one-time increase in 2022), 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 2022.

CEO PAID COMPENSATION DEVELOPMENT AND BREAKDOWN



Development of paid Board Remuneration in euros

	2018	2019	2020	2021	2022
Chair annual fee					
Development	85,000 (0%)	85,000 (0%)	85,000 (0%)	85,000 (0%)	95,000 (+11.8%)
Vice chair annual fee					
Development	60,000 (0%)	60,000 (0%)	60,000 (0%)	60,000 (0%)	70,000 (16.7%)
Board member annual fee					
Development	45,000 (0%)	45,000 (0%)	45,000 (0%)	45,000 (0%)	55,000 (+22.2%)

Development of employee base salary (median)

	2018	2019	2020	2021	2022
Median year-on-year development	+3.0%	+2.9%	+0.0%	+3.3%	+4.0%

Annual compensation ratio
2022 CEO's annual base salary to median annual base salary for all employees (excluding CEO): 18.2 (18.0 in 2021).

Remuneration of the Board of Directors in 2022

Cargotec Board Remuneration 1 January–31 December 2022

Director	Committee memberships	Annual fee in euros	Meeting fees in euros	Total in euros[1]
Jaakko Eskola, Chair	Nomination and Compensation Committee, Chair	69,167	22,000	91,167
Ilkka Herlin, Vice Chair	Nomination and Compensation Committee, Member Audit and Risk Management Committee, Member	54,583	25,00	79,823
Teuvo Salminen	Audit and Risk Management Committee, Chair	52,500	21,000	73,500
Tapio Hakakari[2]	Nomination and Compensation Committee, Member	0	6,000	6,000
Teresa Kemppi-Vasama	Nomination and Compensation Committee, Member	41,250	21,000	62,250
Johanna Lamminen		41,250	16,000	57,250
Casimir Lindholm	Nomination and Compensation Committee, Member	41,250	20,000	61,250
Kaisa Olkkonen	Audit and Risk Management Committee, Member	41,250	21,000	62,250
Heikki Soljama		41,250	16,000	57,250
Total		382,500	168,000	550,740

[1] Including annual Board remuneration, meeting attendance fees and fringe benefits for the period of 1 January 2022–31 December 2022.

[2] Until 17 March 2022.

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2022 as follows:

- Chair EUR 95,000 (EUR 85,000 in 2021)
- Vice Chair EUR 70,000 (EUR 60,000 in 2021)
- Chair of the Audit and Risk Management Committee EUR 70,000 (EUR 60,000 in 2021)
- Other Board members EUR 55,000 (EUR 45,000 in 2021)
- The annual remuneration will be paid quarterly 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 2022
The CEO participated in the following variable pay programmes in 2022 (short- and long-term incentive programmes):

Programme	Purpose	Performance period	Earning opportunity	Performance measures	Achievement
STI: 2022 Annual Bonus Programme	To reward and incentivise achievement of financial, strategic, operational and sustainability targets aligned with Cargotec's business strategy	2022	Maximum 130% of annual base salary	Financial targets (80% weight): 2022 comparable operating profit (MEUR), 2022 operative cash flow (MEUR). Strategic individual targets (20% weight): Cargotec's refocused strategy.	EUR 447,911 / 48% of the maximum. Incentive payment in April 2023.
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 2022 Performance period 2020–2022	Maximum 24,400 class B shares from performance period 2020–2022	2022 sustainability targets: -Mission Climate roadmap (50% weight) -Eco portfolio order intake (50% weight)	8,133 class B shares / 100% of maximum for the measuring period 2022. Performance period 2020-2022 in total 18,810 class B shares / 77% of maximum. Incentive payment by April 2023.
LTI: 2021–2023 Performance Share Programme		Measuring period 2022 Performance period 2021–2023	Maximum 23,100 class B shares from performance period 2021–2023	2022 service gross profit (MEUR)	6,969 class B shares / 91% of maximum for the measuring period 2022. Incentive payment by April 2024, after the measuring period 2023.
LTI: 2022–2024 Performance Share Programme		Measuring period 2022 Performance period 2022–2024	Maximum 24,500 class B shares from performance period 2022–2024	2022 comparable operating profit (MEUR)	3,961 class B shares / 49% of maximum for the measuring period 2022. Incentive payment by April 2025, after the measuring periods 2023 and 2024.

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 retention

CEO's share-based incentive programmes in 2022:

Programme	2019	2020	2021	2022	2023	2024	2025
2020–2022 Performance Share Programme		Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	Measuring period 3: - Sustainability targets	€		
2021–2023 Performance Share Programme			Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	Measuring period 3: - TBD	€	
2022–2024 Performance Share Programme				Measuring period 1: - Comparable operating profit	Measuring period 2: - TBD	Measuring period 3: - TBD	€
2019–2022 Matching Share Programme	Share investment	€	€	€			
2022–2024 Restricted Share Unit Programme					€	€	

€ = share delivery / incentive payment.

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

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.

2022–2024 Restricted Share Unit Programme

The reward from the Restricted Share Unit Programme 2022–2024 is conditional on the achievement of strategic goals set by the Board of Directors. The reward is paid in two installments, half in the spring of 2023 and half in the spring of 2024. The shares received as a reward from the programme's first installment may not be sold, transferred, pledged or otherwise assigned during a lock-up period which ends on 31 December 2023. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward.

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
2019–2022 Matching Share Programme	2019–2022	1 March 2019	31 March 2022	31 March 2022	Personal share investment and continuous shareholding	24,770	1/3 of total matching shares delivered in 2022	8,258
2020–2022 Performance Share Programme	2020–2022	8 April 2020	By April 2023	April 2023	2022 sustainability targets	24,400	Measuring period 2022: 100% Programme in total: 77%	Measuring period 2022: 8,133 Programme in total: 18,810
2021–2023 Performance Share Programme	2021–2023	13 April 2021	By April 2024	April 2024	2022 service gross profit; 2023 to be decided by the Board	23,100	Measuring period 2022: 91%	Measuring period 2022: 6,969
2022–2024 Performance Share Programme	2022–2024	13 May 2022	By April 2025	April 2025	2022 comparable operating profit; 2023 and 2024 to be decided by the Board	24,500	Measuring period 2022: 49%	Measuring period 2022: 3,961
2022–2024 Restricted Share Unit Programme	2022–2024	13 May 2022	1st installment in spring 2023; 2nd installment by April 2024	1st installment: 31 December 2023 2nd installment: April 2024	Strategic goals set by the Board	29,350	2022 strategic goals: 100%	2022 strategic goals / 1st installment: 14,675

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 2022

Fixed Salary	Supplemental Pension Payment	Paid Short-term Incentives	Paid Long-term Incentives	Paid Matching Shares	Total Paid Remuneration in 2022
727,661	700,000	179,608	0	613,804	2,221,073

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: 2021 Annual Bonus Programme	2021	65% / 130%	2021 comparable operating profit 2021 operative cash flow 2021 strategic individual targets	20%	179,608

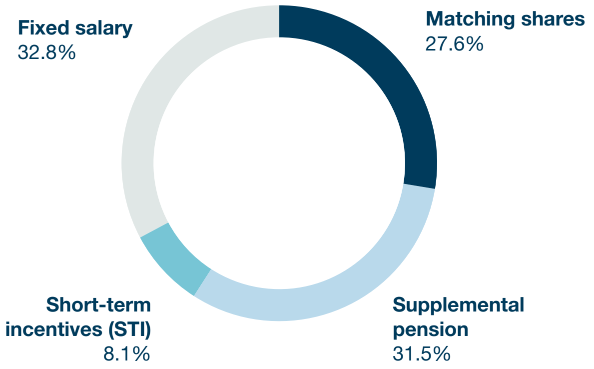
Paid share-based incentives

Programme	Performance Period	Remuneration
2019–2022 Matching Share Programme	2022 (3rd installment by the company)	8,258 net shares 613, 804 euros

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. The CEO Mika Vehviläinen has informed Cargotec's Board of Directors in December 2022 of his intention to retire from Cargotec during 2023, in accordance with the terms of his CEO service contract. The CEO's supplemental pension contribution paid in 2022 was EUR 700,000.

STRUCTURE OF PAID COMPENSATION IN 2022



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BOARD OF DIRECTORS' REPORT

Operating Environment 2022

Increasing uncertainty characterised the market development in 2022. This was influenced by, for example, Russia's attack on Ukraine, global supply chain challenges, increased interest rates, high inflation, and weakened consumer confidence.

The demand for Cargotec's core businesses Hiab and Kalmar is affected by the development of the global GDP per capita. According to the World Bank's Global Economic Prospects report published in January 2023, the global economy grew by 2.9 percent in 2022. In the World Bank's advanced economies group (a group of countries which includes several key Cargotec markets, such as the United States, the United Kingdom and Germany), the World Bank estimates a 2.5 percent growth in 2022.[1]

The demand for MacGregor's cargo handling solutions is driven by the level of merchant ship contracting which, against a strong comparison period, declined to 1,286[2] (1,613[3]) new orders in 2022. Higher new vessel construction costs and extended lead times due to shipyard capacity restrictions weakened the ordering activity which, however, was still significantly higher compared to previous years. In the offshore sector, the number of the new unit contracts was 137 (107), which was still below the historical average (365).

Orders received and order book

Orders received increased in 2022 by 10 percent from the comparison period and totalled EUR 4,862 (4,427) million. Orders received increased in all business areas from the comparison period. Service orders received increased by 11 percent and totalled EUR 1,286 (1,162) million.

The order book increased by 24 percent from the end of 2021, and at the end of 2022 it totalled EUR 3,541 (31 Dec 2021: 2,847) million. Kalmar's order book totalled EUR 1,428 (1,302) million, representing 40 (46) percent, Hiab's EUR 1,185 (985) million or 33 (35) percent and MacGregor's EUR 927 (560) million or 26 (20) percent of the consolidated order book.

In 2022, the share of orders received was 42 (46) percent in EMEA and 35 (34) percent in the Americas. Asia-Pacific's share of orders received was 23 (20) percent.

Sales

Sales in 2022 increased from the comparison period by 23 percent to EUR 4,089 (3,315) million. Sales increased in all businesses. Service sales increased by 17 percent from the comparison period and totalled EUR 1,264 (1,076) million, representing 31 (32) percent of consolidated sales. Software sales decreased by 51 percent and amounted to EUR 47 (95) million. The decrease in software sales was due to the divestment of the Navis software business in 2021. Service and software sales amounted to EUR 1,311 (1,172) million, representing 32 (35) percent of consolidated sales.

Cargotec's eco portfolio consists of products and services that enhance customers' sustainability with tangible environmental benefits. In 2022, the eco portfolio sales increased by 54 percent according to the old criteria and totalled EUR 964 (626) million, representing 24 (19) percent of consolidated sales.

In 2022, EMEA's share of consolidated sales was 47 (50) percent, Americas' 36 (31) percent and Asia-Pacific's 17 (19) percent.

Financial result

Operating profit in 2022 totalled EUR 106 (356) million. The operating profit includes items affecting comparability worth EUR -226 (124) million. EUR -48 (224) million of the items were related to Kalmar, EUR -7 (-22) million to Hiab, EUR -154 (-25) million to MacGregor and EUR -17 (-53) million to corporate administration and support functions. Of the items related to Kalmar, EUR -36 million were related to the decision to transfer the heavy crane immaterial rights to Rainbow Industries Co. Ltd. in China, and to the plans to ramp down the heavy cranes business. Of the items related to MacGregor, EUR -108 million concern restructuring costs of the business area, write-downs of the MacGregor product range rationalisation, and MacGregor goodwill write-down. In addition, around EUR -18 million of the MacGregor items concern a provision for possible consequences related to a project delivered to the U.S. government. Of the corporate administration and support functions items affecting comparability, EUR -10 (-50) million were related to the cancelled merger plan with Konecranes Plc. Of the items affecting comparability, EUR -8 million, all businesses combined, were related to the ramp down of businesses in Russia. Of the items affecting comparability, about half is estimated to impact cash flow. More information regarding items affecting comparability is available in Note 2.4, Comparable operating profit.

Comparable operating profit in 2022 increased by 43 percent and totalled EUR 332 (232) million, representing 8.1 (7.0) percent of sales. The comparable operating profit increase was driven by higher sales in Kalmar and Hiab.

In 2022, net interest expenses for interest-bearing debt and assets totalled EUR 14 (18) million. Net finance expenses totalled EUR 27 (23) million. Group financing expenses increased as a result of higher hedging costs, and the change in exchange rate differences. The hedging cost increase was due to a higher amount of hedges and change in interest rate

[1] World Bank: Global Economic Prospects report, January 2023
[2] Clarkson, January 2023
[3] Clarkson January 2022, does not include registrations after 1 January 2022

differentials. Profit in 2022 totalled EUR 23 (247) million, and basic earnings per share was EUR 0.37 (3.82).

Balance sheet, cash flow and financing

At the end of the year 2022, the consolidated balance sheet total was EUR 4,189 (31 Dec 2021: 4,027) million. Equity attributable to the equity holders of the parent was EUR 1,528 (1,544) million, representing EUR 23.69 (23.95) per share. Property, plant and equipment on the balance sheet amounted to EUR 420 (410) million and intangible assets to EUR 1,017 (1,139) million.

Return on equity (ROE, last 12 months) was 1.5 (31 Dec 2021: 17.3) percent at the end of the year, and return on capital employed (ROCE, last 12 months) was 4.6 (14.5) percent. The return on equity and capital employed of the comparison period include the profit from the Navis software business divestment. In 2022, the return on capital employed was weakened by the negative result and high capital employed of the MacGregor business area.

Cash flow from operating activities before financial items and taxes totalled EUR 231 (169) million during 2022. The increase in inventories caused by bottlenecks in the supply chain still burdened cash flow.

Cargotec's liquidity position is strong. In December, Cargotec entered into a new EUR 330 million sustainability-linked revolving credit facility with a syndicate of its seven relationship banks. The facility has a tenor of five years with two one-year extension options. The purpose of this facility is to refinance the EUR 300 million revolving credit facility maturing in June 2024. With this facility, Cargotec strengthened its long-term liquidity and included sustainability targets to the facility.

The liquidity reserves, consisting of cash and cash equivalents and the above mentioned undrawn EUR 330 million long-term revolving credit facility, totalled EUR 782 million on 31 December 2022 (31 Dec 2021: 789). In addition to the liquidity reserves, 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 95 (111) million.

The company liquidity requirement – repayments of interest-bearing liabilities due within the following 12 months – totalled EUR 87 (43) million, which includes EUR 37 (35) million lease liabilities.

At the end of 2022, the interest-bearing debt amounted to EUR 838 (31 Dec 2021: 919) million, of which EUR 165 (163) million was in lease liabilities. Of the interest-bearing debt, EUR 87 (43) million was current and EUR 751 (876) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 2.1 (1.3) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 459 (505) million. Interest-bearing net debt totalled EUR 378 (414) million.

At the end of the year, Cargotec's equity to assets ratio was 39.2 (31 Dec 2021: 40.6) percent. Gearing was 24.8 (26.8) percent.

Research and development

Research and product development expenditure in 2022 totalled EUR 100 (102) million, representing 2.4 (3.1) percent of sales. The decrease in the R&D expenditure was mainly due to the divestment of the Navis software business. Research and development investments were focused on solutions supporting climate targets such as digitalisation, electrification, 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

During the year, Kalmar continued the development of its electric offering as well as the future robotic product portfolio. With the help of electrification, customers can achieve significant lifetime cost and greenhouse gas emission reductions. The development of electric equipment also offers Kalmar a significant business opportunity.

In 2022, Kalmar started field testing the Kalmar Electric Reachstacker in Norway, and the field tests of the world's first Kalmar Heavy Electric Forklift started in Sweden. In December, Kalmar started serial production of fully electric reachstackers at its assembly unit in Poland.

Kalmar collaborates with other industry players to speed up the development of novel technologies in the area of cargo handling. In December, Kalmar announced a collaboration with Toyota Tsusho America Inc., and global strategic environmental engineering consultancy Ricardo in a project to develop fuel cell powered terminal tractors. As part of the project, a Kalmar customer in the USA will trial two Kalmar Ottawa Terminal Tractors powered by fuel cell technology at its container terminal on the US west coast.

Hiab

In 2022, Hiab launched a record amount, over 40, of new products. These included significant developments to loader cranes, a range of railway cranes, new electric MOFFETT truck mounted forklifts to complete the eSeries, a new generation of LOGLIFT forestry cranes, and tail lifts. Hiab also introduced the world's first hooklift, a MULTILIFT Ultima, made mostly from fossil-free steel from SSAB. The steel offers the same properties as conventionally produced steel.

In addition, Hiab presented the comprehensive and intelligent service solution HiPerformTM which enables optimising the performance of customers' Hiab equipment. Hiab also launched multiple solutions addressing sustainability, such as the ePTO 44, an electric and emission-free alternative to drawing power for operating the crane from the vehicle's engine, and presented camera system HiVision 2.0 for forestry cranes and improvements to HiVision for MULTILIFT demountables. HiVision allows equipment operations from inside the truck cabin by using an external camera system to show the equipment surroundings.

MacGregor

During 2022, MacGregor completed its range of electric cranes with the release of a heavy-duty transfer loading crane that consumes approximately 60 percent less energy compared to a hydraulic drive system.

The SEAMLESS project, part of the EU Horizon innovation programme, received EUR 15 million in funding from the EU for developing inland transport waterway automation. Of the funding, MacGregor is to receive EUR 2.6 million. In the project, MacGregor aims to develop a so-called Dock'n'Load system which includes automated docking, mooring and departure systems, enabling autonomous vessels to operate within inland waterway ports with limited infrastructure. MacGregor also further develops Voyage and Container Optimisation Platform which would enable transparency of hinterland connections and transhipments of the container supply chain to all stakeholders. In addition, connection to various existing platforms would also be secured.

MacGregor is actively working on the carbon capture, use and storage (CCUS) segment, utilising its offshore know-how and capabilities, and is in close dialogue with other industry stakeholders.

MacGregor also continued the project towards offshore wind energy that started in 2020, where the developed prototype enables the verification of simulation models and the control of system performance and, for example, the evaluation of various situations in a safe and regulated environment. The research and development project is supported by the Norway Research Council, the Norwegian government's research policy adviser, and is implemented in cooperation between the University of Agder and MacGregor.

MacGregor was awarded the 2022 SMART4SEA Technology Award for the development of the OnWatch Scout service that monitors conditions and anticipates maintenance needs.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 81 (64) million in 2022. Investments in customer financing were EUR 32 (16) million. Depreciation, amortisation and impairment amounted to EUR 204 (117) million. The amount includes impairments worth EUR 88 (7) million, of which EUR 63 million is related to MacGregor's goodwill impairment and EUR 25 million to intangible asset write-downs related to the MacGregor product range rationalisation.

Acquisitions and divestments

In December, Hiab entered into an agreement to acquire the family-owned Swedish industrial group Olsbergs. Olsbergs is the technological leader in the design and manufacture of hydraulic valves and remote control systems. Its solutions are used to manoeuvre Hiab's truck mounted loader cranes and forestry cranes. The closing of the transaction took place on 1 January 2023.

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

Operational restructurings

Restructuring costs in 2022 amounted to EUR 91 (33) million. In November, Cargotec announced that it had started a restructuring programme in MacGregor's offshore business. Cargotec booked a EUR 45 million restructuring cost related to MacGregor's restructuring programmes in 2022. Cargotec booked in 2022 a EUR 36 million restructuring cost related to the decision announced in July to transfer Kalmar heavy crane immaterial rights to Rainbow Industries Co. Ltd. in China, and to the plans to ramp down the heavy cranes business. In addition, Cargotec booked a EUR 8 million impairment provision in 2022 to assets that relate to ramping down its businesses in Russia. For the year 2023, the restructuring costs of ongoing restructuring programmes are estimated to be approximately EUR 20 million. The estimate does not include all costs related to Cargotec's refocused strategy, and the restructuring cost estimate may be subject to change.

More information regarding restructuring costs and other items affecting comparability is available in Note 2.4, Comparable operating profit.

Personnel

Cargotec employed 11,526 (31 Dec 2021: 11,174) people at the end of the year 2022. The average number of employees in 2022 was 11,405 (1–12/2021: 11,232).

Salaries and remunerations to employees totalled EUR 608 (611) million in 2022.

Cargotec's annual Compass Employee Engagement survey provides valuable information on work-related feelings and thoughts of our employees. Through the survey, employees are encouraged to share their thoughts on a wide range of topics, such as work-life balance and wellbeing, social responsibility and leadership, and team climate.

The completion rate of the 2022 Compass survey was 75 percent (2021: 76). According to the results, teamwork remains our stronghold, which is evident from the top score of 82 (82) percent in the team climate and performance category. On the other hand, the results show that we must focus more attention on topics such as work-life balance, stress management and the future direction of the company. 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

Cargotec's vision is to become the global leader in sustainable cargo flow. The breakthrough objectives are sustainability and profitable growth.

In accordance with its strategy, Cargotec will focus on sustainable and profitable growth on its core businesses, Hiab and Kalmar by solving customers' sustainability challenges. The core businesses will support customers with lifecycle services as well as with market leading equipment and technologies. Automated, robotised and zero emission equipment help Kalmar and Hiab customers to overcome sustainability challenges.

As part of its strategy, Cargotec has exited Kalmar's heavy port cranes business and has completed the evaluation of strategic options of MacGregor, announced in March 2022. Based on the evaluation, Cargotec's Board of Directors has concluded that MacGregor will not be part of Cargotec's portfolio in the future. An active sales process of the MacGregor business has not been initiated yet and the Board of Directors continues to evaluate the timing of the divestment.

Performance targets for core businesses[4]

Cargotec's performance targets reflect the company's strategy and ambition to grow profitably by solving customers' sustainability challenges. Performance targets are set for core businesses Kalmar and Hiab and were announced on 15 November 2022.

- Eco portfolio sales: double the growth compared to traditional products
- Reduce CO_2 emissions in Cargotec's value chain[5] by 25% by 2025 and by 50 % by 2030
- Sales growth faster than market[6]
- Comparable operating profit 12% by 2025 and 15% by 2030

Cargotec also aims for a growing dividend 30–50% of EPS and to keep gearing below 50%.

Core businesses' key figures

In 2022, sales of Cargotec's core businesses increased from the comparison period by 31 percent and amounted to EUR 3,445 (2,633) million. Eco portfolio sales of the core businesses according to the old criteria increased by 78 percent and totalled EUR 859 (482) million, representing 25 (18) percent of core businesses' consolidated sales. The comparable operating profit of Cargotec's core businesses increased by 47 percent and amounted to EUR 388 (264) million. The comparable operating profit margin of Cargotec's core businesses was 11.3 (10.0) in 2022. The CO_2 emissions of the core business' value chain increased by 15 percent from the year 2019 level. The emission intensity decreased but not enough to compensate for the increase in emissions brought about by the increase in sales.

Disclosure on non-financial information

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, 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 the 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 perform their business in an efficient and sustainable manner by combining equipment, service, and software into sustainable offerings. Cargotec's global network secures the company's proximity to customers and offers extensive services to ensure continuous, reliable and sustainable performance according to customer needs. Cargotec has operations in approximately 100 countries, consisting of 15 assembly sites, 115 non-assembly sites and seven 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 in, for example, 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, 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 impact stems from the development of societal infrastructure, as cargo handling operations are essential to keep modern society running.

[4] Core businesses = Cargotec excluding MacGregor, Kalmar heavy cranes business. and the Navis business divested during the comparison period
[5] Scopes 1,2 & 3, compared to 2019
[6] Global GDP, IMF World Economic Outlook, current prices

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 on Business and 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 and ethical principles, and defines the company's 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 (BoD) has the overall responsibility for non-financial matters. Since sustainability is an integral part of Cargotec's business strategy, the BoD reviews non-financial related issues twice a year as a separate topic. Additional meetings are held as needed. The BoD has a nominated person who is responsible for overseeing non-financial matters and their management and for ensuring that the BoD is kept up to date on the topic. As the BoD confirms Cargotec's strategy and monitors its implementation, it is also responsible for confirming the company's management approach to non-financial matters, approving related targets and monitoring progress towards the targets. The BoD is also responsible for setting the ambition level on non-financial initiatives and cascading these responsibilities to the CEO and Cargotec Leadership Team (CLT).

Cargotec Leadership Team (CLT) reviews non-financial matters twice a year according to predefined reporting schedules. The group functions supporting the target setting for non-financial matters and the implementation of those targets include sustainability (including environment and safety management), human resources, ethics and compliance, legal, sourcing, research and development (R&D) as well as strategy. The CLT conducts sustainability reviews and approves group-level sustainability-related policies as well as annual objectives and targets. Key long-term sustainability targets are approved by Cargotec's Board of Directors (BoD).

The CEO and the CLT are responsible for the implementation of the targets and business plans set by the BoD. More details on the management principles of non-financial matters can be found in the Corporate governance statement 2022 and in Cargotec's Annual report 2022.

Cargotec's Sustainability Council consists of the CEO (chair), Business Area Presidents, Senior Vice President Communications, Senior Vice President Strategy, Chief Financial Officer, Chief Information Officer, Chief Compliance Officer and Vice President Sustainability. The Sustainability Council acts as a steering group for the Sustainability Management Team and holds the responsibility for sustainability target implementation. The Sustainability Council meets on a quarterly basis to review the Sustainability Management Team's activities. The council agrees on resourcing and actions taken regarding the development, implementation and follow-up of sustainability targets and policies.

Cargotec's Sustainability Management Team manages, coordinates and executes Cargotec's sustainability objectives and targets on an operational level. The Sustainability Management Team consists of group sustainability experts, Business Area Sustainability heads and material topic leads. Each material topic has a nominated lead who is responsible for systematically driving the management and improvement actions of their designated topic. Cargotec has identified seven material topics where its potential and actual impacts are most significant: climate change, circular economy, human rights, health and safety, diversity, equity and inclusion, sustainable finance and responsible sourcing. The Sustainability Management Team meets monthly to drive cross-group collaboration and review action plans, resource allocation and improvement areas. Cargotec's VP Sustainability leads the Management Team and reports to the Sustainability Council.

Environment

Climate change is considered a material topic for Cargotec from a financial, environmental and social perspective. Climate change mitigation and the 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 much of the equipment used in the industry is 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. When compared to the impacts of the complete value chain, the impact from the energy used in Cargotec's own operations is fairly limited. Similarly, because waste generation and water use in the company's operations are relatively low, they are considered non-material topics. Moreover, steel is the most common material used in the products and it is recycled to a high extent. Due to their potential significant impact, Cargotec's main focus is on climate-related topics throughout the value chain.

Cargotec's strategy focuses on electrification, which will lead to an increase in the usage of batteries. Therefore, responsible sourcing and mineral management are seen as topics of high importance. Cargotec is a member of the cross-industry initiative Responsible Minerals Initiative (RMI). The goal of RMI is to support responsible mineral sourcing globally through developing business practices. While Cargotec does not directly source minerals from mines, smelters or refiners, the company recognises that it is part of their downstream value chain. As such, Cargotec can play a role in addressing conflicts, human rights abuses and environmental issues related to the mining of minerals through strong multi-stakeholder partnerships.

Governance

As laid out in Cargotec's sustainability policy, the company's 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 to tackling global challenges, such as climate change, 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 is committed to reducing greenhouse gas (GHG) emissions in line with the 1.5°C warming scenario, which is the most ambitious goal of the Paris Agreement.

As Cargotec's climate work is strongly embedded into the strategy process, the BoD reviews it twice a year. During 2022, the BoD agreed on two main action points to further support Cargotec's sustainable development: setting remuneration incentives and establishing a new governance model for sustainability. The remuneration incentives help to ensure that the company's sustainability targets are achieved. Consequently, the eco portfolio order intake and climate programme roadmaps were included in the Cargotec leadership remuneration incentive programme in 2022. With these concrete and measurable actions, increasing the offering and sales of solutions that reduce the emissions of Cargotec's customers becomes part of the company's remuneration criteria. The BoD also agreed on a new sustainability governance model with a more structured approach to the management of Cargotec's material impacts within the company. In the new model, each material topic has a nominated lead responsible for systematically driving the management and improvement actions for their designated topic.

While the BoD has oversight of strategy execution, risk management, business plans, related performance objectives and major capital expenditures, the CEO and Cargotec Leadership Team (CLT) are responsible for the implementation of the targets and business plans. The CLT approves group-level sustainability targets, monitors the progress of climate initiatives and cascades targets further into the organisation. Cargotec's Senior Vice President Strategy is responsible for the climate strategy as part of Cargotec's overall strategy and reports to the CEO. As the company's strategy covers climate-related risks and opportunities, the CEO is responsible for assessing and managing them.

Strategy

Cargotec's vision is to be the global leader in sustainable cargo flow. Within the strategic vision, Cargotec published a refocused strategy in March 2022. According to the refocused strategy, Cargotec will lower its exposure to project related businesses. In November, Cargotec further specified the priority of its strategic aims and published for the first time a set of sustainability-related performance targets. Sustainability and profitable growth remain the company's breakthrough objectives, but Cargotec will raise climate change mitigation and sustainability to the forefront of its agenda to secure profitable growth – proving to the industry, competitors and customers that these topics go hand-in-hand. The refocused strategy enables additional investments in R&D and mergers and acquisitions (M&A) in the core businesses, providing a good position to further strengthen business opportunities through electrification, robotics and digitalisation.

Cargotec's vision is well aligned with the company's climate ambition, which includes absolute emission reduction targets for both own operations and the value chain. To ensure strategic relevance, and in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Cargotec has conducted a scenario analysis to outline its most pressing climate-related risks and opportunities. The chosen scenarios help the company understand the potential financial impacts of climate change in both favourable and unfavourable circumstances. In the favourable scenario, the world achieves the objectives of the Paris Agreement and manages to limit global warming to 1.5°C. This 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 (SDS), complementing Net Zero Emissions by 2050 analysis as described in the IEA World Energy Outlook 2020. In the unfavourable scenario, the world continues business as usual, leading to a global warming of 4°C. The scenario is based on the IPCC RCP 8.5 carbon emissions pathway.

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 company's financial planning period is three years, while the underlying megatrends are assessed with a long-term time horizon. The climate scenario analysis covers Cargotec's short, medium and long-term time horizons, with the long-term time horizon extending to 2050. The scenarios cover policy, legal, technological and societal aspects. Some certainties, such as digitalisation, electrification, renewable energy and circular economy, are acknowledged in all scenarios. These are also integrated into Cargotec's strategy, which builds trust in the resilience of the strategy, regardless of the future warming pathway.

Technology and market risks and opportunities are deemed as the most material ones. 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, in addition to responding to the increasing demand in existing markets.

The identified climate-related opportunities are related to digitalisation, electrification, robotics, renewables and the circular economy. They have all been taken into account in the company's strategy and financial planning already in previous years. The EU Taxonomy regulation considers manufacturing as a key sector in enabling GHG 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 technologies that are aimed at substantial GHG emissions reductions. For example, Cargotec established its eco portfolio as early as in 2017, to bring together the products and services that enhance its customers' sustainability. In 2022, Cargotec's eco portfolio criteria was revised to increase the ambition level so that it is aligned with the EU Taxonomy regulation.

Besides electrification, automation and connectivity are considered promising measures to improve the efficiency of Cargotec's customers' operations. The company 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.

On the other hand, even though sustainable technologies are evolving and maturing rapidly, many uncertainties exist. Failing to invest in the right technology can result in increased indirect costs if the R&D investments are not realised. High demand for certain materials can also lead to increased direct costs. Steel prices are expected to increase due to more aggressive CO_2 taxation or because low-emission alternatives are more expensive to produce. As a result of the electrification trend, demand for lithium batteries is also expected to increase. Limited availability and the potential rise in steel and lithium battery prices pose a market risk as price increases can impact direct costs. In the case of more expensive low-carbon products, the customers' demand and willingness to pay may become more uncertain. Producing high-quality low-carbon technologies in a cost efficient manner can be challenging; however, with its R&D and supply chain expertise, Cargotec aims to provide solutions that meet 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 the climate resilience of its 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 help reduce safety risks and ensure business continuity during social distancing requirements.

On the other hand, business interruption is recognised as a potential risk, as Cargotec's 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 compromise timely deliveries to clients. This could impact the company's production capacity and revenues, making business continuity plans essential when mitigating such risks.

The scenarios, including associated risks and opportunities, have been discussed by the Cargotec Leadership Team (CLT). The results of the scenario analysis have directly influenced the company strategy, of which the commitment to be a 1.5°C company is visible evidence. Since the commitment, Cargotec's business areas have been embedding the climate ambition in their business strategies.

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 the 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) process. The ERM process includes both the assessment and the management of various broad-based business risks (e.g. market, competitor and financial risks). Risks are identified and discussed on business area and corporate levels. On a group level, risks informed by business areas are consolidated together with relevant group risks.

Cargotec also conducts Business Continuity Planning where, together with the insurer, a set of approximately five 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 and safety, and environmental management systems. All of these systems 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 in addition to the risks, and also provides a dedicated space for climate-related matters separate from other business risks and opportunities. While the ERM process focuses on direct operations, the specific climate-related risk management process considers the full value chain.

The preliminary high-level climate-related risks and opportunities identification, assessment and response process is conducted by Cargotec's corporate functions. The company's business areas are responsible for validating the outcome and taking the process to a more detailed level as deemed necessary. This specific climate-related risk management process is conducted as a part of the company's overall strategy process to ensure that a long-term time horizon is properly considered and sufficient actions are taken.

Several risk types are considered in the climate-related risk management process, such as current regulation that affects both Cargotec's own and its customers' operations. For example, energy and emissions-related regulation can influence raw material availability and prices. In addition, products must comply with noise and other pollution-related regulations, which affect customer operations. Cargotec sees climate related regulation as a business driver. The transition to a low-carbon economy will come with new regulations, such as those related to zero-emission vehicles and shipping, which can have a significant positive impact on Cargotec's business.

Technology-related risks are also considered central as 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 measures to improve efficiency and reduce emissions. Market-related risks are always considered, as the demand for products and services is dependent on the surrounding conditions. For example, depending on the political conditions defining the market situation, the driver behind 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 that are crucial in making new low-emission technologies. Cargotec also considers reputation increasingly important as customers and consumers have higher expectations towards the sustainability of the cargo handling industry. It is also important in terms of attracting and retaining talent.

Acute and chronic physical risks are also deemed relevant. Extreme weather events are especially relevant for suppliers located in high risk areas. Of the chronic risks, sea level rise and increasing temperatures set new requirements for products as they may cause 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 the 1.5°C climate ambition, the company's greenhouse gas (GHG) emission reduction target is set in line with the latest climate science. The target, validated by the Science Based Targets initiative, is to reduce GHG emissions in all three emission scopes by at least 50 percent by 2030 compared to a 2019 baseline. Setting an absolute emission reduction target for Cargotec's entire value chain means that engaging with suppliers and customers is crucial in order to reduce emissions from their operations.

In line with Cargotec's strategy, the company's climate target for 2021–2024 is to reduce CO_2 emissions by 1 million tonnes by 2024 compared to a 2019 baseline. To further build on this target, Cargotec introduced new strategic performance targets for its core businesses in November 2022, which, for the first time, also include sustainability-related targets. The targets are to reduce emissions by at least 50 percent by 2030 and by 25 percent by 2025 (in line with the company's science-based climate target) and to double the sales growth of the eco portfolio compared to traditional products. Embedding sustainability-related targets in Cargotec's performance targets demonstrates that sustainability is truly integrated into the company strategy. To achieve the targets, systematic transformation and focus on implementable, scalable and replicable business solutions around eco offerings, responsible sourcing, automatisation, robotics and data utilisation are needed.

Cargotec aims to achieve carbon neutrality in its own operations by 2030. The majority of Cargotec's own emissions originate from electricity consumption, and the company is committed to increasing the share of renewable electricity to 100 percent by 2030. Another big contributor is the fuel use of the company's service fleet. In order to achieve carbon neutrality, the plan is to increase remote services and transition to low- or zero-emission vehicles. During the year, Cargotec updated its European car policy to begin the transition to only using zero-emission company cars and service vans in Europe. Country-specific policies will consider the local infrastructure and availability of hybrid and electric vehicles.

Cargotec's biggest climate impact and, consequently, mitigation potential, lies in its value chain, as greenhouse gas emissions related to the use of sold products and purchased goods constitute more than 95 percent of the company's total emissions. Due to long product lifetimes and the use of diesel engines, emissions from the use of sold products are high. On the upstream side of the value chain, the manufacturing of steel structures for Cargotec's equipment is the biggest single contributor. Due to light assembly-only operations, the impact of Cargotec's own operations is relatively minor.

To drive Cargotec's climate ambition and emission reductions in practice, Cargotec focuses on decarbonising the supply chain and its own operations, while boosting the offering of customer-centric sustainable solutions. To enable this, the company has launched a development project focusing on climate data and systems, funding and partnerships, and sustainable product design through life-cycle assessment. During 2022, the focus was on decarbonising the supply chain and further developing Cargotec's sustainable offering, as they contribute to the most significant climate impacts. Much effort was put into improving Cargotec's climate data and the scope 3 calculation methodology. As a consequence of the methodology improvements, Cargotec's scope 3 emissions for 2019-2021 were restated, which resulted in a change in the baseline of the company's science-based climate target. A Supplier Decarbonisation Handbook was finalised and distributed to Cargotec's suppliers. The Handbook provides guidance on how third parties can support Cargotec's journey in becoming net-zero in its operations.

A top priority in 2022 was also to enable reporting in accordance with the EU Taxonomy regulation. 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 technologies that are aimed at substantially reducing GHG emissions. Please see the following chapter for more information about the Disclosures pursuant to the Taxonomy regulation.

Table 1: Environmental performance

	2022	2021	2020
Scope 1 emissions (tCO_2e)	24,900	21,300	21,300
Scope 2 emissions, market-based (tCO_2e)	11,300	20,200	21,000
Scope 3 emissions (tCO_2e)[1]	6,435,000	5,739,000	5,188,000
Total emissions (tC_O2e)[1, 2]	6,471,200	5,780,500	5,230,300
Emissions intensity, relative to sales (tCO_2e/MEUR)[1, 2]	1,583	1,744	1,603
Share of eco portfolio sales of total sales (%)[3]	31	30	N/A
R&D expenditure (MEUR)	100	102	105
Total energy use in own operations (MWh)	162,991	158,300	149,700
Share of renewable energy of total energy use (%)	20	19	17

[1] Restatement of 2021 and 2020 figures due to changes in scope 3 calculation methodology. Please see the GRI index for further information.
[2] Cargotec's value chain emissions increased in 2022 due to sales growth. Emission intensity decreased but not sufficiently to compensate for the increase in emissions.
[3] The 2021 figure has been restated according to new eco portfolio criteria, which was updated in 2022. The sales of the eco portfolio consists of the revenue of climate solutions (equal to the KPI of the taxonomy-aligned revenue) and circular solutions (equal to the KPI of the revenue that Cargotec considers to support the draft objective of transitioning to a circular economy).

Disclosures pursuant to the EU Taxonomy regulation

The EU Taxonomy regulation establishes a classification system to define which economic activities are environmentally sustainable. The regulation applies to Cargotec and requires disclosure of the share of environmentally sustainable revenue, capital expenditures and operating expenditures.

Cargotec established its eco portfolio as early as in 2017 to highlight the solutions that enhance its customers' sustainability with tangible environmental benefits. The 2022 eco portfolio criteria revision supports the company's commitment to be a 1.5°C company. Cargotec's revised eco portfolio is structured according to the EU Taxonomy design. Out of the six environmental objectives of the EU Taxonomy, Cargotec considers its solutions to have the potential to substantially contribute to climate change mitigation and the transition to a circular economy (interpretation subject to review when remaining delegated act is published). Consequently, the eco portfolio consists of two categories: climate solutions and circular solutions. Cargotec's climate solutions are compatible with the greenhouse gas emission reductions needed in the 1.5°C scenario of the Paris Agreement, whereas the circular solutions contribute to the transition to a circular economy by promoting resource efficiency throughout the value chain. Starting with this annual report, Cargotec will disclose the eco portfolio related metrics based on the new criteria. The sales of the eco portfolio consists of the revenue of climate solutions (equal to the KPI of the taxonomy-aligned revenue) and circular solutions (equal to the KPI of the revenue that Cargotec considers to support the draft objective of transitioning to a circular economy). The eco portfolio sales totalled 1,288 MEUR, representing 31 percent of consolidated sales.

Interpretation of eligibility

The EU Taxonomy refers to so-called NACE codes as indicative guidance to determine the taxonomy-eligibility of a company's economic activities. The NACE codes relevant to Cargotec's economic activities of equipment, service and software are C28 Manufacture of machinery and equipment n.e.c., C33 Repair and installation of machinery and equipment and J62 Computer programming, consultancy and related activities. The respective activities in the EU Taxonomy are: 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. These activities were all considered eligible under the climate change mitigation objective in Cargotec's 2021 eligibility assessment. The assessment was conducted on a high level, based on the NACE codes, with the respective activities taken into consideration. Based on this interpretation, Cargotec reported 100 percent eligibility.

In 2022, Cargotec's eligibility was reassessed with a different approach, giving less emphasis to the NACE codes and paying particular attention to the description of the activity. As a result, the company's interpretation of relevant taxonomy categories changed. Due to the increased availability of information and the company's improved understanding of the EU Taxonomy, changes occurred in the codes where Cargotec considers its activities eligible under. Cargotec's equipment is intended to be used in the transportation value chain, but, in terms of EU Taxonomy activities, the equipment can fall into 3.3 or 3.6, depending on whether it is considered a road vehicle or non-road mobile machinery. The Taxonomy activity 3.3 Manufacture of low carbon technologies for transport is currently not directly applicable to non-road mobile machinery and therefore Cargotec's equipment are reported under activity 3.6 Manufacture of other low carbon technologies. Activity 8.2. Datadriven solutions for GHG emissions reductions is also reported under activity 3.6 as the solutions relate to sold equipment.

Cargotec's services will be reported under activity 2.10 Repair, refurbishment and remanufacturing, and sale of spare parts, which fall under both the climate change mitigation objective and the transitioning to a circular economy objective. Services will also be reported under activity 6.12 Retrofitting of sea and coastal freight and passenger water transport, which fall under the objective of transitioning to a circular economy. As the transitioning to a circular economy objective is not yet finalised, it is not applicable, and therefore Cargotec does not report any taxonomy-related KPIs for its services in 2022. As a result, Cargotec reports an eligibility of 63 percent in 2022.

The EU Taxonomy regulation considers the transportation and manufacturing industries high-emitting sectors in the objective for climate change mitigation. Although Cargotec does not directly operate in these sectors, they are industries where Cargotec's solutions enable its customers to perform their activities. Due to this, Cargotec considers its activities eligible within these sectors and the climate change mitigation objective under EU Taxonomy activity 3.6 Manufacture of other low carbon technologies. When considering the eligibility of its solutions, Cargotec has chosen to focus on the performance provided by its equipment instead of the technology applied to it. In Cargotec's view, the equipment's technology per se has no value, but the value comes from the performance of the equipment.

Assessment of alignment

In order for an economic activity to be considered taxonomy-aligned, it shall meet the criteria of substantial contribution, do no significant harm (DNSH) and comply with minimum safeguards. Substantial contribution is assessed on a product level, whereas the DNSH criteria and minimum safeguards are assessed on Cargotec group level. Cargotec's activities that meet all of the Taxonomy criteria (substantial contribution, DNSH, and minimum safeguards) are considered sustainable, i.e. taxonomy-aligned.

Cargotec has analysed the potential impacts its eco portfolio solutions, which can significantly contribute to the climate change objectives of the EU Taxonomy, may have on the five other environmental objectives. Based on this analysis, Cargotec has concluded that its activities do not cause significant harm to water and marine resources, as no process water is used at Cargotec's assembly sites. Similarly, Cargotec's assembly operations do not cause significant emissions to air, water or soil that would have the potential to cause significant harm to biodiversity and ecosystems. In addition, solutions considered for the eco portfolio must fulfil specific DNSH criteria that require climate risk and vulnerability assessments, promote circularity and ban the use of harmful substances.

While Cargotec's environmental impacts beyond climate and circularity are minimal, the company has comprehensive management processes in place that cover various environmental topics, such as waste management and pollution. These processes are mainly implemented through ISO 14001-certified environmental management systems. The management systems require that Cargotec assesses and addresses the potential and actual impacts of its activities, products and services on the environment. If negative impacts are identified, appropriate controls and improvement plans, including relevant target setting, are implemented and maintained. This helps Cargotec ensure its activities do no significant harm to the environment.

Cargotec has also performed an internal analysis of its policies and processes and believes it complies with the principles of each of the EU Taxonomy's minimum safeguards. Cargotec has implemented procedures to ensure alignment with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work and the International Bill of Human Rights. Cargotec's Code of Conduct and related policies set the foundation for responsible business conduct, and processes supporting the principles have been developed and implemented. Detailed descriptions of these policies and processes are available throughout this Disclosure.

Climate solutions

Cargotec's climate solutions consist of (new) equipment and service (limited to maintenance and wearable spare parts, i.e. what is not in scope of service in circular solutions) and are all considered enabling activities under the climate change mitigation objective.

Cargotec's equipment is eligible under EU Taxonomy activity 3.6 Manufacture of other low carbon technologies. Since the technical screening criteria leaves room for interpretation, Cargotec leans on its 1.5°C climate ambition when setting the ambition level and defining which products meet the screening criteria. Cargotec's interpretation has also been influenced by the criteria for activity 3.3 Manufacture of low carbon technologies for transport as Cargotec's equipment is similar to transport vehicles, especially vehicles in categories N2 and N3. The technical screening criteria for N2 and N3 vehicles states that zero-emission and low-emission heavy-duty vehicles are considered taxonomy-aligned (given that certain additional requirements are met). Cargotec considers zero-emission and low-emission equipment as taxonomy-aligned. Since the Taxonomy's definitions are not directly applicable to Cargotec's equipment, Cargotec uses slightly modified versions of the definitions given in the regulation (EU) 2019/1242 on CO_2 emission performance standards for new heavy-duty vehicles.

To prove the substantial contribution to climate change mitigation, Cargotec conducts product life cycle assessment (LCA) studies to prove life cycle greenhouse gas emission savings. The LCAs compare the company's zero-emission or low-emission equipment to the best performing alternative, which typically is a diesel-powered version of the same equipment with the same functionality and capacity. The LCA studies are conducted for equipment that is considered representative of the entire product group, so that the results can be generalised. The studies follow the ISO 14067 standard and have been reviewed by an independent third party. The results indicate that the use of zero-emission equipment brings higher emission reductions than the required threshold (42%) for low-emission equipment.

Turnover, capex and opex

Cargotec discloses the proportion of environmentally sustainable economic activities that align with the EU Taxonomy criteria using the turnover, capital expenditures (capex) and operating expenditures (opex) KPIs.

- The turnover KPI represents the proportion of the net turnover derived from products or services that are taxonomy-aligned.
- The capital expenditures KPI represents the proportion of the capital expenditure of an activity that is either already taxonomy-aligned or is part of a credible plan to extend or reach taxonomy alignment.
- The operating expenditures KPI represents the proportion of the operating expenditure associated with taxonomy-aligned activities or to the capex plan. The opex covers direct non-capitalised costs relating to research and development, renovation measures, short-term lease, maintenance and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective use of such assets.

The proportion of taxonomy-eligible and taxonomy-non-eligible economic activities, as well as taxonomy-aligned and taxonomy-non-aligned economic activities in the total turnover, capex and opex are presented below in tables 2.1, 2.2 and 2.3. Turnover consists of revenues recognised from sales of products and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues, pursuant to IFRS. Taxonomy-eligible capital expenditures consist of additions to tangible and intangible assets, including right-of-use assets related to leases, considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. Additionally, taxonomy-eligible capital expenditures include the corresponding additions resulting from business combinations. Taxonomy-eligible operating expenditures consist of direct non-capitalised costs that relate to research and development, building renovation measures, short-term leases, maintenance and repair, and fixed costs directly related to the servicing of assets of property, plant and equipment.

To the extent the capital and operating expenditures relate to assets and processes that are associated with taxonomy-eligible activities such as manufacturing, provision of services, or R&D, they are considered taxonomy eligible. The taxonomy-aligned portion of capital and operating expenditures associated with taxonomy-aligned economic activities are estimated by using the ratio of aligned turnover in comparison to the eligible turnover as the allocation key. This is because typically these expenditures cannot be allocated clearly to a single activity. No expenditure has been reported as taxonomy-aligned based on a capex plan.

Regarding the disclosed amounts, double counting has been avoided by taking the following precautions:

- Turnover related to each aligned activity is based on reported external revenue, and presented as relevant under single contribution criteria and taxonomy activity.
- Capital expenditure related to aligned activities is based on financial reporting compiled from entities having relevant activities. Taxonomy-aligned capex is presented based on estimation under single contribution criteria and taxonomy activity.
- Operating expenditure related to aligned activities is based on financial reporting compiled from entities having relevant activities. Taxonomy-aligned opex is presented based on estimation under single contribution criteria and taxonomy activity.

Table 2.1: Proportion of turnover from products or services associated with taxonomy-eligible and taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria (%)						DNSH criteria (Does not significantly harm) (Y/N)										
Economic activities	Code	Absolute turnover (MEUR)	Proportion of turnover (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover in 2022	Taxonomy-aligned proportion of turnover in 2021	Category (enabling activity, E)	Category (transitional activity, T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	3.6.	487.39000	11.9%	100.0%						Y	Y	Y	Y	Y	Y	Y	11.9%		E	
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		487.39000	11.9%	100.0%													11.9%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6.	2,068.90300	50.6%																	
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		2,068.90300	50.6%																	
Total (A.1 + A.2)		2,556.29300	62.5%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																				
Turnover of taxonomy-non-eligible activities		1,532.32500	37.5%																	
Total (A + B)		4,088.61800	100.0%																	

Table 2.2: Proportion of capital expenditure (capex) from products or services associated with taxonomy-eligible and taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria (%)						DNSH criteria (Does not significantly harm) (Y/N)										
Economic activities	Code	Absolute capex (MEUR)	Proportion of capex (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of capex in 2022	Taxonomy-aligned proportion of capex in 2021	Category (enabling activity, E)	Category (transitional activity, T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	3.6.	4.52800	4.0%	100.0%						Y	Y	Y	Y	Y	Y	Y	4.0%		E	
Capex of environmentally sustainable activities (taxonomy-aligned) (A.1)		4.52800	4.0%	100.0%													4.0%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6.	20.19400	17.8%																	
Capex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		20.19400	17.8%																	
Total (A.1 + A.2)		24.72200	21.8%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																				
Capex of taxonomy-non-eligible activities		88.91800	78.2%																	
Total (A + B)		113.64000	100.0%																	

Table 2.3: Proportion of operating expenditures (opex) from products or services associated with taxonomy-eligible and taxonomy-aligned economic activities – disclosure covering year 2022

				Substantial contribution criteria (%)						DNSH criteria (Does not significantly harm) (Y/N)										
Economic activities	Code	Absolute opex (MEUR)	Proportion of opex (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of opex, year 2022	Taxonomy-aligned proportion of opex, year 2021	Category (enabling activity, E)	Category (transitional activity, T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (taxonomy-aligned)																				
Manufacture of other low carbon technologies	3.6.	19.23610	13.5%	100.0%						Y	Y	Y	Y	Y	Y	Y	13.5%		E	
Opex of environmentally sustainable activities (taxonomy-aligned) (A.1)		19.23610	13.5%	100.0%													13.5%			
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																				
Manufacture of other low carbon technologies	3.6.	71.04200	50.0%																	
Opex of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		71.04200	50.0%																	
Total (A.1 + A.2)		90.27810	63.5%																	
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																				
Opex of taxonomy-non-eligible activities		51.90690	36.5%																	
Total (A + B)		142.18500	100.0%																	

Social and employee matters

At Cargotec, health and safety, human rights as well as diversity, equity and inclusion are considered the most material social topics. Safety covers Cargotec's employees, suppliers and subcontractors, as well as safety related to the usage of the company's products and services.

Governance

Cargotec is committed to full compliance with all 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 Guiding Principles on Business and Human Rights, UN Global Compact, International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, and OECD's Guidelines for Multinational Enterprises.

Cargotec's Code of Conduct sets the company's social objectives. Cargotec respects human rights and values employee engagement, diversity, inclusion and equal opportunities. Cargotec's Employment policy, complementing the Cargotec Code of Conduct, defines the company's basic employment principles and workplace practices. Compliance 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 local legislation. As a global policy, it applies to all locations and conditions where Cargotec conducts business.

Cargotec promotes high safety levels and continuously works towards zero accidents in its operations and also through its products, services and solutions. Health & Safety (HS) management is a fundamental element of sustainable operations, supporting Cargotec's 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. HS management is a set of practices through which Cargotec develops and implements its HS work and manages aspects and risks in that area. As stipulated in Cargotec's Code of Conduct, the company encourages its employees to report unsafe conditions and safety incidents, and to take appropriate action to remedy and learn from those situations. Cargotec promotes awareness of safe behaviour and best practices, and prioritises safety even with time, cost or customer pressure. All employees are trained to work in a safe manner. Interaction between management and staff is promoted by collaborating with personnel on group and country level.

Cargotec supports social dialogue within the company. All employees have the right to join a trade union of their choice and to bargain collectively. Cargotec ensures that employee representatives are not subject to discrimination and have access to their fellow employees.

At Cargotec, cooperation between management and personnel is based on local legislation and organised on group and country level. The Cargotec Personnel Meeting in Europe promotes interaction between management and staff and enhances relationships between personnel in different business areas.

In 2022, Diversity, Equity and Inclusion (DE&I) was identified as a key element of Cargotec's strategy implementation. During the year, a leader was appointed to drive the development, implementation and monitoring of the topic. Diversity is a driver for creativity, flexibility, productivity, 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 inclusion. The company is committed to ensuring equal opportunity and a non-discriminatory work environment in its employment policies, procedures and practices, regardless of gender, race, religion, nationality, age or physical ability or any other such characteristic. Cargotec has zero tolerance for harassment in all its forms – be it verbal, physical or sexual. The company does not act partially, nor does it support political parties or religious groups.

Strategy

Cargotec deems occupational health and safety risks as material to its employees. As a knowledge and engineering company, Cargotec also considers human capital-related risks, such as attracting and retaining talent.

Cargotec is dedicated to safeguarding the health and safety of employees at work. Employees have the 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. Through product development and quality assurance, the company strives to minimise health and safety risks related to the use of its products and services.

Cargotec believes its people are key in creating customer value through innovation, experimenting, lifelong learning and development as well as adopting new skills and competences in a complex and ever-changing world. Skills that are considered relevant 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. To ensure continuous development, Cargotec hosts a learning platform where employees can expand their knowledge on various topics.

In order to reach the targets and fulfil the company's 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 reward strategy is based on a pay-for-performance approach. Regardless of country, business or task, attracting, retaining and motivating talent by linking rewards to business and individual performance is encouraged. Cargotec's 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, an efficient talent review process and a smooth onboarding process can also have a positive impact on productivity, wellbeing and employee retention. The success of the employee onboarding process depends on its efficiency. The quicker employees are empowered to do their jobs, the faster they 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.

COVID-19 has changed the way of working at Cargotec, which has required resilience and modification of existing policies and practices. Hybrid working has become part of the new normal and the requirements on office premises have changed. For example, increased remote work has led to adjustments in Cargotec's global and local remote work policies. Also the war in Ukraine has impacted our personnel. Health and safety practices across the organisation have been adjusted with more attention being given to the mental wellbeing of employees.

Risk management

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

Metrics and targets

Cargotec's safety performance is monitored primarily with the industrial injury frequency trend (IIFR, number of injuries per million hours worked). Cargotec's safety target for 2022 was to have an IIFR rate below 5 across the whole organisation. In 2022, Cargotec's IIFR improved and was 4.8 (2021: 6.0), meaning the target was achieved. The IIFR improved at both the assembly sites 5.7 (7.3) and at the non-assembly sites 4.3 (5.3). Cargotec's safety figures cover the company's own employees and external contractors, excluding subcontractors due to missing information on working hours. Cargotec's goal for 2023 is to have an IIFR below 4.0. Key actions in pursuing this goal include introducing new software for reporting and managing safety-related risks and measures, as well as launching a global programme on behaviour-based safety and strengthened safety processes.

Cargotec's employee engagement survey Compass is used to encourage all employees 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. The 2022 survey completion rate was 75 percent (2021: 76). The survey consisted of a total of 42 scaled questions and one open-ended one. The Team Climate index and the Sustainability index were the categories with the highest scores, both reaching a favourability of 82 percent (2021: 82 and 81). In addition to the Compass survey, Cargotec runs a monthly People Pulse survey. The survey is a great opportunity for the HR team to collect feedback from the organisation on a regular basis. Based on the survey results, discussions and actions can be initiated as needed. The Pulse survey also enables managers to listen to their employees.

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

	2022	2021	2020
Industrial injury frequency rate, (IIFR, all operations)	4.8	6.0	5.2
Compass results			
Completion rate (%)	75	76	79
Engagement index (%)	76	77	77
Sustainability index (%)	82	81	79
Leadership index (%)	76	76	74
Team climate index (%)	82	82	81
Integrity index (%)*	77	76	74

Human rights

Due to the global presence and nature of Cargotec's business, the company recognises that its activities impact people and communities in all parts of the value chain.

Governance

Cargotec is committed to respecting and assessing negative impacts and addressing risks related to human rights in its own operations and in its sphere of interest. The company's human rights work is based on the UN Guiding Principles on Business and Human Rights (UNGPs) 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.

As a topic, human rights is coordinated by Cargotec's ethics and compliance and sustainability teams. Cargotec HR manages employment principles and workplace practices within the organisation. The principles are defined in Cargotec's Employment policy. The company's Business Partner Code of Conduct requires all suppliers to conduct their business in compliance with international human rights and environmental laws and practices. The Business Partner Code of Conduct covers not only suppliers but also other third parties.

Cargotec's ethics and compliance team reports regularly to Cargotec's Board of Directors' (BoD) Audit & Risk Committee on the subject of compliance in all areas mentioned in the Code of Conduct, including possible risks related to human rights. The company's human rights risk assessment and its implementation are carried out in cooperation with business areas and several functions, such as Human Resources, Ethics and Compliance, and Mergers and Acquisitions.

Strategy

In addition to occupational health and safety, Cargotec considers human rights a material social topic. Human rights-related risks are considered biggest within the company's supply chain due to its complexity and global reach.

Cargotec's own operations are managed with relevant safety and HR policies, processes and follow-up tools that aim to mitigate the risk of non-compliance. Code of Conduct e-learning is mandatory for all Cargotec employees, and a specific human rights section is included in the Code.

Cargotec has identified that its most significant human rights risks exist in the supply chain and business partner operations. Health and safety, freedom of association as well as prohibition of child and forced labour are examples of the basic principles Cargotec demands from its Business Partners. 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. Compliance risk management is based on a prevent-detect-respond approach. Risks are assessed regularly and reported to Cargotec's BoD's Audit and Risk Committee.

Cargotec's human rights work focuses on identifying and mitigating any risks of breaching international human rights within the value chain. The main policies and processes supporting the programme are the Business Partner Code of Conduct, the supplier approval process, onsite audits and the SpeakUp line. More information about the SpeakUp line is found in the ethics and compliance section.

Metrics and targets

During Cargotec´s supplier approval process, which follows a risk-based approach, new suppliers must meet pre-requirements and pass an audit conducted by Cargotec. The pre-requirements include committing to Cargotec's Business Partner Code of Conduct, a risk assessment conducted by Cargotec and a supplier self-assessment in a third-party platform. The supplier audit focuses on the suppliers' compliance with management of labour and human rights, anti-corruption and the environment. Approximately 20 percent of the questions in the supplier audit checklist are related to sustainability topics.

During 2022, Cargotec kicked-off a comprehensive human rights due diligence programme covering all Cargotec business areas and functions. As a first step, a human rights impact assessment was initiated to identify adverse impacts on people in Cargotec's value chain. The due diligence programme will continue in 2023 and focus on preventing, mitigating and remedying Cargotec's salient human rights issues.

Ethics and compliance

Cargotec conducts business in a complex global environment and the industry is exposed to ethics and compliance risks

* 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.

related to, for example, doing business in remote locations, bidding for large projects and using sales intermediaries in countries where there are no Cargotec sales offices.

Ethical behaviour is the responsibility of every employee at Cargotec, and it is the management's responsibility to send a clear message 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 the Board of Directors in ensuring that compliance risks are managed effectively and consistently throughout the organisation.

The company's Code of Conduct sets the foundation for how business is done at Cargotec – always in line with the highest ethical standards. The Code of Conduct sets out five important principles: "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. In 2022, Cargotec introduced a new Group-wide Code of Conduct e-learning course focusing on three areas – conflicts of interest, health and safety, and workplace environment.

Governance

The Ethics and Compliance (E&C) function at Cargotec reports directly to the CEO and the Audit and Risk Management Committee of the Cargotec Board of Directors' (BoD). The BoD receives an annual update from the Chief Compliance Officer. In addition, the Audit and Risk Management Committee of the BoD receives regular updates on all new investigations, anti-corruption activities and other Code of Conduct matters during the year. The Cargotec Leadership Team also has a Code of Conduct panel, chaired by the CEO, where compliance topics are communicated and discussed on a bi-monthly basis. The Code of Conduct is approved by the BoD and defines the ethical standards that directors and employees must follow.

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 Cargotec's compliance efforts against unethical or corrupt business practices. The practical implementation of these policies, as well as related instructions, are guided by the compliance programme whose main principles include detecting, preventing and responding to potential misconduct. The main pillars of the compliance programme are: 1) Risk Assessment; 2) Policies, Procedures and Controls; 3) Training, Communication and Advice; 4) Concern Reporting & Resolution; 5) Monitoring; and 6) Tone from the Top and Oversight. The Cargotec SpeakUp line is an externally hosted reporting tool for reporting potential Code of Conduct violations. It enables anonymous reporting and can be accessed by both internal and external stakeholders. In addition, the ethics and compliance team receives direct reporting from managers and the line organisation. All reported cases are evaluated confidentially and investigated according to the Code of Conduct response process. In proven cases, 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 to ensure that compliance risks are managed effectively and consistently throughout the organisation. The company conducts annual compliance risk assessments in all of its business areas. Third-party risk management continued to be a priority in 2022 and related scope, processes and procedures were further strengthened, with focus on third parties in sales (agents, dealers) and high-risk suppliers. Further awareness and controls around conflicts of interest was also prioritised. For example, the company's Conflicts of Interest Instruction was renewed to ensure that conflicts are handled in an efficient and transparent manner, and the topic was chosen as one of the three key areas in the annual Code of Conduct e-learning course for all employees. A key focus area in 2022 was also to further improve the process around trade sanctions screening and the export controls compliance programme, as well as the continuous effective handling of compliance cases.

Cargotec's business areas, as per the risk-based compliance programme, focused on specific areas of compliance during the year. A new initiative for the Kalmar's Ethics and Compliance function in 2022 was the introduction of in-person site visits. These visits feature dedicated and tailored risk and compliance discussions with the relevant site and/or organisational leadership teams; training sessions for high-risk employee populations, including sales teams and line managers; and numerous meetings with key personnel and staff. When possible, visits to key sales third parties (i.e., dealers and/or agents) and customers are included in these visits.

In 2022, Kalmar's E&C function conducted five full site visits. In addition to site visits, the function was prominently featured in a number of regional dealer conferences, which pulled together sales third parties (dealers and agents) from around the respective regions to engage on a range of business topics. The participation of Kalmar's E&C in these events raises the importance and awareness of ethics and compliance to Kalmar among this critically important but high-risk stakeholder group. This also complements the ongoing screening, evaluation and consultative work that Kalmar E&C provides throughout the year on sales third parties issues and other matters.

In 2022, Hiab's Leadership Team reaffirmed its commitment to ethics and compliance, showing clear leadership on how employees should handle challenging business situations. This commitment has been cascaded to employees and is used in real life problem solving. A training initiative by Hiab's E&C function shared dilemmas and examples around every sales office in Hiab, ensuring management teams remain highly aware of ethics issues and how best to respond to them. Heightened awareness and engagement has been prioritised throughout 2022 for sales third parties. Based on risk categorisations from due diligence work, high-risk sales third parties attended additional meetings with the Hiab E&C function and leaders from Hiab's business lines.

During the year, MacGregor's E&C function conducted a deep dive into its third parties and the third party risk management process. As a key member of the MacGregor Deal Review Board, the MacGregor E&C function played a key role in improving the Deal Review process for high-risk projects. A key focus and improvement area in 2022 was strengthening the MacGregor Export Compliance Program. Extensive training, in person and virtually, was provided to management and operations, together with updates on controls, policies and communications.

In 2022, the Cargotec Ethics and Compliance function continued with several targeted education and awareness efforts around areas where compliance risk has been identified. In particular, workshops and training sessions, both in person and online, were held with key risk groups and stakeholders across the company. In addition to anti-corruption-related topics, the focus of the sessions has been on third-party risk, conflict of interest, trade sanctions and export controls as well as fraud. The E&C function provided in-person and online training to management, sales, IT, HR and project teams at locations in Europe, MEA, APAC, and the Americas. As part of the third-party risk management process, training Cargotec's high-risk third parties on key ethics and compliance matters, including anti-corruption, was also organised.

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 the MacGregor business area of Cargotec. The suspected financial fraud was detected by Cargotec in an internal review and the investigation request was made to the National Bureau of Investigation. In 2020, the District Attorney pressed charges against former employees of MacGregor. The case hearing took place in early 2021, and the verdict was rendered by the District Court of Turku on March 8, 2022, awarding criminal liability for three defendants and financial compensation for Cargotec and MacGregor. The case has been appealed and the hearing in the Turku Appellate Court will take place in 2023. Cargotec has a zero tolerance policy for misconduct, and is fully supporting the judicial process. Neither MacGregor nor Cargotec are suspected of criminal actions.

In 2022, Cargotec and its subsidiary MacGregor USA, Inc. made a voluntary self-disclosure to US authorities regarding compliance with certain export regulations related to information management in the context of MacGregor's US Government business. The outcome of this matter cannot be determined with specificity at this point in time. In order to be prudent, Cargotec has made a provision of approximately EUR 18 million to cover possible consequences. The provision was booked as an item affecting comparability in the third quarter of 2022. The amount of the possible penalty is yet to be confirmed; hence the final costs related to the process may change. The company is committed to cooperating with applicable authorities in resolving the matter and will make further disclosures as appropriate.

Metrics and targets

During 2022, 93 reports (2021: 60 reports) of alleged misconduct were made to the Cargotec Ethics and Compliance (E&C) team. E&C decided to open an investigation in 31 cases (2021: 23). The cases were referred to the Code of Conduct Panel of the Cargotec Leadership Team. The Code of Conduct Panel decides upon case closure, remediation and disciplinary action. In 2022, nine (2021: 6) cases concerned HR-issues, five (2021: 11) cases related to possible conflict of interest issues and two to export control issues. A disclosure was made regarding an export control issue in the company's third interim 2022 report. 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, a total of 26 investigations were completed and improvement actions were initiated. In 73 percent of the completed cases (in 2021: 73%), the allegations were substantiated at least partly with some cases resulting in disciplinary actions, such as warnings and personnel dismissals, and other remedial measures, such as policy and process improvements.

The investigations 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 Cargotec Ethics and Compliance function 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 employee views on Cargotec's ethical practices, Code of Conduct-related questions in the 2022 Compass Employee Engagement survey were analysed. According to the results, 83 percent of respondents consider Cargotec an ethical company (2021: 82%). The Code of Conduct is a key step towards a more sustainable future and a benchmark for ethical behaviour within the company, and the annual Code of Conduct e-learning is aimed to educate Cargotec's employees on the company's high ethical standards. The e-learning course consists of exercises that help employees with their day-to-day dilemmas around ethics and compliance, and it is available in 20 languages. The target group of the e-learning course includes employees with an individual company email address and access to the company intranet. In 2022, the Code of Conduct training was completed by 92 percent of Cargotec employees (2021: 84%). The training completion rate covers employees who were employed by Cargotec at the launch of the training in September and remained employees by the year's end. In addition, onsite training workshops were 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 the Company's 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.

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.

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.

Board of Directors and Leadership Team

On 27 April 2022, Cargotec Corporation's Board of Directors elected by the Annual General Meeting on 17 March 2022, announced the appointment of Jaakko Eskola as the new Chair of the Board. Jaakko Eskola succeeds Mr. Ilkka Herlin who had chosen to step down as the Chair of the Board, having served as Chair for 17 years since 2005. The change took effect immediately. Ilkka Herlin continues as a member of the Board and as the Vice Chair.

On 20 December 2022, Cargotec announced that Cargotec CEO Mika Vehviläinen has informed Cargotec's Board of Directors of his intention to retire from Cargotec during 2023, in accordance with the terms of his CEO service contract. The Board has initiated a search for a successor.

On 31 December 2022, 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, as of 1 January 2023 Senior Vice President, Sustainable Business Development; Outi Aaltonen, General Counsel; Carina Geber-Teir, Senior Vice President, Communications; Michel van Roozendaal, President, Kalmar; Scott Phillips, President, Hiab; and Leif Byström, President, MacGregor.

Reporting segments

Kalmar

Kalmar's orders received in 2022 increased slightly and totalled EUR 2,081 (2,063) million. Kalmar's order book increased by 10 percent from the end of 2021, totalling EUR 1,428 (31 Dec 2021: 1,302) million at the end of the year 2022.

Kalmar sales in 2022 increased by 28 percent from the comparison period and totalled EUR 1,943 (1,512) million. Service sales increased by 18 percent and totalled EUR 551 (468) million, representing 28 (31) percent of sales.

Kalmar's operating profit in 2022 totalled EUR 142 (345) million. The operating profit includes EUR -48 (224) million in items affecting comparability. Of the items affecting comparability, EUR -36 million were related to the decision to transfer the heavy crane immaterial rights to Rainbow Industries Co. Ltd. (RIC) in China and to the plan to exit the heavy cranes business. The comparable operating profit amounted to EUR 190 (120) million, representing 9.8 (7.9) percent of sales. The comparable operating profit increased due to higher sales.

Excluding the heavy cranes business and the Navis business divested during the comparison period, Kalmar sales in 2022 would have been 1,868 (1,383), operating profit 198 (131), and comparable operating profit 211 (138). At the end of 2022, Kalmar heavy cranes order book was EUR 47 million, the majority of which is planned to be delivered in 2023.

Hiab

Hiab's orders received in 2022 increased by 5 percent and totalled EUR 1,807 (1,713) million. Hiab's order book increased by 20 percent from the end of 2021, totalling EUR 1,185 (31 Dec 2021: 985) million at the end of the year 2022.

In 2022, Hiab's sales increased by 26 percent and totalled EUR 1,578 (1,250) million. Service sales increased by 17 percent and totalled EUR 411 (351) million, representing 26 (28) percent of sales.

Hiab's operating profit in 2022 increased by 50 percent from the comparison period and totalled EUR 217 (145) million. The operating profit includes EUR -7 (-22) million in items affecting comparability. The comparable operating profit amounted to EUR 224 (166) million, representing 14.2 (13.3) percent of sales. Hiab's comparable operating profit increased due to higher sales.

MacGregor

MacGregor's orders received in 2022 increased by 50 percent and totalled EUR 976 (652) million.

MacGregor's order book increased by 65 percent from the end of 2021, totalling EUR 927 (31 Dec 2021: 560) million at the end of the year 2022. Of the order book, around four fifths relate to merchant ships and one fifth to the offshore sector.

MacGregor's sales in 2022 increased by 3 percent and totalled EUR 569 (553) million. Service sales increased by 17 percent and totalled EUR 301 (257) million, representing 53 (47) percent of sales.

MacGregor's operating profit in 2022 totalled EUR -190 (-40) million. The operating profit includes EUR -154 (-25) million in items affecting comparability. The comparable operating profit amounted to EUR -36 (-15) million, representing -6.3 (-2.7) percent of sales. Comparable operating profit decreased due to cost overruns in projects related to new technologies in the offshore business.

As part of its refocused strategy announced in March, Cargotec initiated an evaluation of the strategic options of MacGregor, which was completed in November. Based on the evaluation, Cargotec's Board of Directors concluded that MacGregor will not be part of Cargotec's portfolio in the future. During the strategic evaluation, it became clear that there is considerable interest in MacGregor. However, from a value creation perspective, the timing for divesting the business is not ideal at the moment. This is due to the current uncertainty in the financial market combined with the early phase of MacGregor turnaround. Hence, Cargotec decided not to initiate an active sales process. Cargotec's Board of Directors continues to evaluate the timing of the divestment. MacGregor will focus on improving the profitability of the business and has started restructurings in its unprofitable offshore business.

Cargotec has also reviewed MacGregor's offering, ongoing projects and growth estimates. Based on the review, the company plans to discontinue the business activities related to fishery and research vessels as well as offshore mooring solutions. In the fourth quarter, a EUR 63 million write-down was made to the MacGregor goodwill, which was recorded as an item affecting comparability in the fourth quarter.

In addition, Cargotec booked a total of EUR 37 million restructuring costs in MacGregor's fourth quarter, which include a EUR 25 million write-down of intangible assets and a EUR 3 million write-down of other assets. Furthermore, Cargotec recorded a total of EUR 24 million loss in its fourth quarter comparable operating profit from cost overruns and risk provisions in relation to ongoing offshore business projects.

The development of wind power-related new technologies as well as projects related to those technologies have been challenging and caused additional costs. As such, however, offshore wind power constitutes a very attractive business opportunity. Despite low sales, MacGregor's business in the merchant ship segment and service business has been profitable. Excluding the offshore wind business, MacGregor's comparable operating profit margin in 2022 would have been around 3 percent.

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting was held on 17 March 2022 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 outstanding class B shares. The dividend was paid to shareholders who on the record date of dividend distribution, 21 March 2022, were registered as shareholders in the company's shareholder register. The dividend payment day was 28 March 2022.

The meeting adopted the financial statements and consolidated financial statements and approved 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 2021.

The number of the Board members was confirmed at eight. The current Board members Jaakko Eskola, Ilkka Herlin, Teresa Kemppi-Vasama, Johanna Lamminen, Casimir Lindholm, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors.

The yearly remuneration of the Board of Directors was confirmed as follows: EUR 95,000 will be paid to the Chairman of the Board, EUR 70,000 to the Vice Chairman, EUR 70,000 to the Chairman of the Audit and Risk Management

Committee and EUR 55,000 to the other Board members. In addition, members are to be paid EUR 1,000 for attendance at board and committee meetings. The yearly remuneration will be paid quarterly in cash.

The Annual General Meeting elected the 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 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 published a stock exchange release on the decisions taken at the AGM on 17 March 2022. 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 17 March 2022, Cargotec's Board of Directors elected by the Annual General Meeting elected in its organising meeting Ilkka Herlin to continue as Chair of the Board. Jaakko Eskola was elected as Vice Chair of the Board. The Board also elected the Chairs 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.

On 27 April 2022, Cargotec Corporation's Board of Directors elected by the Annual General Meeting on 17 March 2022, announced the appointment of Jaakko Eskola as the new Chair of the Board. Jaakko Eskola succeeds Mr. Ilkka Herlin who has chosen to step down as the Chair of the Board, having served as Chair for 17 years since 2005. The change took effect immediately. Ilkka Herlin continues as a member of the Board and as the Vice Chair.

Cargotec published a stock exchange release on the Board of Directors' organising meeting on 17 March 2022, and on 27 April 2022, a stock exchange release on selecting Jaakko Eskola as the new Chair of the Board. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Board of Directors' authorisations

Cargotec Corporation's Annual General Meeting, held on 17 March 2022 in Helsinki, authorised the Board 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 the year 2022. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089.

On 17 March 2022, Cargotec's Board of Directors decided on a directed share issue related to the reward payments for a share-based incentive programme. The share reward payments are related to the third matching period of the matching share programme launched in 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.

In the share issue, 28,903 own class B shares held by the company were transferred without consideration to the key employees participating in the share-based incentive programme in accordance with the programme-specific terms and conditions. Cargotec purchased the shares at the market price on 7 February 2022 at public trading on Nasdaq Helsinki Ltd., based on the authorisation by the Annual General Meeting on 23 March 2021. 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.

At the end of 2022, 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. The number of outstanding class B shares totalled 54,957,239.

Share-based incentive programmes

In February 2022, The Board of Directors of Cargotec Corporation resolved on the performance criteria for the share-based incentive programme for the year 2022. 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 supporting the implementation of the strategy and the required performance levels for each criterion. Sustainability is an important part of the target setting and rewarding of the key employees.

For the performance period of 2020–2022, the potential reward of the last measuring period 2022 will be based on the business areas' Mission Climate roadmap and development of the eco portfolio for the key employees of the business areas Kalmar, Hiab and MacGregor. For Cargotec Corporate key employees, the performance criterion is Cargotec's Mission Climate roadmap and development of the eco portfolio.

For the performance period of 2021–2023, which started in 2021, the potential reward of the second measuring period 2022 will be 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 is Cargotec's service gross profit.

In May 2022, Cargotec's Board of Directors decided to establish a new share-based incentive programme for the Group key employees. The reward from the new Restricted Share Unit Programme 2022–2024 is conditional on the achievement of strategic goals set by the Board of Directors. The reward is paid in two instalments, half in the spring of 2023 and half in the spring of 2024. The shares received as a reward from the programme's first instalment may not be sold, transferred, pledged or otherwise assigned during a lock-up period which ends on 31 December 2023. The Programme is intended for approximately 60 Cargotec Group's key employees, including selected Leadership Team members. The rewards to be allocated on the basis of the Programme will amount up to an approximate maximum total of 108,000 Cargotec Corporation class B shares. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward.

In addition, the Board of Directors resolved on the performance criteria for the share-based incentive programme's new performance period 2022–2024. 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. During the performance period 2022–2024, the programme is directed to approximately 110 key employees, including the members of Cargotec Leadership Team. The Board of Directors has 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 2022 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 2022–2024 will amount up to an approximate maximum total of 280,000 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 also resolved that share allocation for the restricted share programme's third period 2022–2024 will amount up to an approximate maximum total of 31,000 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.

Market capitalisation and trading

At the end of 2022, the total market value of class B shares on Nasdaq Helsinki was EUR 2,271 (2,409) 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 2,668 (2,828) million, excluding own shares held by the company. The class B share closed at EUR 41.32 (43.84) on the last trading day of December on Nasdaq Helsinki. The volume-weighted average share price in 2022 was EUR 34.82 (44.70), the highest quotation being EUR 48.46 (52.80) and the lowest EUR 24.90 (33.60). During the period, a total of 44 (37) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,541 (1,644) million. In addition, class B shares were traded in several alternative marketplaces.

At the end of the year 2022, the number of registered shareholders was 40,526. The number of Finnish household shareholders was 38,498, corresponding to around 17 percent ownership of Cargotec's listed B shares. At the end of the period, around 29 percent of Cargotec's listed B shares were nominee registered or held by non-Finnish holders.

Loans, liabilities and commitments to related parties

Cargotec had no loans, liabilities or commitments to its related persons and their related parties on 31 December 2022.

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. Changes in the global economy and supply chains, geopolitical tensions and wars, energy availability, sanctions and trade wars can have an impact on global flow of goods and therefore on the demand of Cargotec's solutions.

Russia's condemnable and unjustified attack on Ukraine and the countermeasures against Russia have exacerbated the existing and created new market disruptions. Disruptions in supply chains, problems with the availability of raw materials and energy, accelerating inflation, weakened consumer confidence, as well as increased uncertainty are slowing down economic growth and may lead to recession. As the crisis continues, its effects can become more widespread.

The instability of the operating environment has hampered Cargotec's operations. Problems with the availability of raw materials and components, as well as logistics, have significantly extended the product delivery times and increased inventories. The extension of delivery times has had a negative effect on Cargotec's net sales. Component availability problems as well as strongly increasing labour and energy costs maintain high manufacturing costs, increasing the challenges to control costs and passing them on to the prices of end products. Also the interest rates are expected to continue to stay on a higher level than during the recent years.

Cargotec's sales to Russia, Belarus and Ukraine have been low. Cargotec complies with the sanctions imposed on Russia and has announced to be retrieving from the country. At the end of 2022, there are no active operations in Russia anymore. Cargotec does not have a direct representation in Ukraine.

The Covid-19 pandemic can have direct and indirect impacts on Cargotec's business. The removal of safety measures and travel restrictions has eased the situation, although China's rapidly lifted pandemic restrictions and the resulting possible increase in the number of Covid-19 cases in the country may limit Cargotec's business prerequisites, hamper the selling, operating and delivering of Cargotec's solutions, and complicate the global component shortage. The amount of personnel sick leaves may also increase.

In a changing market situation, customers may also try to postpone or cancel orders. Deterioration of the global economic outlook and access to finance as well as increases in interest rates can lead to economic and financial difficulties among Cargotec's customers. In some cases their financial position may deteriorate significantly or even lead to insolvency. The turnover, availability, and cost of skilled personnel can create disturbances to Cargotec and its supplier operations.

Container traffic growth rate and a possible slowdown or contraction in global economic growth may in the longer term have an effect on the demand of Kalmar's cargo handling solutions. Kalmar's project executions face risks related to schedule, cost and delivery guarantees.

In addition to economic growth, for example, Hiab's demand is also impacted by the development of the construction market. The rising prices and availability challenges of building materials can have a negative effect on construction activity, which in turn can negatively impact the demand for Hiab's solutions. 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 can improve Hiab's results. The Hiab solutions are installed on trucks, and the truck delivery bottlenecks can have a negative impact on Hiab's sales development.

MacGregor's market development is affected by the tightening emission regulation for ships and related uncertainty. The increases in the new vessel construction costs and high amounts of order bookings at shipyards may slow down new vessel orders, and the recent drop in container shipping rates may increase ship operators' reluctance to make 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 for 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 November 2022, Cargotec's Board of Directors concluded that MacGregor will not be part of Cargotec's portfolio in the future. Taking into account MacGregor's losses in recent years and significant project cost overruns in the offshore business, in the sale alternative the buyer's view of the company's value may differ significantly from Cargotec's estimate, which could result in an impairment of MacGregor's goodwill. The planned actions can also include risks related to the retention of skilled personnel, customer relationships, the execution of potential transactions, and costs, for example.

Cargotec is exposed to climate-related risks via environmental, regulatory and technological changes, and due to the commitments it has made to reduce emissions. Evaluation of the financial impacts of climate change on Cargotec is complicated because the occurrence and timing of the resulting effects are difficult to predict, let alone quantify. To reduce emissions generated in its supply chain, Cargotec must reduce emissions through its whole supply chain from raw materials to components and manufacturing, which may result in changes in the suppliers used, limit the number of potential suppliers, and increase costs.

Reaching the set emission targets requires efforts in every aspect of Cargotec's business. In addition to being exposed to climate-related risks, the ongoing transition process causes new risks, the realisation of which can have significant financial effects. These effects can lead, for example, to impairments of assets due to the shortened life cycles of products, as well as additional costs related to the introduction of new technologies, which may arise in product development, the realisation of project risks, the growth of inventories, and new types of warranty defects.

Cargotec is involved in certain legal disputes, investigations 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.

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 2022 was EUR 588,411,010.54. The Board of Directors proposes to the Annual General Meeting convening on 23 March 2023 that of the distributable profit, a dividend of EUR 1.34 for each of the 9,526,089 class A shares and EUR 1.35 for each of the 54,957,239 outstanding class B shares be paid, totalling EUR 86,957,231.91. The remaining distributable equity, EUR 501,453,778.63 will be retained and carried forward.

The dividend shall be paid to shareholders who on the record date for dividend distribution, 27 March 2023, are registered as shareholders in the company's shareholder register. The dividend payment date proposed by the Board of Directors is 4 April 2023.

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

In December 2022, Hiab entered into an agreement to acquire the family-owned Swedish industrial group Olsbergs. Olsbergs is the technological leader in the design and manufacture of hydraulic valves and remote control systems. Its solutions are used to manoeuvre Hiab's truck mounted loader cranes and forestry cranes. The closing of the transaction took place on 1 January 2023. As a result of the acquisition, approximately 100 employees transferred to Hiab. The transaction has no material impact on Cargotec's financial information.

Outlook for 2023

Cargotec estimates its core businesses'[7] 2023 comparable operating profit to improve from 2022 (EUR 384[8] million) and MacGregor's comparable operating profit in 2023 to be positive (EUR -47[8] million)[9].

Annual General Meeting 2023

The Annual General Meeting of Cargotec Corporation will be held on Thursday, 23 March 2023.

Helsinki, 1 February 2023
Cargotec Corporation
Board of Directors

[7] Hiab and Kalmar excluding heavy cranes and including corporate administration and support functions
[8] Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2023. The restated comparable operating profit will also include the impacts of the purchase price allocation, which amounted to EUR 4 million in the core business and EUR 12 million in MacGregor in 2022. Comparison figure has been calculated based on the new definition. Restatement for 2022 figures will be published before Q1/23 result announcement.
[9] The outlook for 2023 does not include the comparable operating profit of Kalmar's heavy crane business which will be discontinued.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2022	%	1 Jan–31 Dec 2021	%
Sales	2.1, 2.2	4,088.6		3,315.0	
Cost of goods sold		-3,230.5		-2,582.1	
Gross profit		**858.1**	**21.0**	**732.9**	**22.1**
Selling and marketing expenses		-199.9		-188.4	
Research and development expenses		-99.8		-103.9	
Administration expenses		-279.7		-251.7	
Restructuring costs	2.4	-91.3		-33.3	
Other operating income	2.3	51.9		294.2	
Other operating expenses	2.3	-140.2		-101.1	
Share of associated companies' and joint ventures' result	7.2	7.0		7.0	
Operating profit	2.1, 2.3, 2.4, 3.1, 6.4	**106.1**	**2.6**	**355.7**	**10.7**
Finance income	2.5	4.4		4.7	
Finance expenses	2.5	-31.6		-27.4	
Profit before taxes		**79.0**	**1.9**	**333.1**	**10.0**
Income taxes	4.1	-55.8		-86.4	
Profit for the period		**23.2**	**0.6**	**246.7**	**7.4**
Profit for the period attributable to:					
Shareholders of the parent company		23.9		246.5	
Non-controlling interest		-0.7		0.2	
Total		**23.2**		**246.7**	
Earnings per share for profit attributable to the shareholders of the parent company:	2.6				
Basic earnings per share, EUR		0.37		3.82	
Diluted earnings per share, EUR		0.37		3.82	

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

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit for the period		**23.2**	**246.7**
Other comprehensive income			
Items that cannot be reclassified to statement of income:			
Actuarial gains (+) / losses (-) from defined benefit plans	3.4	27.7	-0.5
Gains (+) / losses (-) on designated share investments measured at fair value		-11.0	14.2
Taxes relating to items that cannot be reclassified to statement of income	4.1	-5.6	0.0
Items that can be reclassified to statement of income:			
Gains (+) / losses (-) on cash flow hedges		-59.3	-9.5
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		65.9	-3.9
Translation differences		11.3	65.9
Taxes relating to items that can be reclassified to statement of income	4.1	-2.3	2.3
Share of other comprehensive income of associates and JV, net of tax		-0.8	-0.3
Other comprehensive income, net of tax		**25.8**	**68.3**
Comprehensive income for the period		**49.0**	**315.0**
Comprehensive income for the period attributable to:			
Shareholders of the parent company		49.7	314.6
Non-controlling interest		-0.6	0.4
Total		**49.0**	**315.0**

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

Consolidated balance sheet

MEUR	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Goodwill	6.1	892.1	966.8
Intangible assets	6.2	124.8	172.6
Property, plant and equipment	6.3	420.0	409.5
Investments in associated companies and joint ventures	7.2	74.6	73.7
Share investments	8.2	0.0	36.6
Loans receivable and other interest-bearing assets*	8.2	4.5	12.6
Deferred tax assets	4.2	128.6	129.7
Derivative assets	8.2, 8.5	1.1	1.0
Other non-interest-bearing assets	5.3, 8.2	7.2	8.4
Total non-current assets		**1,652.9**	**1,811.0**
Current assets			
Inventories	5.2	1,013.3	792.9
Loans receivable and other interest-bearing assets*	8.2	2.8	3.6
Income tax receivables		39.0	31.8
Derivative assets	8.2, 8.5	39.5	10.8
Accounts receivable	2.2, 5.3, 8.2	734.7	632.9
Contract assets	2.2, 5.3	104.0	111.2
Other non-interest-bearing assets	5.3	151.2	144.3
Cash and cash equivalents*	8.2, 8.3	451.9	488.8
Total current assets		**2,536.4**	**2,216.3**
Total assets		**4,189.3**	**4,027.3**

* Included in interest-bearing net debt.

MEUR	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital		64.3	64.3
Share premium		98.0	98.0
Translation differences		-34.0	-45.2
Fair value reserves		-3.5	-7.0
Reserve for invested unrestricted equity		52.8	54.0
Retained earnings		1,350.0	1,380.1
Total equity attributable to the shareholders of the parent company	3.2, 8.6	**1,527.6**	**1,544.3**
Non-controlling interest		0.7	2.7
Total equity		**1,528.3**	**1,547.0**
Non-current liabilities			
Interest-bearing liabilities*	8.2, 8.4, 9.1	750.9	876.1
Deferred tax liabilities	4.2	30.6	26.9
Pension obligations	3.4	82.2	112.9
Provisions	5.5	6.4	6.5
Other non-interest-bearing liabilities	5.4, 8.2	74.8	68.3
Total non-current liabilities		**944.9**	**1,090.6**
Current liabilities			
Current portion of interest-bearing liabilities*	8.2, 8.4, 9.1	74.9	34.8
Other interest-bearing liabilities*	8.2, 8.4	11.7	8.6
Provisions	5.5	176.2	103.3
Income tax payables		52.9	37.6
Derivative liabilities	8.2, 8.5	7.4	6.8
Accounts payable	5.4	617.1	518.8
Contract liabilities	2.2	291.1	217.2
Other non-interest-bearing liabilities	5.4, 8.2	484.8	462.5
Total current liabilities		**1,716.1**	**1,389.6**
Total equity and liabilities		**4,189.3**	**4,027.3**

* Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

		Equity attributable to the shareholders of the parent company								
MEUR	Note	Share capital	Share premium	Translation differences	Fair value reserve	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2022		**64.3**	**98.0**	**-45.2**	**-7.0**	**54.0**	**1,380.1**	**1,544.3**	**2.7**	**1,547.0**
Profit for the period							23.9	23.9	-0.7	23.2
Cash flow hedges					3.5			3.5		3.5
Translation differences				11.2				11.2	0.1	11.3
Actuarial gains / losses from defined benefit plans	3.4, 4.1						22.1	22.1		22.1
Gains / losses on designated share investments measured at fair value							-11.0	-11.0		-11.0
Comprehensive income for the period*		**-**	**-**	**11.2**	**3.5**	**-**	**35.0**	**49.7**	**-0.6**	**49.0**
Dividends paid	8.6						-69.5	-69.5	-0.9	-70.4
Treasury shares acquired						-1.2		-1.2		-1.2
Share-based payments	3.2						4.7	4.7		4.7
Transactions with owners of the company		**-**	**-**	**-**	**-**	**-1.2**	**-64.8**	**-66.1**	**-0.9**	**-66.9**
Transactions with non-controlling interests							-0.3	-0.3	-0.5	-0.8
Equity 31 Dec 2022		**64.3**	**98.0**	**-34.0**	**-3.5**	**52.8**	**1,350.0**	**1,527.6**	**0.7**	**1,528.3**

* Net of tax.

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

		Equity attributable to the shareholders of the parent company								
MEUR	Note	Share capital	Share premium	Translation differences	Fair value reserve	Reserve for invested unrestricted 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**
Profit for the period							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 / losses on designated share investments measured at fair value							14.2	14.2		14.2
Comprehensive income for the period*		**-**	**-**	**65.8**	**-11.3**	**-**	**260.2**	**314.6**	**0.4**	**315.0**
Dividends paid	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.

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Net cash flow from operating activities			
Profit for the period		23.2	246.7
Depreciation, amortisation and impairment	6.4	203.9	117.4
Finance income and expenses	2.5	27.2	22.7
Income taxes	4.1	55.8	86.4
Change in non-interest bearing receivables		-112.6	-89.9
Change in non-interest bearing liabilities		283.2	226.0
Change in inventories		-238.9	-196.2
Change in net working capital		-68.3	-60.1
Other adjustments		-10.6	-243.7
Cash flow from operations before finance items and taxes		**231.2**	**169.3**
Interest received		4.3	3.2
Interest paid		-19.4	-23.8
Dividends received		0.2	5.0
Other finance items		-6.7	-20.4
Income taxes paid		-49.2	-77.1
Net cash flow from operating activities		**160.4**	**56.2**
Net cash flow from investing activities			
Acquisitions of businesses, net of cash acquired	7.1	-0.1	-2.2
Disposals of businesses, net of cash sold	7.1	15.1	354.5
Investments in associated companies and joint ventures	7.2	-0.9	-1.9
Investments in intangible assets and property, plant and equipment	6.2, 6.3	-66.2	-43.3
Disposals of intangible assets and property, plant and equipment	2.3, 6.2, 6.3	25.3	5.6
Cash flow from investing activities, other items		32.8	21.8
Net cash flow from investing activities		**6.1**	**334.5**

MEUR	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Net cash flow from financing activities			
Treasury shares acquired		-1.2	-3.4
Repayments of lease liabilities	8.4	-43.1	-40.6
Repayments of long-term borrowings	8.4	-87.5	-250.0
Proceeds from short-term borrowings	8.4	-	1.9
Repayments of short-term borrowings	8.4	-3.3	-30.5
Dividends paid	8.6	-70.4	-69.8
Net cash flow from financing activities		**-205.5**	**-392.4**
Change in cash and cash equivalents		**-39.0**	**-1.7**
Cash and cash equivalents, and bank overdrafts 1 Jan	8.3	488.2	482.3
Effect of exchange rate changes		-3.8	7.5
Cash and cash equivalents, and bank overdrafts 31 Dec		**445.4**	**488.2**
Bank overdrafts 31 Dec	8.3	6.5	0.6
Cash and cash equivalents 31 Dec		**451.9**	**488.8**

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

BOARD OF DIRECTORS' REPORT

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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.

These consolidated financial statements were approved for publishing by the Board of Directors on 1 February 2023. 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 2022 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
Interest income and expense	2.5 Finance 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 assets
Provisions	5.5 Provisions
Goodwill	6.1 Goodwill
Intangible asset and research and development costs	6.2 Intangible assets
Property, plant and equipment	6.3 Property, plant and equipment
Impairments	6.4 Depreciation, amortisation and impairment charges
Consolidation principles, foreign currency transactions, foreign subsidiaries, business acquisitions and disposals, joint ventures and associated companies, and non-current assets held for sale	7. Group structure

Accounting principle	Note or note section
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
Contingent liabilities and commitments	9.2 Commitments

New accounting standards in 2022

Starting from 1 January 2022, Cargotec has applied the following new standards and amendments:

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 labour 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.

The amendments effective from 1 January 2022 had no material impact on the reported figures.

New or amended IFRS standards and interpretations from 2023

In 2023 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 1.1.2023

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.

Effective from 1.1.2024 or later

Amendments to IAS 1, Classification of Liabilities as Current or Non-current, amendments clarify the classification of a liability as current or non-current in a situation where 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 classified as non-current on reporting date even regardless of the probability or intention of the management to settle it within the next 12 months. Similarly, a liability is classified as non-current even if the right to extend it for at least 12 months is conditional and the entity is not expected to meet these conditions provided that the covenant assessment is taking place only after the end of the reporting period.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The amendment clarifies the accounting and measurement of a sale and leaseback transaction in particular related to the value of right of use asset that the seller-lessee measures based on the economic interest retained. The amendment is not expected to have a material impact on Cargotec.

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 intangible assets	6.1 Goodwill
Amortisation and depreciation periods	6.2 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 is the global leader in sustainable cargo handling for ports, terminals, distribution centres and heavy industry. With its extensive electric portfolio and global service network, Kalmar helps its customers move towards safer, more eco-efficient and productive operations. Kalmar's product portfolio includes straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors and forklift trucks. Kalmar also provides maintenance contracts, technical support, spare parts, training, equipment modernisation services and digital solutions. Bromma spreaders are also part of the Kalmar business area.

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 premium equipment includes HIAB, EFFER and ARGOS loader cranes, MOFFETT and PRINCETON truck mounted forklifts, LOGLIFT forestry cranes, JONSERED recycling cranes, MULTILIFT skiploaders and hooklifts, GALFAB roll-off cable hoists, and tail lifts under the ZEPRO, DEL and WALTCO brands. As the industry pioneer, Hiab continues to make load handling smarter, safer and more sustainable to build a better tomorrow.

MacGregor is a leader in sustainable maritime cargo and load handling with a strong portfolio of products, services and solutions, all designed to perform with the sea. Shipbuilders, shipowners and operators are able to optimise the lifetime profitability, safety, reliability and environmental sustainability of their operations by working in close cooperation with MacGregor.

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. Finance 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 2022 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimi-nations	Cargotec total
Sales						
Equipment	1,344.2	1,167.0	267.7	2,778.8	-0.9	2,778.0
Services	551.5	411.4	301.0	1,264.0	-0.4	1,263.5
Software	47.1	-	-	47.1	0.0	47.1
Total sales	**1,942.8**	**1,578.4**	**568.7**	**4,089.9**	**-1.3**	**4,088.6**
Depreciation and amortisation	48.5	35.5	23.2	107.1	8.5	115.6
Impairment charges	0.0	-	88.3	88.3	0.0	88.3
Share of associated companies' and joint ventures' result	6.3	-	0.7	7.0	-	7.0
Operating profit	**142.1**	**217.1**	**-190.2**	**169.0**	**-62.9**	**106.1**
% of sales	7.3%	13.8%	-33.4%	-	-	2.6%
Restructuring costs and other items affecting comparability	48.0	7.1	154.2	209.3	16.6	225.9
Comparable operating profit	**190.1**	**224.2**	**-36.0**	**378.3**	**-46.3**	**332.1**
% of sales	9.8%	14.2%	-6.3%	-	-	8.1%
Finance income and expenses	-	-	-	-	-	-27.2
Profit before taxes	**-**	**-**	**-**	**-**	**-**	**79.0**
EBITDA	190.6	252.5	-78.7	364.5	-54.4	310.1

1 Jan–31 Dec 2021 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimi-nations	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' result	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%
Finance income and expenses	-	-	-	-	-	-22.7
Profit 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.

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 Dec 2022 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimi-nations	Cargotec total
Goodwill	268.1	231.4	392.6	892.1	-	892.1
Intangible assets	8.2	17.9	82.3	108.4	16.4	124.8
Property, plant and equipment	247.8	123.4	36.2	407.4	12.6	420.0
Investments in associated companies and joint ventures	39.3	-	35.3	74.6	0.0	74.6
Share investments	-	0.0	0.0	0.0	0.0	0.0
Working capital receivables	869.3	771.8	355.7	1,996.7	54.3	2,051.0
Unallocated assets, interest-bearing	-	-	-	-	459.2	459.2
Unallocated assets, non-interest-bearing	-	-	-	-	167.5	167.5
Total assets	**1,432.7**	**1,144.5**	**902.1**	**3,479.3**	**710.0**	**4,189.3**
Working capital liabilities	809.3	412.0	473.6	1,694.9	69.9	1,764.7
Unallocated liabilities, interest-bearing	-	-	-	-	837.5	837.5
Unallocated liabilities, non-interest-bearing	-	-	-	-	58.7	58.7
Total liabilities	**809.3**	**412.0**	**473.6**	**1,694.9**	**966.1**	**2,661.0**
Operative capital employed	623.4	732.5	428.5	1,784.4	13.4	1,797.8
Capital expenditure	55.7	40.7	10.3	106.7	7.0	113.6

31 Dec 2021 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimi-nations	Cargotec total
Goodwill	270.5	227.3	469.0	966.8	-	966.8
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

Orders

	Orders received		Order book	
MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021	31 Dec 2022	31 Dec 2021
Kalmar	2,080.6	2,062.7	1,427.8	1,302.4
Hiab	1,806.7	1,712.9	1,184.9	984.6
MacGregor	975.6	652.1	927.3	560.3
Eliminations	-0.5	-0.4	0.7	-0.1
Total	**4,862.4**	**4,427.3**	**3,540.7**	**2,847.2**

Number of employees

	Average		At the end of year	
	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021	31 Dec 2022	31 Dec 2021
Kalmar	4,979	5,158	5,012	4,876
Hiab	3,697	3,399	3,778	3,585
MacGregor	1,928	1,929	1,978	1,909
Corporate administration and support functions	801	747	758	804
Total	**11,405**	**11,232**	**11,526**	**11,174**

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 2022 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimi-nations	Cargotec total
Finland	29.4	32.0	6.6	68.0	-0.3	67.7
Other EMEA (Europe, Middle East, Africa)	772.2	840.5	242.0	1,854.8	-0.4	1,854.3
USA	651.4	456.4	49.4	1,157.2	0.0	1,157.2
Other Americas	194.3	115.0	11.9	321.2	-0.1	321.1
China	72.8	5.0	84.6	162.5	-	162.5
Other Asia-Pacific	222.6	129.5	174.2	526.3	-0.5	525.8
Total	**1,942.8**	**1,578.4**	**568.7**	**4,089.9**	**-1.3**	**4,088.6**

1 Jan–31 Dec 2021 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimi-nations	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**

Non-current assets and goodwill*

MEUR	31 Dec 2022	31 Dec 2021
Finland	70.0	80.7
Other EMEA (Europe, Middle East, Africa)	431.6	462.1
Americas	57.4	59.3
Asia-Pacific	60.5	53.6
Goodwill	892.1	966.8
Total	**1,511.6**	**1,622.6**

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

Capital expenditure

MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Finland	7.8	6.5
Other EMEA (Europe, Middle East, Africa)	81.3	47.0
Americas	14.5	19.9
Asia-Pacific	10.1	6.7
Total	**113.6**	**80.2**

Number of employees

MEUR	31 Dec 2022	31 Dec 2021
Finland	1,019	1,047
Other EMEA (Europe, Middle East, Africa)	6,882	6,601
Americas	1,550	1,478
Asia-Pacific	2,075	2,048
Total	**11,526**	**11,174**

2.2 Revenue recognition

Accounting principle

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 judgement and estimates in many ways. Judgement 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 judgement in revenue recognition, especially in situations when there is no prior experience about the deliverable product or entirety. However, judgement 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 2022, approximately 11.2 (2021: 13.4) percent of sales was recognised on an over time basis.

1 Jan–31 Dec 2022 MEUR	Kalmar	Hiab	MacGregor	Internal sales	Cargotec total
Equipment sales	1,344.2	1,167.0	267.7	-0.9	2,778.0
Service sales	551.5	411.4	301.0	-0.4	1,263.5
Software sales	47.1	-	-	-	47.1
Total sales	**1,942.8**	**1,578.4**	**568.7**	**-1.3**	**4,088.6**
Recognised at a point in time	1,664.6	1,564.6	402.1	-1.3	3,630.0
Recognised over time	278.2	13.8	166.6	-	458.6

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.

Contract assets and liabilities

Contract assets MEUR	2022	2021
Contract assets 1 Jan	111.1	93.9
Translation differences	-1.5	3.8
Transfers to receivables	-162.3	-299.3
Companies acquired and sold	-	-7.8
Change in provision for doubtful accounts and impairments +/-	0.0	0.0
Progress, cost estimate and price adjustments	156.6	313.2
Assets held for sale*	-	7.4
Contract assets 31 Dec	**104.0**	**111.2**
Contract assets not expected to be invoiced within the next 12 months	0.0	-

* 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.

Contract liabilities MEUR	2022	2021
Contract liabilities 1 Jan	217.2	182.7
Translation differences	-3.5	3.1
Revenue recognised from contract liability on 1 Jan	-131.5	-132.6
Companies acquired and sold	-0.3	-27.6
Cash received/paid less revenue recognised	209.1	165.2
Liabilities directly associated with assets held for sale*	-	26.3
Contract liabilities 31 Dec	**291.1**	**217.2**
Contract liabilities not expected to be recognised as revenue within the next 12 months	4.0	0.8

* 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.

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 3,540.7 (31 Dec 2021: 2,847.2) million, of which 83% (89%) 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 2022	1 Jan–31 Dec 2021
Gain on disposal of businesses	2.4	241.6
Gain on disposal of intangible assets and property, plant and equipment	3.5	3.8
Customer finance related other income	28.0	26.5
Rental income	2.4	2.4
Other income	15.7	19.9
Total	**51.9**	**294.2**

Other operating expenses

MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Loss on disposal of intangible assets and property, plant and equipment	0.3	1.7
Customer finance related other expenses	27.6	26.1
Business combinations related expenses	2.6	19.4
Merger plan with Konecranes Plc	12.4	47.6
Other expenses	97.2	6.2
Total	**140.2**	**101.1**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR -65.9 (2021: 3.9) million, of which EUR -76.6 (-2.9) million in sales and

EUR 10.7 (6.8) 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 (2021: no effect).

In addition, operating profit includes EUR 3.2 (2021: 2.4) 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 2022	1 Jan–31 Dec 2021
Audit	3.5	3.2
Tax advice	0.0	0.1
Other services	1.1	1.6
Total	**4.7**	**4.9**

In year 2021 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 2022 EUR 1.1 (2021: 0.7) million. Non-audit fees for PricewaterhouseCoopers Oy were in 2021 EUR 0.6 million, including fees of EUR 0.0 million for tax related services, EUR 0.6 million for other services.

2.4 Restructuring costs and other items affecting comparability

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 2022 MEUR	Note	Kalmar	Hiab	MacGregor	Other	Total
Restructuring costs						
Employment termination costs		3.7	0.8	4.3	0.6	9.4
Impairments of owned non-current assets*		-	-	23.6	-	23.6
Impairments of inventories		2.1	-	3.0	-	5.0
Restructuring-related disposals of businesses	7.1	-	0.4	-	-	0.4
Other restructuring costs**		35.6	2.4	14.0	1.0	53.0
Restructuring costs, total		**41.4**	**3.6**	**44.8**	**1.5**	**91.3**
Impacts of the purchase price allocation		0.9	3.3	11.5	-	15.7
Other items affecting comparability						
Expenses related to business disposals, acquisitions and integration	7.1	0.2	0.3	2.0	2.0	4.5
Merger plan with Konecranes Plc	9.4	-1.1	-	-	10.7	9.6
Impairment of MacGregor's goodwill	2.7, 6.1	-	-	63.4	-	63.4
Other costs****		6.5	-	32.5	2.4	41.4
Other items affecting comparability, total		**5.7**	**0.3**	**97.9**	**15.1**	**118.9**
Restructuring costs and other items affecting comparability, total		**48.0**	**7.1**	**154.2**	**16.6**	**225.9**

1 Jan–31 Dec 2021 MEUR	Note	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	7.1	-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***	7.1	-230.3	-	6.7	0.1	-223.5
Merger plan with Konecranes Plc	9.4	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**

* Cargotec reviewed MacGregor's offering, ongoing projects and growth estimates. Based on the review, the company plans to discontinue the business activities related to fishery and research vessels as well as offshore mooring solutions. As a result, a EUR 25 million write-down was booked to intangible assets. In addition to that, other restructuring cost booked due to this decision amounted to EUR 12 million.

** 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.

Year 2022 includes a EUR 4.7 million impairment provision to assets that relate to Cargotec's business in Russia. In addition, MacGregor has reversed revenues and recognised impairments related to its ongoing long-term projects to be delivered to Russia in a total of EUR 3.7 million. Kalmar booked a EUR 36 million restructuring cost related to the plans to transfer the heavy crane immaterial rights to Rainbow Industries Co. Ltd. (RIC) in China and the plans to ramp down the heavy cranes business. From heavy cranes business ramp down costs, EUR 31 million is included to other restructuring costs.

*** 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.

**** In 2022, MacGregor booked a EUR 18 million provision for possible consequences related to a project delivered to the U.S. government and EUR 2 million in legal costs related to the case. Cargotec and its subsidiary MacGregor USA, Inc. have made a voluntary self-disclosure to US authorities regarding compliance with certain export regulations related to information management in the context of MacGregor's US Government business. The outcome of this matter cannot be determined with specificity at this point in time. The amount of the possible penalty is yet to be confirmed; hence the final costs related to the process may change. Additionally in 2022, EUR 14 million were recorded in expert and other expenses related to Cargotec's renewed strategy.

2.5 Finance 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.

Finance income

MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Interest income on financial assets measured at amortised cost	4.3	3.2
Other finance income	0.1	0.1
Exchange rate differences, net	-	1.4
Total	**4.4**	**4.7**

Finance expenses

MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Interest expenses on financial liabilities measured at amortised cost	11.4	14.3
Interest expenses on leases	7.3	7.0
Arrangement and commitment fees relating to interest-bearing loans	2.5	3.7
Forward contracts interest component	7.0	1.0
Other finance expenses	0.0	1.4
Exchange rate differences, net	3.4	-
Total	**31.6**	**27.4**

Other finance expenses includes EUR -0.7 (2021: -0.7) million of reversals of earlier booked impairment losses related to loan receivables.

Exchange rate differences included in finance income and expenses

MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Exchange rate differences on interest-bearing receivables and loans	-24.0	-18.4
Exchange rate differences on derivative instruments	20.6	19.8
Total	**-3.4**	**1.4**

2.6 Earnings per share

Accounting principle

Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the shareholders of the parent company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is calculated by taking into account potential dilutive ordinary shares related 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 2022	1 Jan–31 Dec 2021
Profit attributable to the shareholders of the parent company, MEUR		23.9	246.5
Weighted average number of shares during financial period, ('000)*		64,479	64,443
Basic earnings per share, EUR		**0.37**	**3.82**

	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit attributable to the shareholders of the parent company, MEUR		23.9	246.5
Weighted average number of shares during financial period, ('000)*		64,479	64,443
Effect of share-based incentive programmes, ('000)	3.2	194	127
Diluted weighted average number of shares during financial period, ('000)		64,674	64,569
Diluted earnings per share, EUR		**0.37**	**3.82**

* Due to the lock-up period in the share-based incentive programme 2019–2021 the average number of shares used in the earnings per share calculation differed from the average amount of outstanding shares during year 2021.

2.7 Prevailing economic uncertainty

The restrictions due to the pandemic and the strong shift in consumer demand from services to goods led to supply chain disruptions and inflationary pressures for many raw materials and products. Market disturbances have continued due to inflation, rising interest rates and energy prices, and instability caused by Russia. Under the prevailing conditions, consumer confidence has decreased and global economic growth is slowing down.

The instability of the operating environment has hampered Cargotec's operations. Problems with the availability of raw materials and components, as well as logistics, have significantly extended the product delivery times and increased inventories. The extension of delivery times has had a negative effect on Cargotec's net sales. Component availability problems as well as strongly increasing labour and energy costs maintain high manufacturing costs, increasing the challenges to control costs and passing them on to the prices of end products. The weakening of the economic situation may reduce freight traffic, which would have an impact on the demand for Cargotec's products.

Due to the weakening of the market situation and the availability of financing and the rise in interest rates, Cargotec's customers may run into financial difficulties, which may lead to the postponement or cancellation of orders. In some cases, the financial position of customers can deteriorate significantly and even lead to insolvency.

Cargotec's sales to Russia, Belarus and Ukraine have been low. Cargotec complies with the sanctions imposed on Russia and has announced to be retrieving from the country. At the end of December, the retrieval process was at its final stages. Cargotec does not have a direct representation in Ukraine, or in Belarus. At the time of reporting, the assets of Cargotec's Russian subsidiaries totalled EUR 9.1 million which mainly consisted of cash and cash equivalents. In addition, Cargotec's subsidiaries outside of Russia had trade receivables from Russia totalling EUR 1.1 million. Cargotec has a provision of EUR 4.7 million related to the above-mentioned balance sheet items, which is recognised in restructuring costs. In addition, Cargotec has reversed revenues and recognised impairments related to its ongoing long-term projects to be delivered to Russia, resulting in a total loss of EUR 3.7 million, which has been recognised as a restructuring expense.

The Covid-19 pandemic can have direct and indirect impacts on Cargotec's business. In some areas, such as in China, safety measures and travel restrictions may limit Cargotec's business prerequisites, hamper the selling, operating and delivering of Cargotec's solutions, and complicate the global component shortage. Ensuring a safe working environment for Cargotec personnel may be challenging. The amount of personnel sick leaves may also increase.

MacGregor goodwill impairment testing

MacGregor's goodwill impairment testing was renewed on 31 December 2022 due to the low level of MacGregor's recoverable amount in relation to the assets being tested. Cargotec announced in November that it has decided to divest MacGregor, but the sale of the company will be postponed due to the market situation and the early stage of MacGregor's business recovery. As a result of the decision, the recoverable amount of the MacGregor segment was determined in the goodwill impairment test performed in the fourth quarter, based on the fair value less costs to sell. The testing showed a EUR 63.4 million impairment to MacGregor's goodwill due to several factors. MacGregor launched a restructuring programme in the fourth quarter, which will lead to the discontinuation of the businesses related to fishery and research vessels and offshore mooring solutions. In addition, the value was weakened by the reassessment of MacGregor's business risk level and growth forecasts. In addition to the write-down of goodwill, MacGregor made a EUR 25.0 million write-down of intangible assets, which were mainly related to the offshore business within the scope of the restructuring programme. The post-tax WACC (weighted average cost of capital) used in the testing was 9.0 (December 31, 2021: pre-tax WACC was 9.9) percent.

With the recorded impairment, MacGregor's recoverable amount is at the same level relative to the tested assets, and thus very sensitive to changes in WACC and forecasts. The goodwill of the MacGregor segment was EUR 392.6 (December 31, 2021: 469.0) million at the time of reporting.

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 2022	0.0	Impairment*	Impairment**	Impairment
31 Dec 2021	86.0	Impairment*	Impairment**	Impairment

*Threshold for impairment was any increase in WACC (31 Dec 2021: +1.0 percentage points).
**Threshold for impairment was any decline in estimation period sales or operating profit (31 Dec 2021: estimation period sales -10 percent and operating profit -0.2 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 142 (31 Dec 2021: 56) million in the first scenario, EUR 257 (183) million in the second, and EUR 306 (269) 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 13.9% (2021: 9.4%) for Kalmar and 13.7% (2021: 9.0%) 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.

Changes in Cargotec's strategy

Following the cancellation of the merger between Cargotec and Konecranes, Cargotec announced on 30 March 2022 its refocused strategy to sell or close down Kalmar's heavy cranes business. In addition, Cargotec decided to launch a process to evaluate MacGregor's strategic options, with MacGregor's sale as one option. As a result of the decisions, it has been assessed for both businesses whether the business should be presented as a continuing business or as held for sale in accordance with IFRS 5. Analyses of both Kalmar's heavy cranes business and MacGregor's business have concluded that the conditions for presentation as held for sale are not met on 31 December 2022.

Kalmar's heavy cranes business

Kalmar and Rainbow Industries Co. Ltd. (RIC) entered into an agreement in July whereby Kalmar transfers heavy cranes' related intellectual properties and assets to RIC in China. The transfer of intellectual properties relate to rubber-tyred gantry cranes (RTG), rail-mounted gantry cranes (RMG), ship-to-shore cranes (STS), and automatic stacking cranes (ASC) which are currently assembled and manufactured at RIC's facility in Taicang, China. RIC has been Cargotec's Original Equipment Manufacturing (OEM) subcontractor providing assembly services for Cargotec's business areas, Kalmar and MacGregor, since 2020 and prior to that Cargotec and Rainbow operated through a joint venture in China since 2013.

In the future, Kalmar would focus on offering industry shaping, eco-efficient cargo handling equipment in the mobile equipment product categories, straddle and shuttle carriers, Bromma spreaders and lifecycle services. Further, Kalmar would continue to offer crane automation and crane related services for its customers globally.

As a result of the transfer of the intellectual property rights of heavy cranes to RIC in China and the plan to ramp down the heavy crane business, Kalmar has recorded EUR 35.7 million in restructuring costs by the end of the the year 2022. As part of the agreement, about 30 local Kalmar employees in China transferred to RIC's service.

Financial risks related to climate change

Cargotec is exposed to climate-related risks via environmental, regulatory, and technological changes, and due to the commitments it has made to reduce emissions. Evaluation of the financial impacts of climate change on Cargotec is complicated because the occurrence and timing of the resulting effects are difficult to predict, let alone quantify. On the other hand, the impacts of climate-related regulation, changing technologies, and the commitments made by Cargotec are already visible and thus easier to analyse. Cargotec is committed to reducing the carbon dioxide emissions of its value chain by 25% by 2025 and 50% by 2030 compared to the 2019 emission level. In order to succeed in this, Cargotec must reduce not only emissions related to its own operations but also emissions generated in its supply chain and the use of the sold equipment.

To reduce emissions generated in its supply chain, Cargotec must reduce emissions through its whole supply chain from raw materials to components and manufacturing, which may result in changes in the suppliers used, limit the number of potential suppliers, and increase costs. Reduction of emissions in Cargotec's own operations can be achieved for example by investing in energy efficiency and renewable energy technology as well as reducing work-related travelling and commuting. These improvements are also expected to create cost savings. Reduction of emissions related to the use of Cargotec's products can only be achieved if there is sufficient demand for low-emission products. In order to achieve this, Cargotec must succeed in developing and selling low-emission products. Cargotec's product development has a critical role in achieving this. Cargotec has invested heavily to electrify its product offering and customers are increasingly choosing low-emission products although the majority of products sold are still based on combustible engine technology. In the future, Cargotec's product offering may be based on multiple low-emission technologies, which may increase complexity and cost.

Reaching the set emission targets requires efforts in every aspect of Cargotec's business. In addition to being exposed to climate-related risks, the ongoing transition process causes new risks, the realisation of which can have significant financial effects. These effects can lead, for example, to impairments of assets due to the shortened life cycles of products, as well as additional costs related to the introduction of new technologies, which may arise in product development, the realisation of project risks, the growth of inventories, and new types of warranty defects.

3. EMPLOYEE BENEFITS

3.1 Personnel expenses

MEUR	Note	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Wages and salaries		597.7	599.4
Equity-settled share-based payments	3.2	4.7	3.8
Cash-settled share-based payments	3.2	5.1	7.9
Pension costs	3.4	68.7	64.3
Other statutory employer costs		85.7	81.1
Total		**761.9**	**756.5**

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.

Restricted share unit programme 2022–2024

The incentive programme is targeted to the members of the Leadership team and other key persons. The reward of the programme is conditional on the achievement of the strategic goals determined by the Board of Directors and it is paid in two instalments, half in the spring of 2023 and half in the spring of 2024. The shares paid as a reward for the first instalment of the programme may not be sold, transferred, pledged or otherwise given away during the restriction period which ends on 31 December 2023. The reward is granted and paid in Cargotec's class B shares, in addition to which Cargotec pays the taxes and tax-related fees related to the reward.

	2022
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–29,350 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	5.5
Initial number of participants	55
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	52
Number of class B shares granted	106,450
Number of class B shares forfeited in 2022	2,800
Number of class B shares subject to vesting conditions on 31 Dec 2022	103,650

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 fulfilment of the vesting criteria.

	2022	2021	2020
First year earnings criteria	Comparable operating profit	Comparable operating profit	Comparable operating profit, Navis' sales, cloud transformation
Second year earnings criteria		Service business gross profit	Service business gross profit
Third year earnings criteria			Climate programme roadmap and development of ecoportfolio products
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–24,500 shares and a cash portion for taxes	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	6.1	11.8	5.4
Initial number of participants	91	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
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	86	99	85
Number of class B shares granted	230,820	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 forfeited in 2022	8,460	93,771	67,068
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
Number of class B shares subject to vesting conditions on 31 Dec 2022	222,360	166,479	165,870

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 to 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. Due to the cancellation of the merger, the vesting criteria of the programme was not met.

	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
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	-
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 forfeited in 2022	89,862
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
Number of class B shares subject to vesting conditions on 31 Dec 2022	-

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 fulfilment 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
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	Ended	Ended	Ended
Number of class B shares granted	291,250	184,880	183,200
Number of class B shares forfeited in 2021 and earlier	257,390	144,615	158,689
Number of class B shares forfeited in 2022	Ended	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
Number of class B shares subject to vesting conditions on 31 Dec 2022	Ended	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 programme make 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. 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 2021	6
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	Ended
Number of class B shares granted	98,413
Number of class B shares forfeited in 2021 and earlier	3,906
Number of class B shares forfeited in 2022	0
Number of class B shares paid during 2021 and earlier	65,604
Number of class B shares paid during 2022	28,903
Number of class B shares subject to vesting conditions on 31 Dec 2021	28,903
Number of class B shares subject to vesting conditions on 31 Dec 2022	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 it. Rewards are paid after the end of the vesting period. No rewards were granted under the programme during 2021.

	2022	2021	2020
Earnings criteria	Service condition	-	Service condition
Expected total cost of the programme on grant date, MEUR	0.6	-	0.3
Initial number of participants	8	-	2
Number of participants on 31 Dec 2020	-	-	2
Number of participants on 31 Dec 2021	-	-	3
Number of participants on 31 Dec 2022	8		3
Number of class B shares granted	11,950	-	6,460
Number of class B shares forfeited in 2020	-	-	-
Number of class B shares forfeited in 2021	-	-	-
Number of class B shares forfeited in 2022	-		2,482
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
Number of class B shares subject to vesting conditions on 31 Dec 2022	11,950	-	3,978

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 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

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

	Recognised as cost during the period		Recognised as provision on 31 Dec	
MEUR	2022	2021	2022	2021
Restricted share unit programme 2022–2024	2.7	-	1.8	-
Share-based incentive programme 2020–2024	10.7	6.7	11.1	5.0
Share-based bridge incentive programme 2020–2023	-3.3	2.7	-	2.3
Share-based incentive programme 2017–2020	-	1.4	-	-
Matching share programme 2019–2022	0.0	1.5	-	1.1
Restricted shares incentive programmes 2020–2024	0.3	0.1	0.2	0.1
Restricted shares incentive programme 2019	-	0.2	-	-
Total	**10.3**	**12.7**	**13.1**	**8.4**

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 2022	1 Jan–31 Dec 2021
Wages, salaries and other short-term employee benefits	5.6	7.4
Share-based payments	1.8	5.4
Post-employment benefits	0.1	0.8
Termination benefits	0.4	1.3
Total	**7.8**	**14.8**

The composition of Cargotec's Leadership Team has changed during 2022 and 2021. The remuneration of the Leadership Team members is included in the key management compensation information from the appointment date or until the end of the membership. On 31 December 2022, Leadership Team consisted of CEO Mika Vehviläinen and nine (31.12.2021: ten) other members.

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	2022	2021	2022	2021
Share-based incentive programme 2019, earnings period 2019–2020	-	1,650	-	6,938
Matching share programme 2019–2022, second instalment	-	8,256	-	20,640
Matching share programme 2019–2022, third instalment	8,258	-	16,516	-
Restricted shares incentive programme 2019	-	-	-	2,755
Total	**8,258**	**9,906**	**16,516**	**27,578**

At the end of 2022, the CEO and other members of the Leadership Team are participants to the share-based incentive programme 2020, 2021 and 2022. Additionally, the CEO and five other members of the Leadership Team are participants to the restricted share unit programme 2022–

2024 and nine members of the Leadership Team to the restricted shares incentive programme 2020–2024.

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

Due to the cancellation of the planned merger of Cargotec and Konecranes, the retention incentive programme extended in 2020 to the CEO Mika Vehviläinen has been cancelled and the accrued expenses for the programme have been reversed through profit or loss. The value of the retention programme was EUR 1.5 million, and the payment under the programme would have been paid as a one-off payment to the CEO's supplemental pension plan after the completion of the merger.

The CEO Mika Vehviläinen's pension is provided according to the statutory Finnish Employees Pensions Act, for which a pension cost of EUR 0.1 (2021: 0.2) million was recorded in year 2022. Additionally, the CEO is entitled to a supplemental defined contribution pension benefit in Finland, for which a pension cost of EUR 0.7 million was paid in year 2022. According to the pension agreement, 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. Other Finnish members of the Leadership Team are entitled to a statutory pension, additionally in 2022 was paid to one member of the Leadership Team a EUR 0.5 million supplemental pension payment. 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 at the end of the financial year 2022 or 2021, except at the end 2021 a 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 2022	1 Jan–31 Dec 2021
Mika Vehviläinen*	CEO	1,521.1	2,453.6
Jaakko Eskola	Chairman of the Board (as of 27 May 2022), member of the Board (as of 23 March 2021)	91.2	59.0
Ilkka Herlin	Vice Chairman of the Board (as of 27 May 2022), Chairman of the Board (until 27 May 2022)	79.8	109.2
Tapio Hakakari**	Vice Chairman of the Board (until 27 May 2022), Member of the Board (until 27 May 2022)	6.0	78.2
Peter Immonen	Member of the Board (until 23 March 2021)	-	5.0
Teresa Kemppi-Vasama	Member of the Board	62.3	64.0
Johanna Lamminen	Member of the Board	57.3	60.0
Casimir Lindholm	Member of the Board (as of 23 March 2021)	61.3	57.0
Kaisa Olkkonen	Member of the Board	62.3	64.0
Teuvo Salminen**	Member of the Board	73.5	79.0
Heikki Soljama	Member of the Board	57.3	59.0

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

** Addionally 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	2022	2021
Present value of unfunded obligations	80.5	109.3
Present value of funded obligations	31.3	40.8
Fair value of benefit plan assets	33.2	41.6
Net liability	**78.6**	**108.5**
Net liability on balance sheet	82.2	112.9
Net asset on balance sheet	3.6	4.4
Expense related to defined contribution plans	61.8	57.4
Expense related to defined benefit plans and other post-employment benefits	6.9	6.9
Expense in the statement of income	**68.7**	**64.3**
Remeasurement of defined pension benefits and other post-employment benefits	22.1	-0.7
Remeasurement in the statement of comprehensive income	**22.1**	**-0.7**

Expected contributions to defined benefit plan assets during the next reporting period is EUR 5.6 (31 Dec 2021: EUR 6.9) million. The weighted average duration of the defined benefit obligations was 16.0 (18.7) years.

Reconciliation of the net defined benefit obligation

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2022	150.1	-41.6	108.5
Current service cost	4.8	-	4.8
Interest expense (+) / income (-)	2.7	-0.8	1.9
Past service cost	0.1	-	0.1
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	6.3	6.3
Actuarial gain (-) / loss (+) from change in demographic assumptions	-0.8	-	-0.8
Actuarial gain (-) / loss (+) from change in financial assumptions	-36.4	-	-36.4
Experience adjustment gain (-) / loss (+)	8.7	-	8.7
Foreign exchange rate gains (-) / losses (+)	-11.6	1.9	-9.8
Contributions by employer	0.0	-1.2	-1.2
Contributions by plan participants	0.0	0.0	0.0
Benefits paid	-5.9	2.3	-3.6
Settlements	-0.1	-	-0.1
31 Dec 2022	**111.8**	**-33.2**	**78.6**

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**

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2022	76.4	12.5	6.0	16.8	111.8
2021	106.1	18.7	6.4	18.9	150.1
Fair value of plan assets:					
2022	6.1	15.9	4.2	7.0	33.2
2021	7.2	23.0	4.3	7.1	41.6

Allocation of plan assets

MEUR	2022	2021
Debt instruments	3.6	4.8
Investment funds	2.8	2.6
Qualifying insurance policies	4.6	4.6
Equity instruments	4.5	4.1
Other assets	17.7	25.4
Total plan assets	**33.2**	**41.6**

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 2022 (2021)	3.7 (1.9)	4.8 (1.8)	3.2 (1.5)	3.0 (1.4)
Expected rate of salary increases 2022 (2021)	2.3 (2.5)	3.0 (3.7)	3.8 (2.5)	3.7 (3.2)
Expected pension growth rate 2022 (2021)	2.0 (2.2)	3.5 (3.7)	2.3 (1.5)	4.1 (3.2)

* Weighted average

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

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

MEUR	2022	2021
0.5%-point increase in the principal assumption		
Discount rate	-7.1	-11.3
Expected rate of salary increases	2.3	4.1
Expected pension growth rate	5.4	8.8
0.5%-point decrease in the principal assumption		
Discount rate	7.6	12.8
Expected rate of salary increases	-2.3	-3.5
Expected pension growth rate	-4.9	-7.8
Change in the life expectancy		
Effect of 1 year increase in the life expectancy	3.4	6.0
Effect of 1 year decrease in the life expectancy	-3.7	-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 91 (31 Dec 2021: 87) 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 judgement. 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 2022	1 Jan–31 Dec 2021
Current year tax expense	79.9	88.0
Change in current year's deferred tax assets and liabilities	-12.4	-3.4
Tax expense for previous years	-11.7	1.8
Total	**55.8**	**86.4**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Profit before taxes	79.0	333.1
Tax calculated at Finnish tax rate (20%)	15.8	66.6
Effect of different tax rates in foreign subsidiaries	0.8	21.1
Tax expense for previous years	-11.7	1.8
Tax-exempt income and non-deductible expenses	16.0	-20.2
Realisability of deferred tax assets	30.9	15.8
Withholding tax, non-creditable	4.9	3.1
Effect of changes in tax rates	-0.6	-0.6
Other	-0.3	-1.2
Total taxes in statement of income	**55.8**	**86.4**
Effective tax rate, %	70.6	25.9

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2022			1 Jan–31 Dec 2021		
MEUR	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Cash flow hedges	5.8	-2.3	3.5	-13.7	2.3	-11.3
Translation differences	11.3	-	11.3	65.9	-	65.9
Actuarial gains (+) / losses (-) from defined benefit plans	27.7	-5.6	22.1	-0.5	0.0	-0.5
Designated share investments measured at fair value	-11.0	-	-11.0	14.2	-	14.2
Total other comprehensive income	**33.7**	**-7.9**	**25.8**	**65.9**	**2.4**	**68.3**

4.2 Deferred tax assets and liabilities

MEUR	31 Dec 2022	31 Dec 2021
Deferred tax assets and liabilities		
Intangible assets, property, plant and equipment, and inventory	32.0	39.0
Provisions and accruals	26.1	25.6
Tax losses and credits carried forward	39.4	30.7
Other temporary differences	0.5	7.5
Deferred taxes, net asset	**98.0**	**102.8**
Deferred tax assets*	128.6	129.7
Deferred tax liabilities*	30.6	26.9

* Deferred tax assets and liabilities are offset in accordance with IAS 12.

Reconciliation of deferred taxes

MEUR	2022	2021
Deferred taxes, net asset 1.1.	102.8	102.9
Recognised in statement of income	2.6	4.0
Recognised in other comprehensive income	-7.9	2.6
Companies acquired and sold	0.0	0.0
Translation differences	0.4	-0.3
Assets held for sale**	-	-6.4
Deferred taxes, net asset 31.12.	**98.0**	**102.8**

** 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 an offsetting deferred tax liabilites and where applicable an assessment of earnings history and profit projections in the relevant jurisdictions.

On 31 December 2022, Cargotec had EUR 496.2 (31 Dec 2021: 361.9) 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 12.4 (31 Dec 2021: 9.6) million will expire during the next five years and EUR 483.9 (31 Dec 2021: 352.3) 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 2022, Cargotec had income tax payables of EUR 0.4 (31 Dec 2021: 14.6) million to reflect uncertainty related to taxes.

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 2022, Cargotec had EUR 216.5 (31 Dec 2021: 315.1) 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 2022	31 Dec 2021
Inventories	5.2	1,013.3	792.9
Operative derivative assets		44.5	18.5
Accounts receivable	5.3	734.7	632.9
Contract assets	5.3	104.0	111.2
Other operative non-interest-bearing assets		154.6	139.4
Working capital assets		**2,051.0**	**1,694.9**
Provisions	5.5	-182.6	-109.8
Operative derivative liabilities		-38.4	-26.8
Pension obligations	3.4	-82.2	-112.9
Accounts payable	5.4	-617.1	-518.8
Contract liabilities	5.4	-291.1	-217.2
Other operative non-interest-bearing liabilities		-553.4	-525.2
Working capital liabilities		**-1,764.7**	**-1,510.6**
Total		286.2	184.3

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 valued at acquisition cost or lower estimated net realisable value. The acquisition cost is mainly determined using the weighted average price method. The acquisition cost of inventory includes the purchase price as well as transportation and manufacturing costs. The acquisition cost of self-manufactured finished and work-in-progress products includes raw materials, direct manufacturing wages and other direct expenses, as well as a proportional share of variable manufacturing costs and fixed overheads. The net realisable value is the estimated sales price obtained in the ordinary course of business less the estimated costs of completing and selling the product. If the acquisition cost of the inventory exceeds its net realisable value, an obsolescence provision is recorded in the value of the inventory. The recorded obsolescence provision is included in the book value of the inventory.

Estimates and assumptions requiring management judgement

Inventories
The inventory obsolescence provision is estimated based on the systematic and continuous monitoring of the inventory. When assessing the amount of obsolescence, the nature, condition and age structure of the inventory and the amounts based on the estimated need are taken into account.

31 Dec 2022 MEUR	Gross value	Obsolescence	Net value on balance sheet
Raw materials and supplies	515.5	-68.0	447.5
Work in progress	214.6	0.0	214.6
Finished goods	342.8	-34.9	307.9
Advance payments paid for inventories	43.3	-	43.3
Total	**1,116.2**	**-103.0**	**1,013.3**

31 Dec 2021 MEUR	Gross value	Obsolescence	Net value on balance sheet
Raw materials and supplies	386.9	-71.1	315.8
Work in progress	204.1	-0.1	204.0
Finished goods	265.2	-32.6	232.6
Advance payments paid for inventories	40.5	-	40.5
Total	**896.8**	**-103.9**	**792.9**

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

Raw materials and supplies include raw materials needed in production as well as spare parts and components needed in service business. Work-in-progress products include products whose manufacturing process is in progress. Finished products include ready-made new and replacement products in stock as well as finished products in delivery.

5.3 Accounts receivable and other non-interest-bearing assets

Accounting principle

Accounts receivable and contract assets

Accounts receivable are invoiced customer receivables representing Cargotec's rights to consideration in exchange for goods or services that have been transferred to customers when those rights are conditioned only on the passage of time. Contract assets are unbilled customer receivables representing Cargotec's rights to consideration in exchange for goods or services that have been transferred to customers when those rights are conditioned on something other than merely the passage of time such as the agreed timing or project milestones for invoicing. Contract assets include mostly unbilled receivables related to customer contracts in which the revenue is recognised on an overtime basis based on the stage of completion and the amount of revenue recognised exceeds the invoicing.

Accounts receivable and contract assets are initially recognised at fair value less expected credit losses and subsequently at amortised cost less expected credit losses. Credit risk is evaluated based on systematic and continuous monitoring of receivables as part of the credit risk control. Credit loss allowance is recognised based on expected credit losses that is measured based on both historical and forward-looking credit loss assessment. The backward-looking credit loss assessment is determined mechanically by using a provision matrix in which the impairment is determined based on risk weights derived from the historical credit losses and ageing of customer receivables. The forward-looking credit loss assessment is determined by a forward-looking analysis under which additional impairment exceeding the first component of credit loss allowance may 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.

Estimates and assumptions requiring management judgement

Expected credit losses

Management judgement and estimates are needed in determining the credit loss allowance. In measuring the component of the credit loss allowance based on historical credit losses, judgement is needed in determining risk levels for different groups of receivables based on their aging. Judgement and estimation is also needed in assessing sufficiency of the credit loss allowance based on historical credit losses and in increasing the credit loss allowance based on a forward-looking credit loss assessment.

Customer receivables and other non-interest-bearing assets

MEUR	Note	31 Dec 2022	31 Dec 2021
Non-current			
Other non-interest-bearing assets	8.2	7.2	8.4
Current			
Accounts receivable	8.2	734.7	632.9
Contract assets	2.2, 8.2	104.0	111.2
Other non-interest-bearing assets		151.2	144.3
Total current		**989.8**	**888.3**
Total accounts receivable and other non-interest-bearing assets		**997.0**	**896.8**

Other non-interest-bearing assets

MEUR	Note	31 Dec 2022	31 Dec 2021
Non-current			
Other non-interest-bearing assets	8.2	7.2	8.4
Current			
VAT receivable		96.5	71.2
Deferred interests	8.2	0.1	0.1
Receivables related to business combinations and disposals	8.2	2.5	12.0
Other deferred assets		52.1	61.0
Total current		**151.2**	**144.3**
Total other non-interest-bearing assets		**158.4**	**152.7**

Expected credit losses from accounts receivable and contract assets

		Expected credit losses			
31 Dec 2022 MEUR	Gross value	Based on historical risk assessment	Based on forward-looking risk assessment	Average rate of allowance	Net value on balance sheet
Accounts receivable not due and contract assets	669.5	-0.3	-0.5	0%	668.8
1–90 days overdue	130.9	-0.6	-0.2	-1%	130.1
91–360 days overdue	34.2	-2.1	-1.5	-11%	30.5
Over 360 days overdue	19.5	-6.0	-4.3	-52%	9.3
Total	**854.2**	**-9.0**	**-6.5**	**-2%**	**838.7**

		Expected credit losses			
31 Dec 2021 MEUR	Gross value	Based on historical risk assessment	Based on forward-looking risk assessment	Average rate of allowance	Net value on balance sheet
Accounts receivable not due and contract assets	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**

Movement in the loss allowance for accounts receivable and contract assets

	Credit loss allowance	
MEUR	2022	2021
Allowance 1 Jan	17.5	19.3
Translation differences	-0.4	0.1
Companies acquired and sold	0.3	-1.3
Increase of allowance	2.9	4.2
Use of allowance	-4.4	-2.2
Reversed allowance	-0.5	-3.3
Assets held for sale*	-	0.7
Other changes	0.0	0.0
Balance 31 Dec	**15.5**	**17.5**

* 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.

Credit losses recognised in the statement of income

	Credit loss allowance	
MEUR	2022	2021
Movement in the loss allowance during the period	2.4	0.9
Directly recognised credit losses	1.0	2.2
Total	**3.4**	**3.0**

5.4 Accounts payable and other non-interest-bearing liabilities

Accounts payable include open invoices from suppliers, and contract liabilities include mainly advance payments received from customers.

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.

Accounts payable and other non-interest-bearing liabilities

MEUR	Note	31 Dec 2022	31 Dec 2021
Non-current			
Other non-interest-bearing liabilities	8.2	74.8	68.3
Current			
Accounts payable	8.2	617.1	518.8
Contract liabilities	2.2	291.1	217.2
Other non-interest-bearing liabilities		484.8	462.5
Accounts payable and other non-interest-bearing liabilities		**1,467.7**	**1,266.7**

Other non-interest-bearing liabilities

MEUR	Note	31 Dec 2022	31 Dec 2021
Non-current			
Buy-back obligations from customer finance arrangements	8.2	69.5	62.7
Other liabilities	8.2	5.3	5.6
Non-current other non-interest-bearing liabilities		**74.8**	**68.3**
Current			
Accrued salaries, wages and employment costs		119.1	123.4
Late cost reservations		66.2	132.3
Cost accruals related to construction contracts		55.3	15.1
Prepaid rents from customer finance arrangements		65.2	60.4
VAT liabilities		60.7	37.8
Accrued interests	8.2	4.7	4.2
Liabilities related to business combinations	8.2	1.5	1.5
Other accrued expenses		112.0	87.9
Current other non-interest-bearing liabilities		**484.8**	**462.5**
Total other non-interest-bearing liabilities		**559.6**	**530.7**

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 recognised 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.

2022 MEUR	Product warranties	Claims	Restruc-turing	Onerous contracts	Others	Total
Provisions 1 Jan	73.8	7.2	14.7	12.9	1.3	109.8
Translation differences	-0.4	-0.1	-0.8	-0.9	-0.4	-2.5
Increases	24.2	6.6	32.6	20.5	29.6	113.4
Companies acquired and sold	0.1	-	-	-	-	0.1
Provisions used	-9.3	-3.0	-6.3	-3.3	-2.5	-24.4
Reversals of provisions	-5.0	-0.4	-1.6	-5.1	-1.7	-13.8
Provisions 31 Dec	**83.4**	**10.3**	**38.6**	**24.0**	**26.4**	**182.6**

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**

MEUR	31 Dec 2022	31 Dec 2021
Non-current provisions	6.4	6.5
Current provisions	176.2	103.3
Total	**182.6**	**109.8**

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. In 2022, MacGregor booked a EUR 18 million provision for possible consequences related to a project delivered to the U.S. Government.

6. INTANGIBLE AND TANGIBLE ASSETS

6.1 Goodwill

Accounting principle

Goodwill

Goodwill is recognised in a business combination based on the difference between the consideration paid and net assets received. It represents the value of unidentified intangible assets and expected future benefits that do not meet the definition of an asset such as the value of acquired workforce, and expected synergies that are considered to be available only for Cargotec.

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 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 intangible assets

Goodwill and 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	2022	2021
Book value 1 Jan	966.8	971.9
Translation differences	-16.1	20.2
Impairment	-63.4	-
Companies acquired	4.8	5.8
Companies sold	-	-24.2
Assets held for sale*	-	-6.8
Book value 31 Dec	**892.1**	**966.8**

* 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.

Impairment testing of goodwill

MEUR	31 Dec 2022	31 Dec 2021
Kalmar	268.1	270.5
Hiab	231.4	227.3
MacGregor	392.6	469.0
Total	**892.1**	**966.8**

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 for Kalmar and Hiab, and regarding MacGregor, a model based on fair value less cost to sell was adopted in the last quarter. The change was due to the decision announced by Cargotec in November to divest MacGregor in the future after the market situation and MacGregor's profitability have improved. The main difference between the models is that the fair value model is based on estimated post-tax cash flows reflecting assumptions that market participants would apply in pricing the asset whereas the value in use model is based on estimated pre-tax cash flows and assumptions reflecting current use. In both models, 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 2.0 (2021: 1.7) percent for Kalmar, 2.0 (0.8) percent for Hiab, and 2.0 (2.0) 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. 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 the average of government bond yields weighted by the sales of a 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, in the impairment testing based on fair value less cost to sell, the WACC is determined on a post-tax basis. The pre-tax discount rates used in the impairment testing for Kalmar and Hiab were determined in the same way as last year. The WACC used for Kalmar was 13.9 (2021: 9.4) percent and for Hiab 13.7 (9.0) percent. The post-tax WACC used for MacGregor was 9.0 (2021: Pre-tax WACC 9.9) percent. The changes in discount rates from the previous year mainly reflect growth in risk-free interest rates and the market risk premium.

MacGregor goodwill impairment and sensitivity analysis

Based on the performed impairment tests, a EUR 63.4 million impairment was recorded in MacGregor's goodwill in the last quarter due to several factors. MacGregor launched a restructuring program in the fourth quarter, which will lead to the ramp down of the businesses related to fishing and research vessels and offshore mooring solutions. In addition, the value decreased due to the reassessment of risk level and growth forecasts related to MacGregor's business. In addition to the write-down of goodwill, MacGregor made a EUR 25.0 million write-down of intangible assets, which were mainly related to the offshore business within the scope of the restructuring program. Kalmar's and Hiab's impairment tests showed no impairment in 2022 and in 2021 none of the performed impairment tests showed an impairment.

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 2022 and 2021 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.

		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 percentage points and WACC +2 percentage points
31 Dec 2022	0.0	Impairment*	Impairment**	Impairment
31 Dec 2021	86.0	Impairment*	Impairment**	Impairment

* Threshold for impairment was any increase in WACC (31.12.2021: WACC + 1.0 percentage points)
** Threshold for impairment was any decline in estimation period sales or operating profit (31.12.2021: estimation period sales -10 percent and operating profit -0.2 percentage points)

MacGregor's goodwill has been tested for impairment in the years 2022 and 2021 on a quarterly basis. With the recorded impairment, MacGregor's recoverable amount is at the same level relative to the tested assets, and thus very sensitive to changes in WACC and forecasts. Therefore, the amount to be written off would be significant if the scenarios considered in the sensitivity analysis realize; EUR 142 (31 Dec 2021: 56) million in the first scenario, EUR 257 (31 Dec 2021: 183) million in the second, and EUR 306 (31 Dec 2021: 269) million in the third.

6.2 Intangible assets

Accounting principle

Intangible assets

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.

2022 MEUR	Developed technology	Acquired technology	Customer relationships and trademarks	Others*	Total
Acquisition cost 1 Jan	108.5	96.2	180.9	13.7	399.3
Translation differences	-0.9	-1.7	-3.7	0.2	-6.0
Additions	0.9	0.7	-	3.2	4.8
Disposals	-2.2	-3.6	-0.3	0.0	-6.1
Reclassifications	0.2	-2.9	0.0	-0.4	-3.1
Companies acquired and sold	-	0.0	-	-2.0	-2.0
Acquisition cost 31 Dec	**106.5**	**88.6**	**176.9**	**14.7**	**386.8**
Accumulated amortisation and impairment 1 Jan	-83.9	-67.5	-70.7	-4.7	-226.7
Translation differences	0.7	1.3	3.0	-0.1	4.8
Amortisation during the financial period	-5.6	-6.7	-9.5	-0.4	-22.3
Impairment charges	-0.4	-3.3	-21.8	0.0	-25.5
Disposals	1.2	3.0	0.3	0.0	4.5
Reclassifications	-0.1	3.2	0.0	0.1	3.2
Companies acquired and sold	-	0.0	-	-	0.0
Accumulated amortisation and impairment 31 Dec	**-88.2**	**-70.0**	**-98.7**	**-5.1**	**-262.0**
Book value 31 Dec	**18.4**	**18.6**	**78.2**	**9.6**	**124.8**

* Includes EUR 6.2 million of intangible assets under construction.

2021 MEUR	Developed technology	Acquired technology	Customer relationships 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.

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 2022, the book value of the intangible assets with indefinite useful life amounted to EUR 36.9 (31 Dec 2021: 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.

	Owned assets				Right-of-use assets		
2022 MEUR	Land and buildings	Machinery and equipment	Equipment leased to others	Others*	Land and buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	187.4	277.6	186.3	6.1	191.5	63.5	912.4
Translation differences	-0.8	-0.7	-2.3	0.0	-1.3	0.7	-4.3
Additions	2.7	13.1	32.3	13.2	32.8	14.7	108.9
Disposals	-7.8	-21.8	-23.6	-0.6	-4.4	-10.6	-68.8
Reclassifications	3.3	-5.0	13.8	-10.3	-1.7	-1.3	-1.2
Companies acquired and sold	-	0.0	-	-0.1	0.0	0.0	-0.2
Acquisition cost 31 Dec	**184.8**	**263.2**	**206.6**	**8.3**	**216.8**	**67.0**	**946.8**
Accumulated depreciation and impairment 1 Jan	-94.4	-221.6	-70.7	0.0	-82.2	-34.1	-502.9
Translation differences	0.4	0.6	1.0	0.0	1.0	0.0	3.0
Depreciation during the financial period	-5.8	-19.4	-24.9	-	-27.9	-15.3	-93.3
Impairment charges	1.8	-	-	-	-1.3	-	0.5
Disposals	6.5	17.3	11.0	-	4.8	9.9	49.5
Reclassifications	0.0	11.9	1.5	-	1.8	1.1	16.3
Companies acquired and sold	-	0.0	-	-	0.0	0.0	0.0
Accumulated depreciation and impairment 31 Dec	**-91.5**	**-211.2**	**-82.0**	**0.0**	**-103.7**	**-38.4**	**-526.8**
Book value 31 Dec	**93.4**	**52.1**	**124.5**	**8.3**	**113.1**	**28.6**	**420.0**

* Includes EUR 8.3 million of assets under construction.

	Owned assets				Right-of-use assets		
2021 MEUR	Land and buildings	Machinery and equipment	Equipment leased to others	Others*	Land and buildings	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.
** 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 related to goodwill is recognised in the statement of income when the carrying amount of the CGU exceeds its recoverable amount. Impairment loss is first allocated to goodwill and then to other assets on a pro rata basis. Impairment losses recognised for goodwill cannot be subsequently reversed.

An impairment loss related to other assets 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.

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 2022	1 Jan–31 Dec 2021
Cost of goods sold	67.3	64.0
Sales and marketing	13.2	14.6
Research and development	9.4	10.1
Administration	25.3	24.2
Restructuring	25.0	2.8
Other*	63.7	1.7
Total	**203.9**	**117.4**

* Includes EUR 63.4 million impairment of MacGregor's goodwill in 2022.

Depreciation, amortisation and impairment charges by asset type are disclosed in notes 6.1, Goodwill, 6.2, 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 shareholders 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. 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.

If the Group loses control over a subsidiary, the related assets (including goodwill), liabilities, non-controlling interest and other components of equity are derecognised and any resulting gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

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.

7.1 Acquisitions and disposals of businesses

Accounting principle

Acquisitions and disposals of businesses

The acquisition method of accounting is used to account for all business combinations in which Cargotec obtains control of the acquired business regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business 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 a 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. Businesses acquired during the financial period are included in the consolidated financial statements from the date the control is obtained, and divested businesses until the date the control is lost. When control is lost, all assets and liabilities related to the disposed business are derecognised. Additionally, if relevant, the related hedging result recognised in other comprehensive income and translation differences accumulated in equity are reclassified to the statement of income on disposal.

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.

Estimates and assumptions requiring management judgement

Acquisitions of businesses

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognised as goodwill. The measurement of fair value of the acquired net assets is based on market values of similar assets (property, plant and equipment), and valuation techniques based on 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, estimates and assumptions. Management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values.

Disposals in the year 2022

In January, Hiab sold its Ukrainian subsidiary Cargotec Ukraine LLC to the company's executive management. The company has mainly sold Hiab equipment to the Ukrainian market. The transaction had no material effect on the reported figures.

Acquisitions in the year 2021

In September, Hiab acquired the share capital of Galfab LLC in the United States at a purchase price of EUR 2.3 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. In determining fair values, EUR 3.5 million of intangible assets, and EUR 8.8 million of goodwill, which are tax-deductible, were identified. As a result of the acquisition, approximately 100 employees transferred to Hiab.

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	5.5
Property, plant and equipment	2.1
Inventories	9.5
Accounts receivable and other non-interest-bearing assets	3.6
Deferred tax assets	0.2
Accounts payable and other non-interest-bearing liabilities	-5.2
Interest-bearing liabilities	-18.9
Deferred tax liabilities	-0.2
Net assets	**-3.4**
Purchase price, payable in cash	7.2
Total consideration	**7.2**
Goodwill	**10.6**
Purchase price, paid in cash	7.3
Cash and cash equivalents acquired, including overdrafts	-0.1
Cash flow impact	**7.4**

The contribution of Galfab, Damen and FNS to Hiab's sales in 2021 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 the year 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 fulfilment 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 the year 2021

On July 1, 2021, Cargotec sold its Navis business, part of Kalmar segment, 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 230,7 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 assets	-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
Cash and cash equivalents sold, including overdrafts	-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.

7.2 Joint ventures and associated companies

Accounting principle

Joint ventures and associated companies

Joint ventures are joint arrangements in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement based on the ownership interest held. Associated companies are entities over which Cargotec has significant influence based on right to participate in the financial and operating policy decision-making but over which Cargotec has no control or joint control. Investments in joint ventures and associated companies 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. Any change in other comprehensive income of those investees is presented as part of the Cargotec's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, Cargotec recognises its share of any changes, when applicable, in the statement of changes in equity.

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.

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.

Estimates and assumptions requiring management judgement

Assessment of joint control and significant influence

Cargotec applies judgement in determining an appropriate method to account for its ownership in the investees. 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 more than 20 percent. Accounting for the investment as an associated company is based on Cargotec's significant influence in the investee. Where indicators for shared control, or significant influence are not unambiguous, management applies judgement in determining the appropriate consolidation method.

	Joint ventures		Associated companies		Total	
MEUR	2022	2021	2022	2021	2022	2021
Book value 1 Jan	38.0	25.2	35.7	31.5	73.7	56.7
Translation differences	-0.1	1.4	-1.8	-1.3	-1.9	0.1
Share of net income	0.7	0.7	6.3	6.3	7.0	7.0
Share of other comprehensive income	-	-	-0.8	-0.3	-0.8	-0.3
Impairment	-4.0	0.0	-	-0.5	-4.0	-0.5
Dividend income	-0.2	-5.0	-	-	-0.2	-5.0
Additions	1.0	15.7	-	-	1.0	15.7
Book value 31 Dec	**35.3**	**38.0**	**39.3**	**35.7**	**74.6**	**73.7**

Equity-accounted investments in other entities

31 Dec 2022 MEUR	Country*	Classification	Assets	Liabilities	Sales	Profit for the period	Shareholding (%) Parent company	Group
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	6.8	0.9	9.3	1.2	-	25.0
CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd	China	Joint venture	2.1	1.6	2.1	0.1	-	49.0
CSSC MacGregor Marine Equipment Co., Ltd.	China	Joint venture	39.0	34.1	23.7	0.0	-	50.0
TTS SCM Marine and Offshore Machinery Co., Ltd.	China	Joint venture	26.4	20.2	16.0	0.9	-	50.0
Bruks Siwertell Group AB	Sweden	Associated company	153.0	69.7	186.2	13.4	-	47.2
Other equity-accounted investments			4.0	1.4	5.6	-0.3		

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

31 Dec 2021 MEUR	Country*	Classification	Assets	Liabilities	Sales	Profit for the period	Shareholding (%) Parent company	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	-	-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.

Changes in joint ventures and associated companies in 2022

In March, MacGregor restructured its holdings in Cyprus by selling its 30% ownership in the associated company J.L. Jumbo Logistics Limited, and by increasing its ownership in the subsidiary Hatlapa (Eastmed) Limited to 100% by acquiring 30% of the share capital. In total, transactions resulted in a net cash outflow of EUR 0.7 million.

Additionally, MacGregor is finalising changes to its two Chinese joint ventures, which it acquired as part of the acquisition of TTS and that are jointly owned with China State Shipbuilding Corporation (CSSC).

Regarding TTS Hua Hai Ships Equipment (Shanghai) Co., Ltd. (THH), MacGregor is selling its share of ownership to CSSC. The sales contract has been signed and the deal is awaiting for authority approval. The transaction is expected to be closed during the first quarter of 2023. With the transaction, THH will cease manufacturing and selling hatch covers in China under the TTS brand. MacGregor has recognised an impairment of EUR 2.0 million in the value of its holding, and reimbursement of EUR 2.4 million from the use of the TTS brand during the year 2022, which have been included in other items affecting comparability. The balance sheet value of the holding in the joint venture was EUR 6.5 (31.12.2021: 9.0) million on the reporting date and the sale of ownership is not expected to have a material impact on profit or loss. The consolidation of THH using the equity method has ended in 2022.

Regarding TTS Bohai Machinery (Dalian) Co., Ltd. (TBH), MacGregor and CSSC have transferred the business of the joint venture to CSSC MacGregor Marine Equipment Co., Ltd. (CMME), a joint venture established in 2021. With the transfer, the liquidation process of TBH is underway. In June, MacGregor recorded an impairment of EUR 2.0 million in the value of its holding, which has been included in other items affecting comparability. Additionally, EUR 0.5 million of intangible assets and EUR 3.4 million of goodwill included in the carrying value of TBH were transferred to the carrying value of CMME. The balance sheet value of the holding in the joint venture was EUR 4.3 (31.12.2021: 10.2) million on the reporting date and liquidation of the company is not expected to have a material impact on profit or loss. The consolidation of TBH using the equity method has ended in 2022.

Hiab continued its preparations for the closure of the joint venture Sinotruk Hiab (Shandong) Equipment Co., Ltd. During the first quarter of 2022, Hiab repaid the loan of EUR 2.8 million it had guaranteed for the joint venture, which had a cost impact of EUR 1.4 million.

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, the parties to the Sinotruk Hiab (Shandong) Equipment Co., Ltd. joint venture have decided to close down the company. 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 end of year 2021.

Summarised financial information about material joint ventures and associated companies

Summarised balance sheets at 31 Dec	CSSC MacGregor Marine Equipment Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2022	2021	2022	2021
Non-current assets	7.6	7.9	60.1	65.8
Cash and cash equivalents	12.8	6.3	18.9	23.7
Other current assets	18.6	1.6	74.0	59.8
Total assets	**39.0**	**15.9**	**153.0**	**149.2**
Non-current financial liabilities	-	-	2.9	14.1
Other non-current liabilities	0.8	0.1	16.7	16.8
Current financial liabilities	33.3	13.6	5.4	-
Other current liabilities*	-	-	44.7	42.6
Total liabilities	**34.1**	**13.7**	**69.7**	**73.5**
Net assets	4.9	2.2	83.3	75.7

* Accounts payable are included in other current liabilities.

Summarised statements of income	CSSC MacGregor Marine Equipment Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2022	2021	2022	2021
Sales	23.7	-	186.2	169.4
Depreciation, amortisation and impairments	0.4	0.3	2.7	-2.7
Finance income	-	0.2	1.2	1.7
Finance expenses	-0.4	-	-1.3	-1.0
Profit before taxes	0.0	-1.9	17.2	16.8
Income taxes	0.0	-	-3.9	-3.3
Profit for the period	**0.0**	**-1.9**	**13.4**	**13.5**
Other comprehensive income	-	-	-1.8	-0.5
Comprehensive income for the period	**0.0**	**-1.9**	**11.5**	**12.9**
Dividends received	-	-	-	-

Reconciliation of summarised information

	CSSC MacGregor Marine Equipment Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2022	2021	2022	2021
Net assets 1 Jan	2.2	-	75.7	64.5
Profit for the period	0.0	-1.9	13.4	13.5
Other comprehensive income for the period	-	-	-1.8	-0.5
Additions/disposals	2.8	3.9	-	0.1
Dividends	-	-	0.0	0.0
Translation differences	-0.2	0.1	-3.9	-1.8
Net assets 31 Dec	**4.9**	**2.2**	**83.3**	**75.7**
Cargotec's share of net assets	2.4	1.1	39.3	35.7
Goodwill	17.9	13.9	0.0	0.0
Book value 31 Dec	**20.3**	**14.9**	**39.3**	**35.7**

7.3 Subsidiaries

31 Dec 2022	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Advanced Australia Pty Ltd	Australia		100
Cargotec Australia Pty Ltd	Australia		100
Inver Port Services Pty. Ltd.	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
MacGregor Australia Pty Ltd	Australia		100
Hiab Austria GmbH	Austria		100
Kalmar Austria GmbH	Austria		100
Cargotec Belgium NV	Belgium	100	100
MacGregor Belgium NV	Belgium		100
Cargotec Brazil Servicos e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
Hiab Brasil Guindastes e Servicos Ltda	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Cargotec Bulgaria EOOD	Bulgaria		100
Waltco Lift Inc.	Canada		100
Kalmar Chile S.A.	Chile		100
Cargotec (Shanghai) Trading Company Limited	China		100
Cargotec Asia Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
China Crane Investment Holdings Limited	China		100
Kalmar Port Machinery (Shenzhen) Co., 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
HATLAPA (Eastmed) Limited	Cyprus		100
HATLAPA Filtration Technology (HFT) Ltd.	Cyprus		73

31 Dec 2022	Country	Shareholding (%) Parent company	Shareholding (%) Group
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 Advanced Finland Oy	Finland		100
Cargotec Finland Oy	Finland		100
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Solutions Oy	Finland	100	100
MacGregor Finland Oy	Finland		100
Hiab France SAS	France	100	100
Kalmar France SAS	France		100
MacGregor France S.A.S.	France		100
Cargotec Advanced Germany GmbH	Germany		100
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
Hiab Germany GmbH	Germany		100
Kalmar Germany GmbH	Germany		100
MacGregor Germany GmbH et Co. KG	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 Advanced Ireland Limited	Ireland		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 2022	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 Advanced Netherlands B.V.	Netherlands		100
Cargotec Holding Netherlands B.V.	Netherlands	100	100
Hiab Benelux B.V.	Netherlands		100
Kalmar Netherlands B.V.	Netherlands		100
MacGregor Netherlands B.V.	Netherlands		100
MacGregor Netherlands Holding B.V.	Netherlands		100
Kalmar New Zealand Ltd	New Zealand		100
Hiab Norway AS	Norway		100
Kalmar Norway AS	Norway	100	100
MacGregor Norway AS	Norway	100	100
Cargotec Panama, S.A.	Panama		100
Cargotec Services Panama, S.A.	Panama		100
Cargotec Advanced Poland Sp. z o.o.	Poland		100
Cargotec Poland Sp. z.o.o.	Poland		100
MacGregor 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
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100

31 Dec 2022	Country	Shareholding (%) Parent company	Shareholding (%) Group
Tagros d.o.o.	Slovenia	100	100
Cargotec Advanced South Africa (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Korea Limited	South Korea		100
MacGregor Korea Co., Ltd.	South Korea		100
Hiab Cranes, S.L. Unipersonal	Spain		100
Hiab Iberia, S.L. Unipersonal	Spain		100
Kalmar Spain Cargo Handling Solutions S.A.	Spain		100
Cargotec Sweden AB	Sweden	100	100
Hiab AB	Sweden		100
Koffert Sverige AB	Sweden		100
MacGregor Sweden AB	Sweden		100
TTS Marine AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Kalmar Turkey Yuk Tasima Sistemleri Anonim Şirketi	Turkey		100
Bromma Middle East DMCC	United Arab Emirates		100
Kalmar Middle East DMCC	United Arab Emirates		100
MacGregor (ARE) Gulf LLC	United Arab Emirates		49*
MacGregor (ARE) LLC	United Arab Emirates		49*
TTS Marine Services LLC	United Arab Emirates		49*
Cargotec Advanced UK Limited	United Kingdom		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
Rapp Marine UK Ltd	United Kingdom		100
Cargotec Crane and Electrical Services Inc.	USA		100

31 Dec 2022	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Holding, Inc.	USA	100	100
Cargotec International, Inc.	USA		100
Galfab LLC	USA		100
Hiab USA Inc.	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Inc.	USA		100
MacGregor USA 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

Accounting principle

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.

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 in the year 2021

2021 MEUR	Note	1 Jan	Changes in the classifi-cation during the year	Sold during the year	31 Dec
ASSETS					
Non-current assets					
Goodwill	6.1	73.6	6.8	-80.4	-
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 classifi-cation 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	-
Contract liabilities	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

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, Swedish Krona and Chinese yuan.

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 2022 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-65.5	89.9	-24.8	32.4	-10.5	-6.8	-6.5
Hedges	386.6	-676.7	100.3	22.6	64.0	127.5	-33.5
Balance sheet exposure	**321.1**	**-586.8**	**75.5**	**55.0**	**53.5**	**120.7**	**-40.0**
Order book and purchases	-278.4	599.8	-70.8	-96.3	-61.4	-122.2	35.6
Net exposure	**42.7**	**13.0**	**4.7**	**-41.3**	**-7.9**	**-1.5**	**-4.3**

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**

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 profit before taxes and on other comprehensive income through sensitivity analysis. Sensitivity analysis assumes that cash is held at subsidiaries functional currency.

	Profit before taxes		Other comprehensive income	
MEUR	2022	2021	2022	2021
USD appreciates 10% against the euro	-1.8	-1.3	-32.5	-18.3
SEK appreciates 10% against the euro	3.9	2.8	-3.1	-1.5
USD depreciates 10% against the euro	1.8	1.3	32.5	18.3
SEK depreciates 10% against the euro	-3.9	-2.8	3.1	1.5

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 2022 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	254.2	175.1	228.9	146.3	214.2
Translation risk	**254.2**	**175.1**	**228.9**	**146.3**	**214.2**

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**

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 2022, Cargotec's consolidated interest-bearing debt totalled EUR 837.5 (31 Dec 2021: EUR 919.5) million, of which EUR 348.9 (348.5) million were fixed rate corporate bonds, and EUR 164.6 (163.0) million were lease liabilities. The rest, EUR 324.0 (408.0) million, consisted of fixed and floating rate loans, short term loans, bank overdrafts and other interest-bearing liabilities. On 31 December 2022, the average interest duration of interest-bearing debt excluding lease liabilities, was 19 (24) months.

The EUR 459.2 (31 Dec 2021: 505.0) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 7.0 (14.7) million and finance lease receivables EUR 0.3 (1.5) million. The average interest duration of the interest bearing assets was less than one month (less than one month).

Based on the sensitivity analysis, a one percentage point increase/decrease in the interest rates would have decreased/ increased net interest cost by EUR 0.6 (31 Dec 2021: decreased/ increased by 0.5) 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 7.9 (31 Dec 2021: increased/decreased by EUR 4.5) 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 2022 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	457.9	1.3	-	-	-	459.2
Non-current loans from financial institutions	-249.8	-	-	-25.0	-	-274.8
Corporate bonds	-	-	-99.9	-99.8	-149.3	-348.9
Lease liabilities	-18.7	-18.7	-29.5	-21.6	-76.2	-164.6
Current interest-bearing liabilities and other interest-bearing liabilities**	-11.7	-37.5	-	-	-	-49.2
Net	**177.6**	**-54.8**	**-129.3**	**-146.3**	**-225.5**	**-378.3**

* Including cash and cash equivalents
** Including bank overdrafts

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	**128.4**	**-17.4**	**-65.1**	**-121.8**	**-338.6**	**-414.5**

* Including cash and cash equivalents
** Including bank overdrafts

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. 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 or 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 2022, the liquidity reserves, including cash and cash equivalents and long-term undrawn credit facilities, totalled EUR 781.9 (31 Dec 2021: 788.8) 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 2022, repayments of short- and long-term interest-bearing liabilities due within the following 12 months totalled EUR 86.6 (43.4) million, of which EUR 37.4 (34.8) million are lease liabilities.

On 31 December 2022, Cargotec held undrawn EUR 330.0 (31 Dec 2021: 300.0) million long-term revolving credit facility, which will mature in December 2027 and it includes two one-year extension options. 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 95.5 (111.1) million and a EUR 150.0 (150.0) million domestic Commercial Paper facility which on 31 December 2022 was unused (unused). Cargotec's total liquidity position includes EUR 94.3 (107.0) million of cash and cash equivalents in different currencies subject to currency-related or other regulatory restrictions, and, therefore, these balances may not be 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 2022	31 Dec 2021
Cash and cash equivalents	451.9	488.8
Committed long-term undrawn revolving credit facilities	330.0	300.0
Repayments of interest-bearing liabilities during next 12 months	-86.6	-43.4
Total liquidity	**695.3**	**745.4**

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. According to management assessment, Cargotec is in a good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

The following tables represent the maturity analysis of the company's financial liabilities and derivatives. The figures are non-discounted contractual cash flows.

Maturities of financial liabilities

31 Dec 2022 MEUR	2023	2024	2025	2026	2027	Later	Total
Derivatives							
Currency forward contracts, outflow	-4,304.5	-	-	-	-	-	-4,304.5
Currency forward contracts, inflow	4,335.0	-	-	-	-	-	4,335.0
Derivatives, net	**30.5**	**-**	**-**	**-**	**-**	**-**	**30.5**
Interest-bearing liabilities							
Repayments of loans from financial institutions and other interest bearing liabilities	-49.2	-149.9	-74.9	-49.9	-	-	-324.0
Repayments of corporate bonds	-	-99.9	-99.8	-149.3	-	-	-348.9
Repayments of lease liabilities	-37.4	-29.5	-21.6	-14.9	-11.3	-50.0	-164.6
Total interest charges	-20.9	-14.4	-9.7	-6.7	-3.0	-9.0	-63.6
Accounts payable and other non-interest bearing liabilities	-623.2	-28.5	-17.7	-10.9	-10.3	-7.4	-698.0
Total	**-700.2**	**-322.2**	**-223.6**	**-231.7**	**-24.5**	**-66.4**	**-1,568.6**

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 and other interest bearing liabilities	-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	**-581.0**	**-187.9**	**-294.7**	**-218.3**	**-224.4**	**-59.4**	**-1,565.7**

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 assets.

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 2022 including credit risk related to both on-balance sheet and off-balance sheet items amounted to EUR 1,421.6 (1,370.8) million. From the total exposure, EUR 34.6 (17.8) million relates to financial assets measured at fair value through profit or loss.

Credit risk position

31 Dec 2022		Credit risk			
MEUR	Note	Low	Increased	High	Total
On-balance sheet credit risk from customer contracts					
Accounts receivable	5.3	694.9	30.5	9.3	734.7
Contract assets	5.3	104.0	-	-	104.0
Total		**798.8**	**30.5**	**9.3**	**838.7**
On-balance sheet credit risk from other financial assets					
Loans receivable and other interest-bearing assets	8.2	7.0	0.3	-	7.3
Derivative assets (risk after ISDA netting)	8.5	32.1	-	-	32.1
Equity warrants	8.5	1.1	-	-	1.1
Other non-interest-bearing assets	5.3	9.8	-	-	9.8
Cash and cash equivalents	8.3	443.4	-	8.4	451.9
Total		**493.4**	**0.3**	**8.4**	**502.2**
Off-balance sheet credit risk from contracts with customers					
Customer financing	9.2	10.0	-	-	10.0
Operating lease receivables	9.1	70.8	-	-	70.8
Total		**80.8**	**-**	**-**	**80.8**
Total credit risk exposure		**1,373.0**	**30.9**	**17.7**	**1,421.6**

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
Contract assets	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 assets	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		**1,322.9**	**26.2**	**21.7**	**1,370.8**

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 2.7 (2.4) million of which EUR 3.4 (3.0) million relates to credit losses from customer receivables disclosed in note 5.3, Accounts receivable and other non-interest-bearing assets and EUR -0.7 (-0.7) million of reversals of earlier impairment losses related to loan receivables.

Cargotec holds no significant amounts of external loan receivables except for the EUR 5.4 (31 Dec 2021: 12.4) 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 32.1 (31 Dec 2021: 5.5) million for Cargotec and none (EUR 1.5 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.

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 2022	31 Dec 2021
Interest-bearing liabilities	837.5	919.5
Lease liabilities included in interest-bearing liabilities	164.6	163.0
Loans receivable and other interest-bearing assets	-7.3	-16.2
Cash and cash equivalents	-451.9	-488.8
Interest-bearing net debt	**378.3**	**414.5**
Equity	1,528.3	1,547.0
Gearing	**24.8%**	**26.8%**

MEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Operating profit	106.1	355.7
Depreciation, amortisation and impairment	203.9	117.4
EBITDA	**310.1**	**473.1**
Interest-bearing net debt / EBITDA	**1.2**	**0.9**

8.2 Financial instruments by measurement category

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.

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.

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 assets.

31 Dec 2022 MEUR	Note	Measured at cost or amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total
Share investments		-	-	0.0	0.0
Loans receivable and other interest-bearing assets		6.0	-	1.3	7.3
Derivative assets	8.5	-	17.7	22.9	40.6
Accounts receivable and other non-interest-bearing assets	5.3	848.4	-	-	848.4
Cash and cash equivalents	8.3	451.9	-	-	451.9
Total financial assets		**1,306.3**	**17.7**	**24.3**	**1,348.3**
Interest-bearing liabilities	8.4	837.5	-	-	837.5
Derivative liabilities	8.5	-	0.2	7.2	7.4
Accounts payable and other non-interest-bearing liabilities	5.4	698.0	-	-	698.0
Total financial liabilities		**1,535.6**	**0.2**	**7.2**	**1,543.0**

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 assets	5.3	754.4	-	10.1	764.5
Cash and cash equivalents	8.3	488.8	-	-	488.8
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		**1,512.2**	**2.1**	**4.8**	**1,519.0**

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. Comparison figure includes also 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. Comparison figure also includes an equity investment in Jiangsu Rainbow Heavy Industries Co., Ltd (RHI), which was separately classified in this category and was sold in 2022. Fair value changes related to derivatives for which hedge accounting is applied are accumulated in other comprehensive income during hedge accounting and recycled to statement of income when hedge accounting related to sales transaction ceases, and to value of inventory when hedge accounting related to purchase transaction ceases. The recurring measurement of derivative instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables based on which these measurements are categorised in the fair value hierarchy as level 2 fair values.The fair values of other instruments measured at fair value through profit or loss are partly based on non-market 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 5.4 (31 Dec 2021: 12.4) 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 does not include any credit loss-related write-downs (31 Dec 2021: 0.1 million).

8.3 Cash and cash equivalents

Accounting principle

Cash and cash equivalents

Cash and cash equivalents include cash balances, short-term bank deposits and other short-term liquid investments with original 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.

MEUR	31 Dec 2022	31 Dec 2021
Cash at bank and on hand	423.0	464.4
Short-term deposits	28.9	24.4
Cash and cash equivalents in total	**451.9**	**488.8**

Cash and cash equivalents include a total of EUR 94.3 (2021: 107.0) million worth of cash and cash equivalents in different countries and currencies, which are subject to transfer restrictions but can be used in local business, or transferred with a delay excluding cash and cash equivalents worth EUR 8.4 million in rubles in Russia. More information about Cargotec's risks related to Russia is presented in note 2.7 Prevailing financial uncertainty.

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2022	31 Dec 2021
Cash and cash equivalents	451.9	488.8
Bank overdrafts used	-6.5	-0.6
Cash and cash equivalents in the statement of cash flows	**445.4**	**488.2**

8.4 Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	Note	31 Dec 2022	31 Dec 2021
Non-current			
Loans from financial institutions		249.8	249.7
Schuldschein loans		25.0	149.8
Corporate bonds		348.9	348.5
Lease liabilities	9.1	127.2	128.1
Total		**750.9**	**876.1**
Current			
Loans from financial institutions		-	1.1
Schuldschein loans		37.5	-
Lease liabilities	9.1	37.4	34.8
Other interest-bearing liabilities		5.2	6.8
Bank overdrafts used		6.5	0.6
Total		**86.6**	**43.4**
Total interest-bearing liabilities		**837.5**	**919.5**

On 31 December 2022, the average interest rate of long-term liabilities was 2.6 (31 Dec 2021: 1.7) percent. The average interest rate of short-term liabilities was 3.6 (3.9) percent.

The fair values of corporate bonds and other fixed interest rate loans, 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 and other fixed interest rate loans

			Fair value, MEUR		Book value, MEUR	
Loan period	Coupon rate, %	Nominal value	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
2018–2023	*	37.5 MEUR	36.7	38.2	37.5	37.5
2017–2024	Fixed 2.38	100.0 MEUR	97.4	103.4	99.9	99.8
2018–2025	*	25.0 MEUR	23.2	25.9	25.0	25.0
2019–2025	Fixed 1.25	100.0 MEUR	92.5	100.5	99.8	99.6
2019–2026	Fixed 1.63	150.0 MEUR	130.9	151.7	149.3	149.1

* Interest terms are considered confidential information between the contractual parties

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 2022		748.0	170.9	0.6	919.5
Cash flows		-87.5	-46.4	6.0	-127.9
New and changed lease agreements		-	44.7	-	44.7
Translation differences		-	0.7	-0.1	0.6
Effective yield adjustment		0.7	-	-	0.7
Total interest-bearing liabilities, 31 Dec 2022		**661.1**	**169.9**	**6.5**	**837.5**

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 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
Total interest-bearing liabilities, 31 Dec 2021		**748.0**	**170.9**	**0.6**	**919.5**

8.5 Derivatives

Accounting principle

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.

31 Dec 2022 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Equity warrants	0.0	1.1	-	1.1
Total	**0.0**	**1.1**	**-**	**1.1**
Current				
Currency forwards, cash flow hedge accounting	2,687.6	17.7	0.2	17.5
Currency forwards, other	1,617.8	21.8	7.2	14.6
Total	**4,305.3**	**39.5**	**7.4**	**32.1**
Total derivatives	**4,305.3**	**40.6**	**7.4**	**33.2**

31 Dec 2021 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
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**

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

Accounting principle

Profit distribution
Profit distribution includes dividends and donations decided by the Shareholders' Meeting. The distribution of profits proposed by the Board of Directors is recognised as a liability and a deduction of equity once the distribution is 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.

Total equity consists of share capital, share premium, translation differences, fair value reserves, reserve for invested unrestricted equity, retained earnings and non-controlling interest. Share premium 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 unrestricted equity includes transactions with treasury shares and share subscriptions with stock options. Retained earnings include profit 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 2022	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2022	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2022	-	-224,840	-224,840
Number of shares outstanding 31 Dec 2022	**9,526,089**	**54,957,239**	**64,483,328**
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**

Dividend distribution

After 31 December 2022, the following dividends were proposed by the Board of Directors to be paid: EUR 1.34 per each class A share and EUR 1.35 per outstanding class B share, a total of EUR 86,957,231.91.

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 judgement, 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 8.7 (31 December 2021: 8.8) 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 2.5 (31 December 2021: 2.7) 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 5.4 (31 December 2021: 4.1) percent.

Cargotec as lessee

MEUR	Note	31 Dec 2022	31 Dec 2021
Off-balance sheet leases			
Lease payments related to off-balance sheet leases			
Less than one year		5.7	3.0
One to two years		0.2	0.0
Two to three years		0.2	0.0
Three to four years		0.0	0.0
Four to five years		0.0	-
Over five years		-	-
Total		**6.1**	**3.1**
Off-balance sheet lease commitments on reporting date			
Lease payments related to short-term leases		3.1	1.4
Lease payments related to low-value leases		3.0	1.7
Total		**6.1**	**3.1**
On-balance sheet leases			
Lease payments related to on-balance sheet leases			
Less than one year		44.3	40.3
One to two years		34.9	33.3
Two to three years		25.9	25.6
Three to four years		18.4	19.5
Four to five years		14.3	13.0
Over five years		59.0	54.8
Total		**196.7**	**186.5**
Present value of lease payments related to on-balance sheet leases	8.4		
Less than one year		37.4	34.8
One to two years		29.5	28.8
Two to three years		21.6	22.0
Three to four years		14.9	16.5
Four to five years		11.3	10.8
Over five years		50.0	50.0
Total		**164.6**	**163.0**
Future interest expense related to on-balance sheet leases		32.1	23.6

MEUR	Note	31 Dec 2022	31 Dec 2021
Right-of-use assets	6.3		
Land and buildings		113.1	109.3
Machinery and equipment		28.6	29.5
Total		**141.8**	**138.8**
Leases in the statement of income			
Depreciation related to right-of-use assets	6.3	43.3	37.2
Interest expense on lease liabilities	2.5	7.3	7.0
Early termination gain (-) / loss (+)		-0.4	-0.4
Impairment related to right-of-use assets	6.3	1.3	4.6
Rent expense from off-balance sheet leases:		9.8	7.6
Portion related to short-term leases		6.1	4.3
Portion related to low-value leases		3.6	3.3
Total		**61.2**	**56.0**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		9.8	7.6
Lease payments related to on-balance sheet leases		50.4	47.6
Total		**60.2**	**55.2**

Cargotec as lessor

MEUR	Note	31 Dec 2022	31 Dec 2021
Off-balance sheet leases			
Operating lease receivables			
Less than one year		28.0	29.2
One to two years		14.9	19.2
Two to three years		20.1	23.8
Three to four years		4.6	6.1
Four to five years		2.3	2.2
Over five years		0.9	0.6
Total		**70.8**	**81.2**
Property, plant and equipment related to off-balance sheet leases			
Land and buildings		2.0	3.2
Machinery and equipment	6.3	124.5	115.6
Total		**126.5**	**118.8**
On-balance sheet leases			
Finance lease receivables			
Less than one year		0.2	0.6
One to two years		0.1	0.4
Two to three years		0.0	0.3
Three to four years		-	0.3
Four to five years		-	0.1
Over five years		-	-
Total		**0.3**	**1.6**

MEUR	Note	31 Dec 2022	31 Dec 2021
Present value of finance lease receivables			
Less than one year		0.2	0.5
One to two years		0.1	0.3
Two to three years		0.0	0.3
Three to four years		-	0.3
Four to five years		-	0.1
Over five years		-	-
Total		**0.3**	**1.5**
Future interest income related to finance lease receivables		0.0	0.1
Finance lease receivables			
Land and buildings		0.1	1.3
Machinery and equipment		0.2	0.2
Total		**0.3**	**1.5**
Leases in the statement of income			
Rent income related to operating leases		34.0	34.7
Selling profit or loss related to finance leases		1.7	2.2
Interest income related to finance leases		0.1	0.1
Total		**35.7**	**37.0**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		39.5	30.9
Lease payments related to on-balance sheet leases		0.4	1.6
Total		**39.8**	**32.5**

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 31.6 (2021: 32.3) million and rental income recognised in other operating income from operating leases was EUR 2.4 (2.4) million.

9.2 Contingent liabilities and commitments

Accounting principle

Contingent liabilities and commitments
Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of Cargotec. Contingent liabilities also include obligations that are not recognised because their values cannot be measured reliably or because their settlement is not probable. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless the possibility of an outflow of economic resources is remote. When an outflow of economic resources becomes probable and can be reliably measured, a liability is recognised in the statement of financial position.

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of Newco. Contingent assets are not recognised in the statement of financial position but are disclosed when it is more likely than not that an inflow of benefits will occur. However, when the inflow of benefits is virtually certain an asset is recognised in the statement of financial position.

Commitments relate to agreements or pledges to assume a financial obligation at a future date, or present obligations not recognised in the statement of financial position.

MEUR	31 Dec 2022	31 Dec 2021
Guarantees given on behalf of joint ventures and associated companies	-	2.9
Customer financing	10.0	13.6
Off-balance sheet leases	6.1	3.1
Other contingent liabilities	1.1	2.5
Total	**17.2**	**22.1**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 31 December 2022 was EUR 471.0 (31 Dec 2021: 420.0) million.

Contingent liabilities are related to guarantees given by Cargotec in the ordinary course of business for the delivery of products and services. Guarantees are provided in different ways including direct guarantees, bank guarantees, and performance bonds. Various Group entities are parties to legal actions and claims which arise in the ordinary course of business. While the outcome of some of these matters cannot precisely be foreseen, they are not expected to result in a significant loss to the Group.

Commitments related to joint ventures and associated companies include committed capital investments and other funding.

Commitments related to leases include commitments related to off-balance sheet leases and on-balance sheet leases not yet commenced, and residual value risk related to equipment sold under customer finance arrangements and accounted for as leases.

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 2022 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	-	5.6	5.6
Purchase of products and services	0.0	5.1	5.0
Dividends received	-	0.2	0.2

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
Dividends received	-	5.0	5.0

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

Balances with associated companies and joint ventures

1 Jan–31 Dec 2022 MEUR	Associated companies	Joint ventures	Total
Loans receivable	5.4	-	5.4
Accounts receivable	0.0	0.2	0.2
Accounts payable	0.0	2.0	2.0

1 Jan–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

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 October 1, 2020, the Boards of Directors of Cargotec and Konecranes Plc signed a merger agreement and a merger plan to merge the companies, which was approved at the Extraordinary General Meetings of both companies held in December 2020. The merger required the approval of competition authorities in a number of countries. In July 2021, the European Commission and the UK Competition and Market Authority announced that they had begun considering the authorisation of the second phase of the proposed arrangement. In August 2021, the Chinese Market Authority approved the merger plan. In December 2021, Cargotec and Konecranes presented a remedy package to the European Commission, including a commitment to divest Konecranes' Lift Truck business and Cargotec's Kalmar Automation Solutions unit. In February 2022, the European Commission approved the proposed package of measures and gave its conditional approval to the merger. In contrast, in March 2022, the UK Competition and Market Authority issued a negative decision on the merger, which led the companies to cancel the merger plan.

By the end of December 2022, Cargotec had recognised EUR 67 million in merger-related expenses, of which EUR 10 million have been recognised in 2022. Cargotec estimates that the costs associated with the merger will no longer increase.

9.5 Events after the reporting period

In December 2022, Hiab entered into an agreement to acquire the family-owned Swedish industrial group Olsbergs. Olsbergs is the technological leader in the design and manufacture of hydraulic valves and remote control systems. Its solutions are used to manoeuvre Hiab's truck mounted loader cranes and forestry cranes. The closing of the transaction took place on 1 January 2023. As a result of the acquisition, approximately 100 employees transferred to Hiab. The transaction has no material impact on Cargotec's financial information.

KEY FIGURES

Key financial figures

Consolidated statement of income		2022	2021	2020	2019	2018
Sales	MEUR	4,089	3,315	3,263	3,683	3,304
Sales to outside of Finland	MEUR	4,021	3,244	3,184	3,607	3,229
Operating profit	MEUR	106	356	70	180	190
% of sales	%	2.6%	10.7%	2.2%	4.9%	5.8%
Comparable operating profit[1]	MEUR	332	232	227	264	242
% of sales[1]	%	8.1%	7.0%	6.9%	7.2%	7.3%
Profit before taxes	MEUR	79	333	34	146	161
% of sales	%	1.9%	10.0%	1.1%	4.0%	4.9%
Profit for the period	MEUR	23	247	8	89	108
% of sales	%	0.6%	7.4%	0.2%	2.4%	3.3%
Depreciation, amortisation and impairment	MEUR	204	117	144	134	77
Wages and salaries	MEUR	608	611	617	629	567

[1] Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021. 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		2022	2021	2020	2019	2018
Equity	MEUR	1,528	1,547	1,301	1,427	1,429
Total assets	MEUR	4,189	4,027	3,888	4,227	3,684
Interest-bearing net debt	MEUR	378	414	682	774	625
Net working capital	MEUR	286	184	103	158	271
Capital expenditure in intangible assets and property, plant and equipment	MEUR	81	64	59	61	46
Capital expenditure in customer financing	MEUR	32	16	26	39	34
Capital expenditure, total % of sales	%	2.8%	2.4%	2.6%	2.7%	2.4%

Other key figures		2022	2021	2020	2019	2018
Return on equity (ROE)	%	1.5%	17.3%	0.6%	6.3%	7.6%
Return on capital employed (ROCE)[1]	%	4.6%	14.5%	2.8%	7.3%	8.4%
Equity to asset ratio	%	39.2%	40.6%	35.3%	36.4%	40.9%
Gearing[2]	%	24.8%	26.8%	52.4%	54.2%	43.8%
Interest-bearing net debt / EBITDA[2]		1.2	0.9	3.2	2.5	2.3
Orders received	MEUR	4,862	4,427	3,121	3,714	3,756
Order book	MEUR	3,541	2,847	1,824	2,089	1,995
Cash flow from operations before finance items and taxes	MEUR	231	169	296	361	126
Research and development costs	MEUR	100	102	105	102	89
% of sales	%	2.4%	3.1%	3.2%	2.8%	2.7%
of which capitalised	MEUR	-	2.8[3]	-	0.2	0.5
Average number of employees		11,405	11,232	12,066	12,470	11,589
Number of employees 31 Dec		11,526	11,174	11,552	12,587	11,987

[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 compared to the figures published in this accounting period.
[2] In 2018 included the cross-currency hedging of US Private Placement corporate bond. The bond maturated in February 2019.
[3] Year 2021 figure has been updated.

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.

Share-related key figures

		2022	2021	2020	2019	2018
Basic earnings per share	EUR	0.37	3.82	0.13	1.39	1.66
Diluted earnings per share	EUR	0.37	3.82	0.13	1.39	1.65
Equity per share	EUR	23.69	23.95	20.14	22.12	22.16
Dividend per class B share	EUR	1.35[4]	1.08	1.08	1.20	1.10
Dividend per class A share	EUR	1.34[4]	1.07	1.07	1.19	1.09
Total dividends	MEUR	87[4]	70	70	77	71
Dividend per earnings, class B share	%	364.3%[4]	28.2%	855.3%	86.4%	66.4%
Dividend per earnings, class A share	%	362.7%[4]	28.0%	847.4%	85.9%	65.9%
Effective dividend yield, class B share	%	3.3%[4]	2.5%	3.2%	4.0%	4.1%
Price per earnings, class B share		111.5	11.5	267.8	21.8	16.1
Development of share price, class B share						
Average share price	EUR	34.82	44.70	24.77	31.09	41.28
Highest share price	EUR	48.46	52.80	37.14	38.48	51.30
Lowest share price	EUR	24.90	33.60	15.15	24.12	26.46
Closing price at the end of period	EUR	41.32	43.84	33.82	30.24	26.72
Market capitalisation 31 Dec[1]	MEUR	2,689	2,828	2,182	1,950	1,720
Market capitalisation of class B shares 31 Dec[2]	MEUR	2,271	2,409	1,859	1,660	1,464
Trading volume, number of class B shares traded	('000)	44,306	36,795	53,902	28,772	33,506
Trading volume, number of class B shares traded	%	78.5%	66.2%	93.2%	53.0%	60.1%
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)	54,953	54,950	54,937	54,850	55,020
Number of class B shares 31 Dec[2]	('000)	54,957	54,957	54,957	54,878	54,802
Diluted weighted average number of class B shares[2]	('000)	55,148	55,043	54,982	54,951	55,163

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

Basic earnings per share (EUR) = $\dfrac{\text{Profit attributable to the shareholders of the parent company}}{\text{Average number of outstanding shares during the period}}$

Diluted earnings per share (EUR) = $\dfrac{\text{Profit attributable to the shareholders of the parent company}}{\text{Average number of diluted outstanding shares during the period}}$

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 - selling and marketing expenses - research and development expenses - administration expenses - restructuring costs + other operating income - other operating expenses + share of associated companies' and joint ventures' result	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 during years 2020-2022 costs related to the merger plan 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

Key figure			Definition	Reason for use	Reconciliation
Cash flow from operations before finance items and taxes	=		Profit for the period + depreciation, amortisation and impairment + finance income and expenses + 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
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 + contract assets + other operative non-interest-bearing assets - provisions - operative derivative liabilities - pension obligations - accounts payable - contract liabilities - 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 finance income and expenses, 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 + 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 finance income and expenses. 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 Intangible assets; note 6.3 Property, plant and equipment
Return on equity (ROE) (%), last 12 months	=	100 x	Profit for the period, last 12 months / Total equity (average for the last 12 months)	Represents the rate of return that shareholders receive on their investments.	Profit for the period: Statement of income; Total equity: Balance sheet
Return on capital employed (ROCE) (%), last 12 months	=	100 x	Profit before taxes + finance 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.	Profit before taxes and finance 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

Key figure		Definition	Reason for use	Reconciliation
Equity to asset ratio	= 100 x	Total equity / Total assets - contract liabilities	Used to measure solvency and describe the share of the company's assets financed by equity.	Balance sheet
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 shareholders of the parent company / Number of outstanding shares at the end of the period
Dividend / share (EUR)	=	Dividend for the period / Number of outstanding shares at the end of the period
Dividend / earnings (%)	= 100 x	Dividend for the period / share / Basic earnings per share
Effective dividend yield (%)	= 100 x	Dividend / share / Closing price for the class B share at the end of the period
Price / earnings (P/E)	=	Closing price for the class B share at the end of the period / Basic earnings per share
Average share price (EUR)	=	EUR amount traded during period for the class B share / Number of class B shares traded during the period
Market capitalisation at the end of the period	=	Number of class B shares outstanding at the end of the fperiod x closing price for the class B share at the end of the period + Number of class A shares outstanding at the end of the period x closing day average price for the class B share
Trading volume	=	Number of class B shares traded during the period
Trading volume (%)	= 100 x	Number of class B shares traded during the period / Average weighted number of class B shares during the period

Key exchange rates for euro

Closing rate	31 Dec 2022	31 Dec 2021
SEK	11.122	10.250
USD	1.067	1.133

Average rate	1–12/2022	1–12/2021
SEK	10.626	10.147
USD	1.056	1.185

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 2022	1 Jan–31 Dec 2021
Sales		**267,443,247.55**	**265,999,464.85**
Administration expenses	3, 4, 5	-274,954,808.40	-267,836,343.69
Other operating income		524,752.74	3,797,273.38
Operating loss / profit		**-6,986,808.11**	**1,960,394.54**
Finance income and expenses	6	-78,783,370.08	57,649,095.28
Loss / profit before appropriations and taxes		**-85,770,178.19**	**59,609,489.82**
Group contributions		-	970,000.00
Income taxes	7	3,461,127.21	669,879.77
Loss / profit for the period		**-82,309,050.98**	**61,249,369.59**

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

Parent company balance sheet

EUR	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Non-current assets			
Intangible assets	8	16,384,419.83	21,363,462.08
Tangible assets	9	20,935.39	31,874.44
Investments			
Investments in subsidiaries	10	2,497,946,705.78	2,716,731,966.18
Other investments	10	3,559,320.83	3,558,320.83
Total non-current assets		**2,517,911,381.83**	**2,741,685,623.53**
Current assets			
Long-term receivables	11, 13	23,568,895.72	84,745,551.54
Short-term receivables	12, 13	714,393,250.10	655,533,589.41
Cash and cash equivalents		281,896,289.49	286,074,305.00
Total current assets		**1,019,858,435.31**	**1,026,353,445.95**
Total assets		**3,537,769,817.14**	**3,768,039,069.48**

EUR	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Share capital		64,304,880.00	64,304,880.00
Share premium		97,992,301.08	97,992,301.08
Reserve for invested unrestricted equity		69,340,329.20	70,545,576.58
Retained earnings		601,379,732.32	609,645,880.84
Loss / profit for the period		-82,309,050.98	61,249,369.59
Total equity	14	**750,708,191.62**	**903,738,008.09**
Liabilities			
Non-current liabilities	13, 15	625,000,000.00	750,000,000.00
Current liabilities	13, 16	2,162,061,625.52	2,114,301,061.39
Total liabilities		**2,787,061,625.52**	**2,864,301,061.39**
Total equity and liabilities		**3,537,769,817.14**	**3,768,039,069.48**

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

Parent company cash flow statement

TEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Operating loss / profit	-6,987	1,960
Adjustments to the operating loss / profit for the period	5,742	5,347
Change in working capital:		
Change in non-interest-bearing receivables	11,211	-21,788
Change in non-interest-bearing payables	-12,480	11,916
Interest paid	-24,684	-16,971
Interest received	12,377	8,685
Dividends received	190,133	88,167
Income taxes paid	112	-108
Other finance income and expenses	-58	-33,144
Cash flow from operating activities	**175,366**	**44,063**
Investments to tangible and intangible assets	-231	-171
Investments to subsidiaries and other companies	-33,123	-152,856
Proceeds from sales of group companies and other companies	-	1,400
Cash flow from investing activities	**-33,354**	**-151,628**
Received and paid group contributions	970	5,345
Acquisition of treasury shares	-1,205	-3,353
Increase in loans receivable	-324,393	-136,513
Disbursement of loans receivable	347,680	289,792
Proceeds from short-term borrowings	636,259	633,402
Repayments of short-term borrowings	-648,487	-437,339
Repayments of long-term borrowings	-87,500	-250,000
Dividends paid	-69,516	-69,465
Cash flow from financing activities	**-146,190**	**31,869**
Change in cash and cash equivalents	-4,178	-75,695
Cash and cash equivalents 1 Jan	286,074	361,769
Cash and cash equivalents 31 Dec	**281,896**	**286,074**

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

BOARD OF DIRECTORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of income

Consolidated statement of comprehensive income

Consolidated balance sheet

Consolidated statement of changes in equity

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KEY FIGURES

FINANCIAL STATEMENTS OF THE PARENT COMPANY (FAS)

SHARES AND SHAREHOLDERS

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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INVESTOR RELATIONS

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. Finance risk management

The parent company manages the finance 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 finance 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 2022 was, in absolute terms, EUR 10.3 (31 Dec 2021: 7.5) 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 finance 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 finance liabilities is not separately followed on parent company level, because the information presented in the consolidated finance 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.

Cargotec did not have external loan receivables on 31 December 2022 (31 Dec 2021: 10.1 million), and cash and equivalents EUR 281.9 (31 Dec 2021: 286.1) 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 finance 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 2022	1 Jan–31 Dec 2021
Wages and salaries	21,112	23,297
Pension costs	2,790	4,358
Other statutory employer costs	469	581
Total	**24,371**	**28,236**

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

Average number of employees

	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
White-collar	207	208

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 550,740 (2021: 634,480). 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 2020 and third instalment of the matching share programme 2019-2022 (2021: share-based incentive programme 2019 and second instalment of the matching share programme 2019-2022), totalled EUR 1,521,073 (2,453,614). The CEO is entitled to a supplemental defined contribution pension benefit. According to the pension agreement, 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. He received in 2022 a supplemental pension contribution of EUR 700,000. Additionally, the CEO is entitled to a pension provided according to the statutory Finnish Employees Pensions Act, for which a pension cost of EUR 146,070 (244,189) was recorded in year 2022.

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 2022	1 Jan–31 Dec 2021
Planned depreciation and amortisation		
Intangible rights	5,176	6,495
Other capitalised expenditure	34	33
Machinery and equipment	11	23
Total	**5,221**	**6,551**

5. Audit fees

TEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Annual audit	799	792
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	-	-
Tax advice	-	37
Other services	1,032	1,200
Total	**1,831**	**2,029**

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. Finance income and expenses

TEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Interest income		
From group companies	8,834	6,299
From third parties	1,599	1,386
Total	**10,433**	**7,685**
Other finance income		
From group companies	12,641	6,994
Dividends from group companies	190,133	88,167
Exchange rate differences	-	16
Total	**202,775**	**95,177**
Interest expenses		
To group companies	-14,365	-514
To third parties	-10,767	-14,089
Total	**-25,132**	**-14,602**
Other finance expenses		
From group companies	-5,280	-
To third parties	-9,826	-5,699
Exchange rate differences	-215	-
Total	**-15,321**	**-5,699**
Reversals of impairments / impairments		
Reversals of impairments of investments in subsidiaries	-	49,182
Impairments of investments in subsidiaries	-251,538	-74,094
Total	**-251,538**	**-24,912**
Total finance income and expenses	**-78,783**	**57,649**

7. Income taxes

TEUR	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021
Current year tax expense	-513	-676
Change in deferred tax asset	3,974	1,346
Total	**3,461**	**670**

8. Intangible assets

TEUR	Intangible rights	Other capitalised expenditure	Total
Acquisition cost 1 Jan 2022	70,975	12,889	83,864
Additions	231	-	231
Acquisition cost 31 Dec 2022	**71,206**	**12,889**	**84,095**
Accumulated amortisation 1 Jan 2022	-50,071	-12,428	-62,499
Amortisation during the period	-5,176	-34	-5,210
Accumulated depreciation on 31 Dec 2022	**-55,247**	**-12,462**	**-67,710**
Book value 31 Dec 2022	**15,959**	**426**	**16,385**
Acquisition cost 1 Jan 2021	70,830	12,865	83,695
Additions	145	-	145
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
Accumulated depreciation on 31 Dec 2021	**-50,071**	**-12,428**	**-62,499**
Book value 31 Dec 2021	**20,904**	**460**	**21,364**

TEUR	2022	2021
Capitalised interest expense	-	10

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 2022	1,313	97	1,410
Acquisition cost on 31 Dec 2022	**1,313**	**97**	**1,410**
Accumulated depreciation on 1 Jan 2022	-1,282	-97	-1,379
Depreciation during the period	-11	-	-11
Accumulated depreciation on 31 Dec 2022	**-1,293**	**-97**	**-1,390**
Book value on 31 Dec 2022	**21**	**0**	**21**
Acquisition cost on 1 Jan 2021	1,287	121	1,409
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**

10. Investments

TEUR	2022	2021
Investments in subsidiaries		
Acquisition cost 1 Jan	3,838,640	3,687,173
Accumulated impairments 1 Jan	-1,121,907	-1,096,996
Additions	33,122	152,856
Reductions	-370	-1,390
Impairments	-251,538	-24,912
Book value 31 Dec	**2,497,947**	**2,716,732**

TEUR	2022	2021
Investments in joint ventures		
Acquisition cost 1 Jan	0	0
Book value 31 Dec	**0**	**0**

TEUR	2022	2021
Other investments		
Acquisition cost 1 Jan	3,558	3,788
Additions	1	-
Reductions	-	-230
Book value 31 Dec	**3,559**	**3,558**

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 Dec 2022	31 Dec 2021
Loans receivable from group companies	13,000	78,020
Deferred tax asset from third parties	9,216	5,264
Deferred assets	1,353	1,461
Total	**23,569**	**84,746**

12. Short-term receivables

TEUR	31 Dec 2022	31 Dec 2021
From group companies		
Loans receivable	582,609	546,144
Accounts receivable	34,142	35,428
Derivative assets	39,929	31,144
Deferred assets	8,935	5,384
Total	**665,615**	**618,101**
From third parties		
Loans receivable	-	10,136
Accounts receivable	21	4,365
Derivative assets	39,499	10,798
Deferred assets	9,258	12,134
Total	**48,778**	**37,433**
Total current receivables	**714,393**	**655,534**

Deferred assets

TEUR	31 Dec 2022	31 Dec 2021
Group contribution	-	970
Interest income	280	650
Periodisations	8,655	4,429
VAT receivable	2,226	3,360
Other accruals	7,033	8,110
Total	**18,194**	**17,518**

13. Derivatives

Fair values of derivative finance instruments

31 Dec 2022 TEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	39,929	56,143	-16,214
Other currency forward contracts	39,499	7,400	32,099
Total	**79,428**	**63,543**	**15,885**

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**

Nominal values of derivative finance instruments

TEUR	31 Dec 2022	31 Dec 2021
Intra-group currency forward contracts	3,385,864	2,618,438
Other currency forward contracts	4,305,308	2,955,270
Total	**7,691,172**	**5,573,708**

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 occurrence 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	2022	2021
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	70,546	73,899
Acquisition of treasury shares	-1,205	-3,353
Reserve for invested non-restricted equity 31 Dec	**69,341**	**70,546**
Retained earnings 1 Jan	670,896	679,111
Dividends paid	-69,516	-69,465
Retained earnings 31 Dec	**601,380**	**609,646**
Loss / profit for the period	-82,309	61,249
Total non-restricted equity	**588,411**	**741,441**
Total equity	**750,708**	**903,738**
Distributable equity	**588,411**	**741,441**

15. Non-current liabilities

TEUR	31 Dec 2022	31 Dec 2021
Corporate bonds	350,000	350,000
Schuldschein loans	25,000	150,000
Loans from financial institutions	250,000	250,000
Total non-current liabilities	**625,000**	**750,000**

Corporate bonds and other fixed interest loans

				Book value, TEUR	
Loan period	Interest	Coupon rate, %	Nominal value	31 Dec 2022	31 Dec 2021
2018–2023	Fixed	*	37,500 TEUR	37,500	37,500
2017–2024	Fixed	2.38	100,000 TEUR	100,000	100,000
2018–2025	Fixed	*	25,000 TEUR	25,000	25,000
2019–2025	Fixed	1.25	100,000 TEUR	100,000	100,000
2019–2026	Fixed	1.63	150,000 TEUR	150,000	150,000

* Interest terms are considered confidential information between the contractual parties

16. Current liabilities

TEUR	31 Dec 2022	31 Dec 2021
To group companies		
Loans from group companies	1,993,655	2,010,113
Accounts payable	7,682	1,339
Derivative liabilities	56,143	21,025
Accruals	26,056	26,093
Total	**2,083,536**	**2,058,571**
To third parties		
Schuldschein loans	37,500	-
Bank overdrafts used	4,233	3
Accounts payable	8,662	19,985
Derivative liabilities	7,400	6,843
Accruals	20,732	28,899
Total	**78,526**	**55,730**
Total current liabilities	**2,162,062**	**2,114,301**

Accruals

TEUR	31 Dec 2022	31 Dec 2021
Accrued salaries, wages and employment costs	6,264	8,205
Accrued interests	4,621	4,176
Other accruals	35,902	42,612
Total	**46,787**	**54,992**

17. Commitments

TEUR	31 Dec 2022	31 Dec 2021
Security for guarantees		
Guarantees given on behalf of group companies	470,951	420,028
Guarantees given on behalf of associated companies and joint ventures	-	2,934
Other contingent liabilities		
On its own behalf	-	1,500
Leasing commitments		
Maturity within the next financial period	1,354	1,341
Maturity after the next financial period	2,083	2,959
Total	**474,388**	**428,762**

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 2018-2022, EUR

	2022	2021	2020	2019	2018
Basic earnings per share	0.37	3.82	0.13	1.39	1.66
Equity per share	23.69	23.95	20.14	22.12	22.16
Dividend per class B share	1.35[1]	1.08	1.08	1.20	1.10
Dividend per class A share	1.34[1]	1.07	1.07	1.19	1.09
Effective dividend yield, class B share, %	3.3%[1]	2.5%	3.2%	4.0%	4.1%
Price per earnings, class B share	111.5	11.5	267.8	21.8	16.1
Development of share price, class B share					
Average share price	34.82	44.70	24.77	31.09	41.28
Highest share price	48.46	52.80	37.14	38.48	51.30
Lowest share price	24.90	33.60	15.15	24.12	26.46
Closing price at the end of period	41.32	43.84	33.82	30.24	26.72

[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 15,039,731 at the end of 2022.

There were no changes in Cargotec Corporation's share capital in 2022. On 31 December 2022, 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 1.34 for each class A shares and EUR 1.35 for each class B shares outstanding be paid for the financial year 2022.

Own shares and share issue

On 17 March 2022, Cargotec's Board of Directors decided on a directed share issue related to the reward payments for a share-based incentive programme. The share reward payments are related to the third matching period of the matching share programme launched in 2019.

In the share issue, 28,903 own class B shares held by the company were transferred without consideration to the key employees participating in the share-based incentive programme in accordance with the programme-specific terms and conditions. Cargotec purchased the shares at the market price on 7 February 2022 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 2022, 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. The number of outstanding class B shares totalled 54,957,239.

Share price development and trading

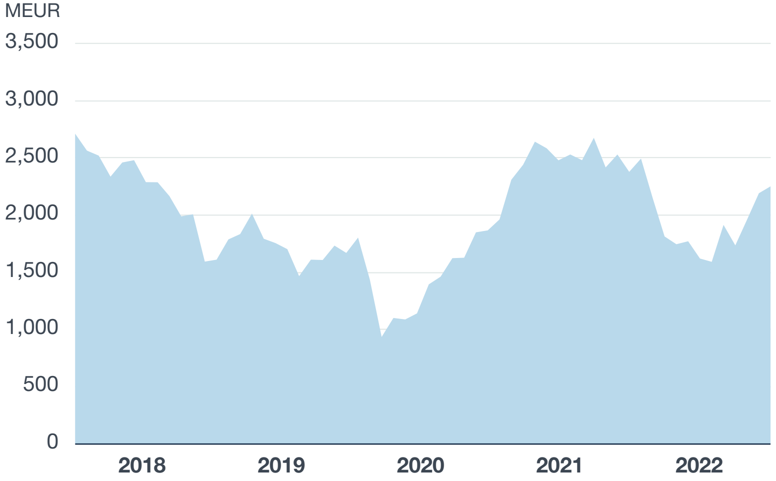
In 2022, Cargotec's class B share price decreased by 6 percent, from EUR 43.84 to EUR 41.32. Over the same period, the OMX Helsinki Benchmark Cap Index decreased by 17 percent.

At the end of 2022, 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 2,271 (31 Dec 2021: 2,409) 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 2,689 (2,828) million, excluding own shares held by the company.

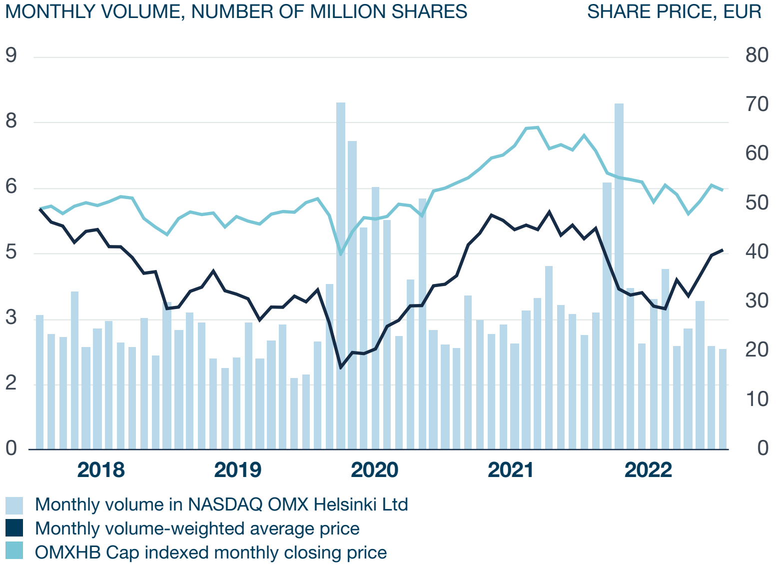
The class B share closed at EUR 41.32 (43.84) on the last trading day of 2022 and the volume weighted average price for the financial period was EUR 34.82 (44.70) on Nasdaq Helsinki Ltd. The highest quotation for 2022 was EUR 48.46 (52.80) and the lowest EUR 24.90 (33.60). In 2022, a total of 44 (37) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,541 (1,644) million. The average daily trading volume of class B shares was 175,122 (146,012) shares or EUR 6 (7) million. In addition, class B shares were traded in several alternative marketplaces.

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 2022, Cargotec had 40,526 (39,562) 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 18,437,507 (17,979,814) nominee-registered shares, representing 28.49 (27.79) percent of the total number of shares, which corresponds to 12.26 (11.95) percent of all votes.

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

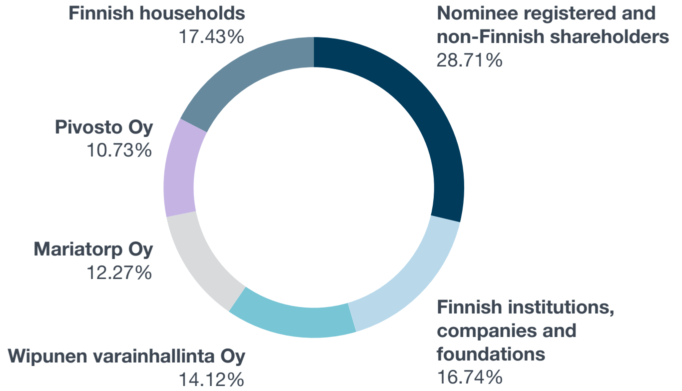
	Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1	Wipunen varainhallinta Oy	2,940,067	6,200,000	9,140,067	14.13	3,560,067	23.67
2	Mariatorp Oy	2,940,067	5,000,000	7,940,067	12.27	3,440,067	22.87
3	Pivosto Oy	2,940,067	4,000,000	6,940,067	10.73	3,340,067	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		1,324,000	1,324,000	2.05	132,400	0.88
6	Elo Mutual Pension Insurance Company		686,000	686,000	1.06	68,600	0.46
7	The State Pension Fund		650,000	650,000	1.00	65,000	0.43
8	Varma Mutual Pension Insurance Company		648,632	648,632	1.00	64,863	0.43
9	Herlin Heikki Juho Kustaa		400,000	400,000	0.62	40,000	0.27
10	Nurminen Minna Kirsti		337,135	337,135	0.52	33,713	0.22
11	Sigrid Jusélius Foundation		326,000	326,000	0.50	32,600	0.22
12	OP-Finland Small Firms Fund		277,909	277,909	0.43	27,790	0.18
13	Veritas Pension Insurance Company Ltd.		249,000	249,000	0.38	24,900	0.17
14	Cargotec Oyj		224,840	224,840	0.35	22,484	0.15
15	Danske Invest Finnish Equity Fund		186,757	186,757	0.29	18,675	0.12
16	Anna Karolina Blaberg		182,745	182,745	0.28	18,274	0.12
17	Herlin Olli Ilkka Julius		175,000	175,000	0.27	17,500	0.12
18	Nordea Pro Finland Fund		167,685	167,685	0.26	16,768	0.11
19	Herlin Ville		160,000	160,000	0.25	16,000	0.11
20	Jenny and Antti Wihuri Foundation		160,000	160,000	0.25	16,000	0.11
	Total	**9,526,089**	**22,588,157**	**32,114,246**	**49.63**	**11,784,901**	**78.36**
	Nominee registered			18,437,507			
	Other owners			14,156,415			
	Total number of shares issued on 31 Dec 2022			**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	24,935	61.53	1,012,748	1.57
101–500	11,428	28.20	2,774,745	4.29
501–1,000	2,208	5.45	1,676,621	2.59
1,001–10,000	1,797	4.43	4,523,746	6.99
10,001–100,000	129	0.32	3,495,045	5.40
100,001–1,000,000	21	0.05	5,553,668	8.58
> 1,000,000	7	0.02	45,441,472	70.23
Total	**40,526**	**100.00**	**64,478,045**	**99.64**
of which nominee registered			18,437,507	28.49
In the joint book-entry account			5,283	0.01
Number of outstanding shares on 31 Dec 2022			**64,483,328**	**99.65**
Own shares on 31 Dec 2022	1		224,840	0.35
Total number of shares on 31 Dec 2022			**64,708,168**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

BREAKDOWN BY SHAREHOLDER CATEGORY ON 31 DECEMBER 2022



Based on ownership records of the Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2022, 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 6,360,658 (6,510,805) class B shares, which correspond to 14.37 (14.61) percent of the total number of all shares and 23.78 (23.88) percent of all votes.

The CEO Mika Vehviläinen is covered by the share-based incentive programmes 2020–2022, 2021–2023, 2022–2024, matching share programme 2019–2022 and Restricted Share Unit Programme 2022–2024.

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 2022
Remuneration statement 2022
CVs of Board members (Cargotec.com)
CVs of Executive Board members (Cargotec.com)

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 1. February 2023

Jaakko Eskola
Chairman of the Board

Ilkka Herlin
Vice Chairman 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, 1. February 2023

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized 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, 2022. 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 2022, approximately 11 % percent of total sales of 4,1 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, 2022, the value of goodwill amounted to 892,1 million euros of which 268,1 million euros relate to Kalmar, 231,4 million euros to Hiab and 392,6 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. An impairment amounting to 63,4 million euro has been recognized relating to MacGregor's goodwill in 2022.
 	
The annual impairment testing of goodwill was performed for Kalmar, Hiab and MacGregor segments. The impairment testing was based on the management's estimate about the value-in-use for Kalmar and Hiab segments and based on the management's estimate about fair value less cost to sell for MacGregor segment. There are a number of assumptions used to determine the value-in-use and fair value less cost to sell of the cash generating units, including revenue growth, margins and the discount rate applied on net cash-flows. The estimated value-in-use and fair value less cost to sell 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 first appointed as auditors by the Annual General Meeting on 23 March 2021, and our appointment represents a total period of uninterrupted engagement of 2 years.

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, 1 February 2023

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. Before the silent periods in 2022, Cargotec hosted pre-silent calls and distributed a newsletter to the financial markets' participants following Cargotec, which was also published on Cargotec's webpage.

Investor relations in 2022

In 2022, we have kept up our active engagement with the financial markets. Investor and analyst meetings organised by Cargotec's investor relations were held virtually and physically. When virtually, participants convened online via various web conferencing applications while the material was distributed virtually to meeting participants. Physical meetings were also held throughout the year in Helsinki, but also in connection with roadshows, events, seminars and site visits in Finland and abroad in the USA, UK, Canada, France, Belgium, the Netherlands, and Sweden.

Cargotec hosted a site visit in conjunction with the Capital Markets Day, which took 15 participants to Hiab's Raisio Product Supply Center. The visit provided insight to the whole Hiab portfolio and was well received among participants.

In total, the Investor Relations function organised dozens of meetings in 2022. 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.

In March, Cargotec's Annual General Meeting was held virtually. The Annual General Meeting approved a distribution of a dividend of EUR 1.08 for each outstanding class B shares. The dividend payment day was 28 March 2022.

Later in March, Cargotec refocused its strategy for higher financial performance through sustainability and growth in profitable core businesses. Cargotec announced its refocused strategy on 30 March following the cancellation of the planned merger with Konecranes the day before. The announcement included actions, most importantly that Cargotec will focus on sustainability and growth in profitable core businesses Hiab, Kalmar Mobile Solutions and

Kalmar's horizontal transportation business, and Cargotec's vision and breakthrough objectives, sustainability and profitable growth remain. Cargotec also initiated an evaluation of strategic options of MacGregor including a potential sale of the business, and announced an exit from Kalmar Heavy Port Cranes, both of which have now been completed.

As a highlight of the year, Cargotec's Capital Markets Day (CMD) was held in Helsinki on 15 November. Cargotec is prepared to continue its profitable growth by solving customers' sustainability challenges.

About 30 investors and analysts participated in the event on site, hearing leadership presentations and insights about Cargotec's core business Hiab and Kalmar prospects for the future, and the company ambitions in sustainability, service, technology and innovation. Read more about the event from Cargotec's IR blog here.

On the next day after the CMD, 15 participants climbed on a bus and took a ride to Raisio, Western Finland, to see and hear about Hiab business area's assembly unit activities there. The Raisio unit focuses on assembling Hiab's world leading Multilift hooklifts, a demountables solution. Read the story at Cargotec's IR blog.

In November, Cargotec also hosted a group of Finnish investors at Kalmar's Technology and Competence Centre in Tampere, providing hands-on experience with Kalmar's automation, electrification and digitalisation capabilities.

Cargotec hosted a group of investors at Kalmar customer Cabooter Group's intermodal terminal in Venlo, NL. Key takeaways from the visit were how Kalmar and the customer work together to solve sustainability challenges, strong growth prospects of the intermodal transportation in Europe and the essential role of Kalmar services to keep its customers' operations running 24/7.

In December, Cargotec IR function hosted the traditional Cargotec Christmas lunch meeting for analysts. The meeting was arranged again 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 of CEO remarks over the web. Cargotec's CEO Mika Vehviläinen and CFO Mikko Puolakka were present in the meeting with majority of analysts covering the company attending.

Cargotec's IR function also visited Tampere, where the Pirkanmaa shareholders' associations hosted a company introduction event on Cargotec and offered us a chance to meet with the investors and to answer questions directly. Cargotec's refocused strategy was well received among retail investors and many of the investors were also interested about Cargotec's strong presence in Tampere, home of Kalmar Technology & Competence Centre.

In 2022, the Investor Relations section on Cargotec's website was in many ways the centre of investor relations activities. The related material generated during the year was collected there (not forgetting extensive material from previous years). As examples, the material includes the investor presentation (updated regularly), interim report material (videos, webcasts, transcripts, presentation materials, reports, podcasts), and AGM materials, many of which the Investor Relations team also has created.

Cargotec IR in social media

The Investor Relations team produced 24 videos in 2022. 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 2022, the videos have been viewed about 5,000 times on Cargotec's Youtube channel.

The Investor Relations team wrote seven blog texts in 2022, which were published on the company website www.cargotec.com. The blog topics ranged from interim report Q&A, CMD reportage, retail investor Q&A, implications of Russia's attack on Ukraine and management remuneration policy.

Cargotec's LinkedIn account is quite popular, with almost 47,000 people currently following the company's activities through this channel. The number of Cargotec followers in LinkedIn increased by nearly 17 percent during the year. 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.

With the aim to continuously improve investor relations, the IR team executed several development projects during 2022. As an example, we expanded the availability of information to investors with pre-silent videos and IR Blog articles. The IR newsletter service was actively developed as well during the year.

Acknowledgements

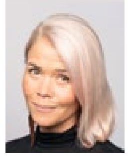
Regi's IR Nordic Markets 2022-study shortlisted Cargotec to top-10 list in both Best Company and Best ESG-ratings in Finland. We are proud that Cargotec was awarded the 3rd place in the Best ESG-rating. The results are based on a survey including multiple criteria, from evaluation of IR reporting, ESG-focus to the perception of top management's communication skills and competence, collecting answers from over 800 sell-side analysts and investors predominantly based in the Nordics, the UK and the US.

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 9th top website performer in Finland.

Financial information in 2023

2 February 2023: Financial Statements review 2022
Week 8, 2023: Financial Statements 2022 and Annual Report 2022
23 March 2023: The Annual General Meeting of Cargotec Corporation
27 April 2023: Interim report January–March 2023
20 July 2023: Half year financial report January–June 2023
26 October 2023: Interim report January–September 2023

Investor relations contact information



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Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec has committed to the United Nations Global Compact Business Ambition for 1.5°C. Cargotec's sales in 2022 totalled approximately 4 billion and it employs around 11,500 people.
www.cargotec.com

Annual Report 2022

GRI Index 2022

The Annual Report 2022 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/2022.