CARGOTEC

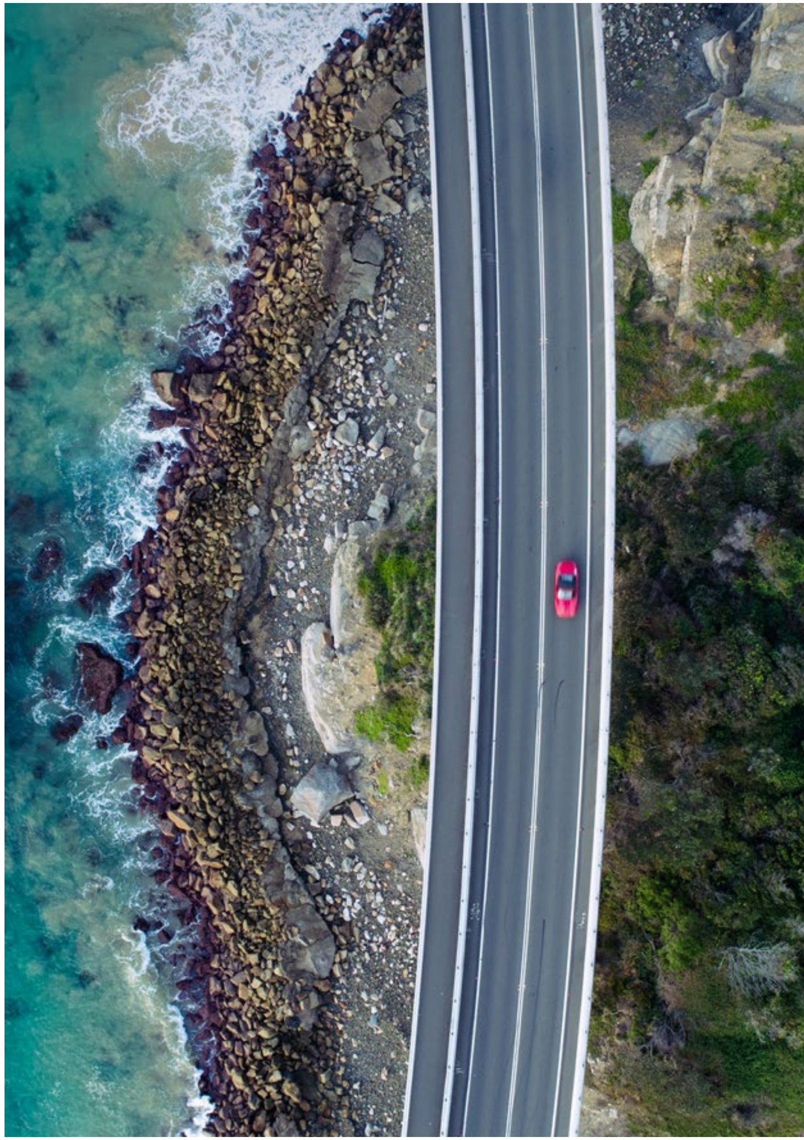
ANNUAL REPORT 2020

SMARTER CARGO FLOW
FOR A BETTER EVERYDAY

CONTENTS

The Annual Report 2020 consists of the annual review, financial review, corporate governance statement and remuneration report. The financial review includes the Board of Directors' report, the financial statements, and the auditor's report.

The Annual Review provides a brief glimpse of Cargotec's performance in 2020. Sections have links to additional information on Cargotec's website about strategy progress and business area activities in 2020, among others.



CARGOTEC

SMARTER CARGO FLOW
FOR A BETTER EVERYDAY

Cargotec is a leading provider of cargo and load handling solutions with the goal of becoming the leader in sustainable and intelligent cargo handling. Our solutions and services make global trade smarter, better and more sustainable. As leading players in ports, on roads and at sea, our business areas Kalmar, Hiab and MacGregor can optimise global cargo flows and create sustainable customer value. We want to lead the industry transformation and turn cargo and load handling into sustainable and intelligent business for a better everyday.

Cargotec is a signatory of the United Nations Global Compact and through our operations we also support the UN Sustainable Development Goals. More information is available in this document's Sustainability section, our GRI index, and the Sustainability section at our website www.cargotec.com.

SUSTAINABLE DEVELOPMENT GOALS
WE SUPPORT
8 DECENT WORK AND ECONOMIC GROWTH
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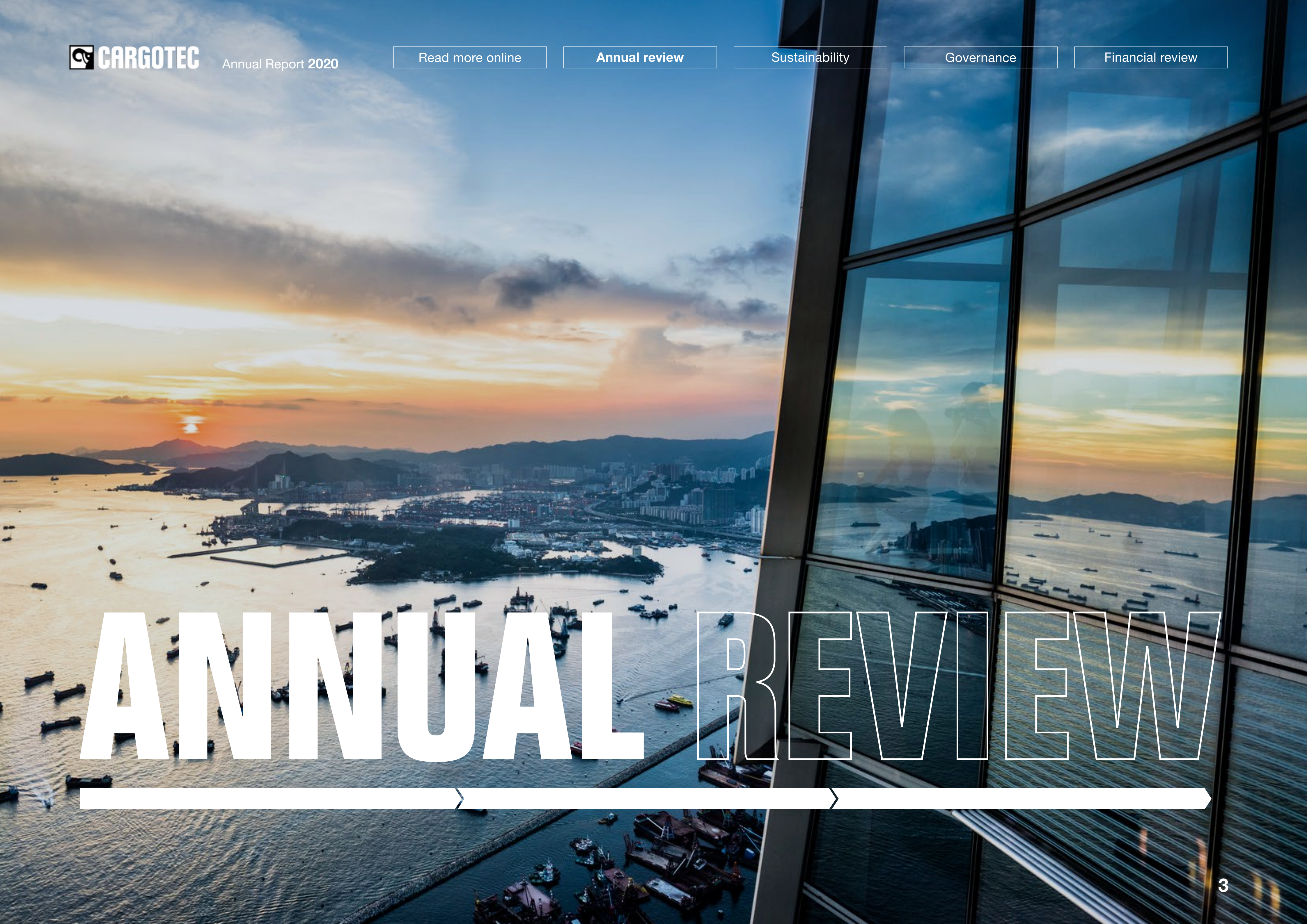


ANNUAL REVIEW

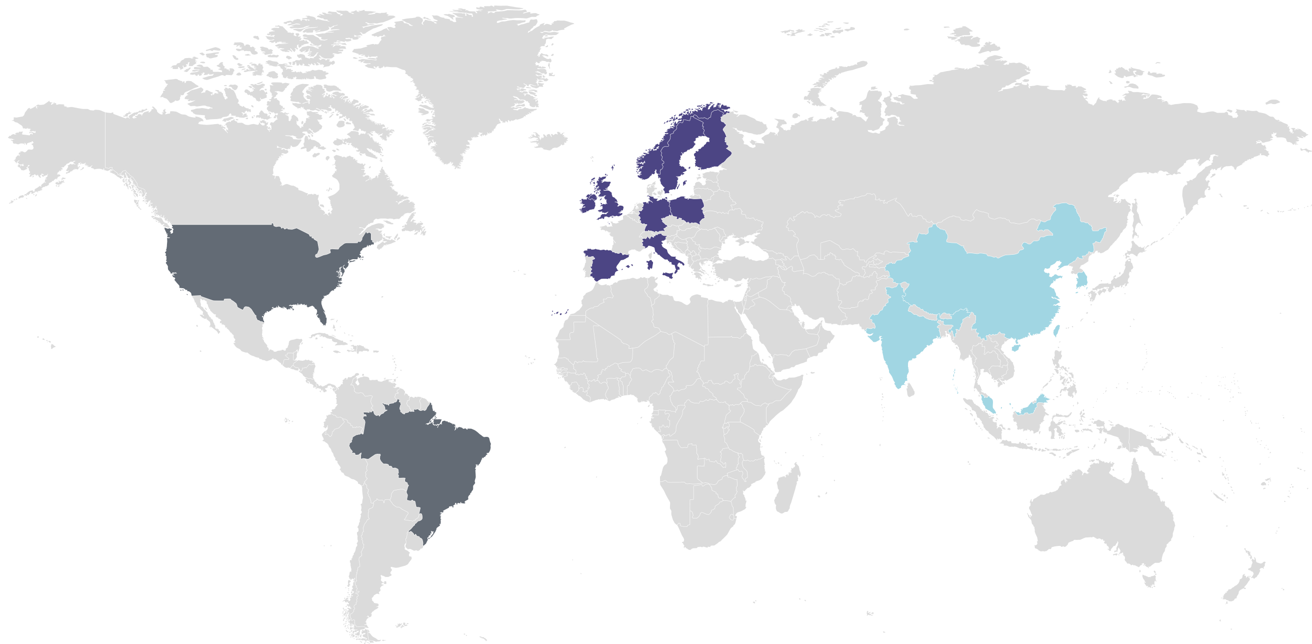
CARGOTEC IN BRIEF

Sales, MEUR
3,263

Comparable operating profit, MEUR
203.6

Total personnel
11,552

Services and software, % of sales
36%



AMERICAS (AMER)

Share of sales
30%

Number of personnel
1,458

Assembly/R&D
Brazil
United States

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

Share of sales
49%

Number of personnel
7,635

Assembly/R&D
Croatia
Finland
Germany
India
Ireland
Italy
Netherlands
Norway
Poland
Spain
Sweden
United Kingdom

ASIA-PACIFIC (APAC)

Share of sales
21%

Number of personnel
2,459

Assembly/R&D
China
Malaysia
South Korea
Singapore
Vietnam

BUSINESS AREAS IN BRIEF

KALMAR

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

Kalmar's orders received in 2020 were EUR 1,401 million, and its sales amounted to EUR 1,529 million. Service sales was EUR 437 million while software sales amounted EUR 166 million. Kalmar's comparable operating profit was EUR 116 million, representing 7.6 percent of sales.

Share of total sales
47%

Services and software, share of Kalmar's sales
39%

Number of personnel
5,526

More about Kalmar in 2020 ›

HIAB

Hiab is the world's leading provider of on-road load handling solutions with customers operating in land transport and a variety of industries.

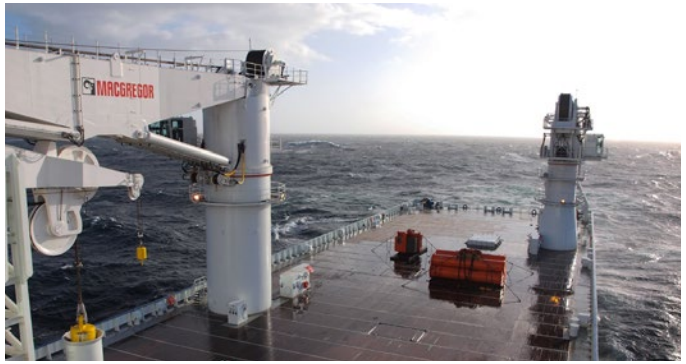
Hiab's orders received in 2020 were EUR 1,210 million, and its sales amounted to EUR 1,094 million. Service sales was EUR 318 million. Hiab's comparable operating profit amounted to EUR 126 million, representing 11.6 percent of sales.

Share of total sales
33%

Services, share of Hiab's sales
29%

Number of personnel
3,390

More about Hiab in 2020 ›



MACGREGOR

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

MacGregor's orders received in 2020 were EUR 511 million, and its sales amounted to EUR 642 million. Service sales was EUR 250 million. MacGregor's comparable operating profit amounted to EUR -4.3 million, representing -0.7 percent of sales.

Share of total sales
20%

Services, share of MacGregor's sales
39%

Number of personnel
1,987

More about MacGregor in 2020 ›

Cargotec's CEO Mika Vehviläinen at the Cargotec-Konecranes merger press conference on 1 October 2020

CEO'S REVIEW

A YEAR TO REMEMBER

In 2020, our long-term strategy proved to be more valid than ever before. The COVID-19 pandemic affected our business especially during the first two quarters, but we acted decisively, securing our profitability whilst making good progress in our strategy execution.

Business area performances varied

The pandemic situation had a clear impact in all our business areas, and orders received decreased by 16 percent compared to the previous year. The situation improved steadily throughout the second half of the year. In fact, the orders for Hiab solutions and Kalmar mobile equipment increased year-on-year in the fourth quarter. In the uncertain environment, customers still hesitated with larger investments, which was visible in MacGregor and in Kalmar's automation and project business where we saw postponements.

Our order backlog was strong as we entered 2020, which helped us cope with the pandemic crisis early on. In fact, sales increased in Kalmar's project business and in MacGregor. Sales declined in Hiab and Kalmar's mobile equipment, where the lead times are shorter. This was a result of the drop in their orders received in the first half of the year. We enter 2021 with a healthy order backlog especially in Hiab and Kalmar's mobile equipment business.

I am pleased with the robust performance of our service business, producing 31 percent of our sales. The sales of our eco portfolio increased as well, totalling 24 percent of our sales in 2020. Our target in 2021 was to double the sales growth in our eco portfolio compared to traditional products, and we achieved that ahead of schedule. It is evident that our customers are increasingly moving towards sustainable solutions, preferring our electric and hybrid solutions over internal combustion engines.

Decisive actions to ensure profitability and strategic direction

Our comparable operating profit decreased due to decrease in sales. Nevertheless, during the pandemic crisis we have defended our profitability and kept our comparable profit margin at a healthy level. Supported by a successful TTS synergy and restructuring work, MacGregor returned to black numbers in the second half of the year.

To minimise the effects of the pandemic, we initiated temporary cost savings in April–August, which produced ca. EUR 10 million monthly savings. This was also a powerful demonstration of how our processes and tools allow us to quickly change our ways of working and safeguard our employees and our financial performance. Towards the end of the year, we shifted our focus from temporary measures to more structural savings. In fact, our headcount at the end of the year was approximately 1,000 lower than one year ago.

In 2020, we initiated a strategic evaluation of the software solutions and services provider Navis to support its future development. In December, the Board of Directors decided to initiate the actual sales process of the Navis software business. During the year, we also sold our share of Rainbow-Cargotec Industries Co., Ltd joint venture in China, completed the TTS integration with MacGregor, and – to strengthen our customer access, local presence and competitiveness in China – established a joint venture with CSSC Nanjing Luzhou Machine Co., Ltd. These actions support our strategic direction going forward.

> "Our customers are increasingly moving towards sustainable solutions"

[1] More information about the COVID-19 pandemic is available in the Sustainability section, the Board of Directors' Report, Note 2.7 to the consolidated financial statements, and in the GRI index.

[2] IIFR (Industrial Injury Frequency Rate) measures the number of injuries per million hours worked.

Merger with Konecranes will create a global leader in sustainable material flow

In October, we announced the plan to combine Cargotec and Konecranes through a merger. In December, the extraordinary general meetings of both companies resolved to approve the merger, which was the unanimous recommendation of the Boards of Directors of both companies.

Cargotec and Konecranes are well positioned in their markets – in industries, factories, ports, terminals, road and sea-cargo handling. Together with Konecranes, a company with a similar profile and shared ambitions, we will have the opportunity to make an even larger impact on global material flows.

The work to finalise the merger continues in 2021. Completion is expected in January 2022, provided that all conditions for the completion are being fulfilled.

Progress in strategic targets

We refined our strategy for the period 2019–2021 with services, digitalisation and productivity as the main drivers in 2020. The COVID-19 pandemic slowed our progress, but we held fast to our targets and saw robust development in digitalisation and services in particular. All in all, service and software sales accounted for 36 percent of our consolidated sales.

In 2020, we continued to increase our research and development investments (105 million euros vs. 102 million euros in 2019) and extended our service offering further towards intelligent solutions. This enables us to serve our customers on a wide scale throughout the lifespan of their solutions.

We have made good progress in developing our digital service offering. Our equipment data provides valuable insight to our customers on how their equipment is performing in the field. This makes it possible to pinpoint and schedule service operations exactly where and when needed. The equipment data also gave us a good idea of the activity levels of cargo flows and logistics in different segments and geographical locations. This was valuable when estimating how our industry was coping in the midst of the COVID-19 crisis, for example.

The importance of sustainability and safety increases

The strategic importance of sustainability continues to increase at Cargotec. In May, we committed to the UN Global Compact Business Ambition for 1.5°C campaign. We aim to reduce our CO_2 emissions from raw material sourcing and product use phase by at least 50 percent from the 2019 levels by 2030, and reach carbon neutrality in our own operations by 2030. With these actions, we strive to make the logistics industry more sustainable and enable a lower-carbon economy.

We received several orders that highlight the sustainable capabilities of our offering. MacGregor received its largest single vessel order to supply a mission-critical system on an offshore wind foundation installation vessel. In June, Kalmar got an order for eco-efficient mobile equipment from Australia and, in September, an order for 20 hybrid straddle carriers from the US.

We are dedicated to safeguarding the health and safety of our personnel. Even in the midst of the pandemic crisis we paid special attention to ensuring safe working conditions both to our customers and our own employees.[1] I am glad to note that we did not have major COVID-19 outbreaks at any of our sites. We also achieved our IIFR[2] targets for 2020, bringing down the injury rate at many of our assembly sites.

I would like to thank all Cargotec employees for their hard work during this extraordinary year. It delights me to see that, despite the challenges during 2020, our Compass employee satisfaction survey showed healthy improvements in many areas.

I would also like to thank our shareholders for the trust they have placed in us and Cargotec's Board of Directors for its continuing support during these unprecedented times.

Mika Vehviläinen

CEO, CARGOTEC

HIGHLIGHTS OF THE YEAR

Cargotec committed to the UN Global Compact Business Ambition for 1.5°C and set ambitious greenhouse gas emission reduction targets to address the impacts of both its own operations and the value chain.

Kalmar received an order to supply ten Kalmar AutoStrad™ units to Patrick Terminals. The machines will join the existing fleet of over 130 Kalmar straddle carriers, replacing some of the older-generation Kalmar AutoStrads in the fleet.

Hiab launched two MULTILIFT Optima hooklifts for two-and-four-axle trucks. The Optima hooklift construction provides better fuel efficiency and reduces CO_2 emissions, while delivering quality, safety and reliability at a great value.

MacGregor secured orders from Japan to provide full hardware supply, including ramps and lifting platforms, for two RoPax vessels and two material supply vessels.

Navis acquired the assets of Biarri Rail, a global provider of planning and scheduling optimisation software for freight railroads. The acquisition supports Navis's expansion into inland solutions.

MacGregor signed a 5-year OnWatch Scout Predict condition-based monitoring agreement with North Sea Shipping.

Kalmar received a large order of approximately 400 terminal tractors from a global customer.

Hiab launched a free version of the HiConnect™ connected service. The subscription version was rebranded as HiConnect Premium. Hiab has shipped over 11,000 connected units globally.

Cargotec conducted a strategic evaluation of the Navis software business. The Board of Directors decided to initiate the actual sales process of Navis.

Hiab launched the MOFFETT E4 NX, the world's first all electric three-wheel drive truck mounted forklift.

Cargotec sold its stake in Rainbow-Cargotec Industries Co., Ltd in China. As a result of the agreement, approximately 160 employees and certain operations and assets of the former joint venture were transferred to Kalmar.

MacGregor received a significant order for delivery of the mission-critical system to be installed on the OHT offshore wind foundation installation vessel, *Alfa Lift*. The contract represented the largest single vessel order secured by MacGregor to date.

Cargotec and Konecranes announced a combination agreement and a merger plan to combine the two companies through a merger, creating a global leader in sustainable material flow.

Cargotec's and Konecranes' extraordinary general meetings approved the merger between the companies.

KEY FIGURES

The positive trend in Cargotec's business continued as of May. The service business remained resilient and the share of the eco-efficiency portfolio sales increased to 24 percent of the total sales.

Sales decreased from the previous year. However, the decline was partly offset by an increase in the share of the stable service and software business. Market uncertainty affected customers' decision making especially in the second and third quarters. Orders received decreased by 16 percent from 2019. The order book increased during the fourth quarter but stayed below the previous year's level.

Comparable operating profit in 2020 decreased by 23 percent and totalled EUR 204 million, representing 6.2 percent of sales. Comparable operating profit decreased due to decline in sales, partly offset by productivity improvements and cost savings.

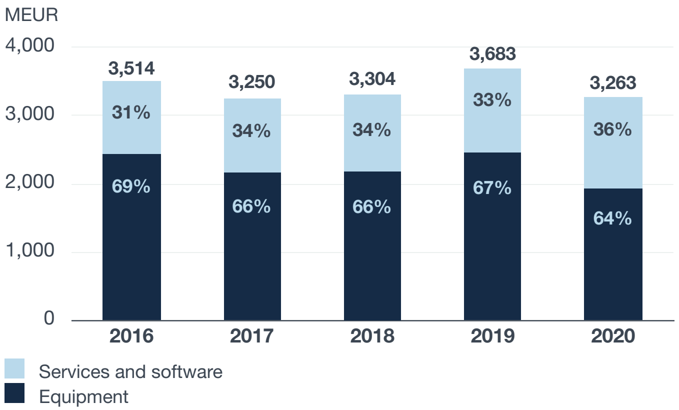
Net income totalled EUR 8 million in 2020, and earnings per share was EUR 0.13. Earnings per share decreased due to lower sales, lower comparable operating profit and increased restructuring costs.

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

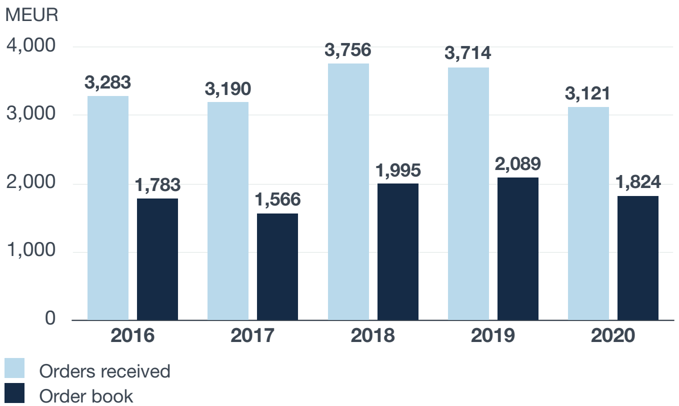
EARNINGS PER SHARE (EPS) AND DIVIDEND

* Board's proposal for dividend

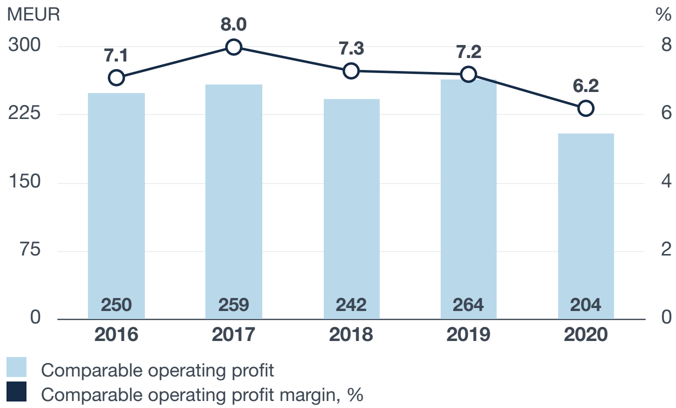
SALES

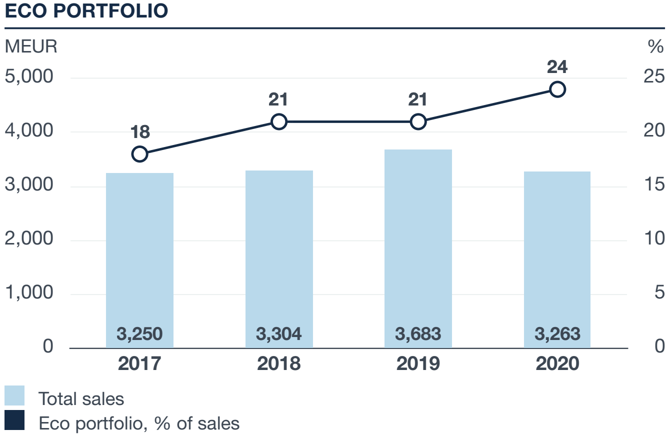


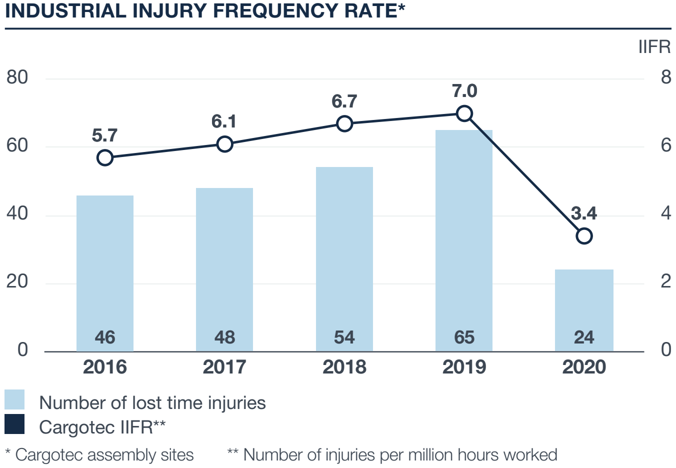
ORDERS RECEIVED AND ORDER BOOK



COMPARABLE OPERATING PROFIT







Cargotec demonstrated commitment to climate actions by joining the UN Global Compact Business Ambition for 1.5°C campaign. Our emission reduction targets have been validated by the Science Based Targets initiative.

MEGATRENDS DRIVE GROWTH

Long-term macroeconomic and societal development trends impact and change the world around us. The following megatrends are relevant in the successful implementation of our strategy, shifting weights as we continuously adapt our business model.

Climate crisis calls for action

Customer need:

The UN considers climate change as the defining crisis of our time. The science shows record high temperatures and greenhouse gas concentration levels in the atmosphere. The science is warning about devastating consequences of climate change to people's health and economies. Our customers need sustainable solutions which help in the transition to a low-carbon society and meet all the regulatory requirements.

Our answer:

Cargotec is committed to the most ambitious goal of the Paris Agreement, to limit global temperature rise to 1.5°C above pre-industrial levels. Our eco portfolio includes digital and automation solutions, electric and hybrid offerings that reduce the environmental impact of our customers' operations. The demand for eco-efficient products and solutions is estimated to grow in the future, creating growth opportunities for us.

An example: Electric versions of Kalmar's empty container handlers, terminal tractors, forklift trucks. MacGregor's offshore wind offering.

Population growth

Customer need:

The world's population today is about 7.7 billion and estimated to reach 9.7 billion by 2050 with, according to the United Nations, most of the growth taking place in Sub-Saharan Africa. The increasing global population drives the consumption of goods and materials. This fuels global trade which in turn increases the demand for cargo transportation.

Our answer:

With our advanced solutions, equipment, services and software all across the global cargo flow network, we continue to seek ways to meet the increasing demand in an efficient way and improve the productivity of cargo handling in all our business areas.

An example: Kalmar One (an open automation system for container terminals).

Urbanisation

Customer need:

In the coming decades, the share of the world's population living in cities will grow from 55 percent to almost 70 percent. Urbanisation requires infrastructure and housing construction in cities, with city logistics to sustain them. This creates demand for efficient load handling and waste management equipment and solutions. In densely populated cities, load handling solutions must be quiet, safe and low in emissions.

Our answer:

Our load handling solutions are designed to be used in urban locations and surrounding areas. Hiab's advanced on-road load handling solutions are well suited for construction, logistics and waste handling use in urban locations.

An example: Electric MOFFETT truck mounted forklifts.

GDP per capita growth / World trade growth

Customer need:

Global GDP per capita is expected to grow by roughly five percent annually between 2020–2025, indicating continued growth in economic productivity, economic wealth, and ultimately, consumption power. The demands of the global cargo flow network will expand as more developing countries rise. This not only drives world trade, but also expands the global trade network across the world.

Our answer:

As cargo moves across land and sea, Cargotec's business areas are present throughout the global cargo flow network – maritime, ports and on-road. This puts us in a prime position to truly influence efficient global cargo flow with our low carbon load and cargo handling solutions.

An example: MacGregor's Cargo Boost solution, aimed at improving ship utilisation and reducing fuel consumption.

Digitalisation

Customer need:

The rapid development of digital solutions continues in all areas of the society. Customers seek intelligent cargo handling solutions that can support them in optimising their operations, improve productivity and safety and reduce inefficiencies and emissions.

Our answer:

Our business areas are present across the cargo flow network, enabling us to draw valuable insights across the value chain. With these insights, we are able to shape the cargo handling industry by providing value adding software, automation and intelligence solutions. These solutions seek to solve inefficiencies in the global cargo flow, helping our customers succeed in their endeavours while reducing environmental impact.

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

Read more about our strategy

Strategy section on cargotec.com ›
Strategic targets and outcomes for 2020 ›
Strategy progress in 2020 ›
Strategy progress in 2020 (video) ›

LEADING THE WAY IN INTELLIGENT CARGO HANDLING

With our strategy for the period 2019–2021, we continue our work to reach our vision of becoming the leader in intelligent cargo handling. We aim to secure profitable growth by focusing on four must-win battles: customer centricity, services, digitalisation and productivity. In 2020, we expressed our climate ambition by committing to become a 1.5 degree company by 2030. This ambition will be integrated as a key cornerstone of our strategy in 2021.

We want to lead the way by being the leader in intelligent cargo handling. Cargo traffic and load handling are essential services to sustain global trade and society. Every day, millions of items, from raw materials to consumer goods, are transported across the globe. Cargotec is in a unique position to be present in all touchpoints of global cargo and load handling – on the roads, in the ports and at sea. This position allows us to enhance the cargo flows of our customers, supporting them in becoming more intelligent through digital and data-driven services and automated and eco-efficient solutions.

Our purpose is to enable smarter cargo flow for better everyday. Cargotec exists to bring our business areas Kalmar, Hiab and MacGregor together to create a great impact in making the cargo and load handling industry smarter and better. We provide strategic direction, common business platforms and best practices for our business areas to build a company that is greater than the sum of its parts. We have invested in leadership development and continue to empower our people to perform at their best towards our common goal – making the industry smarter, together.

We strive to be the preferred partner for intelligent solutions, helping our customers to respond to increasing complexity and demands in the cargo and load handling industry. Our business areas have respected brands, excellent equipment reputation and long-term customer relationships. Through our global presence, we are able to support our customers by combining our equipment, service and software into intelligent offerings that help our customers optimise their cargo flows safely, effectively and sustainably. For us, this provides an opportunity for profitable growth while making the cargo flow smarter for a better everyday.

More information from our website

Cargotec strategy progressed in 2020, importance of sustainability increases ❯

2020 strategic targets and outcomes ❯

ENABLING OUR PEOPLE TO EXECUTE OUR STRATEGY

Throughout 2020, we continued to recognise that we can only fully succeed as a company by engaging and motivating our people and continuing to offer them opportunities to enhance their expertise. Inspirational and highly skilled leaders are also indispensable if we are to fully enable our talented personnel to turn our company strategy into results-oriented reality.

During the pandemic crisis, health and safety remained our top priority and we committed to ensuring a safe work environment for everyone at Cargotec. Our specific action groups monitored the situation, made quick decisions and ensured a regular flow of communication. We complied with local regulatory recommendations as well as the WHO guidelines and applied extra measures in our locations to avoid the spread of the virus. We applied the physical distancing policy, working-from-home policy for our office personnel, and applied special procedures at our assembly units to ensure continuity in the production processes.[1]

Investments in leadership development continued

During recent years, we have invested heavily in cultivating multi-skilled and inspirational leaders. To help us achieve this, we continued to implement our group-wide leadership development programmes LEAD and GROW, first launched in 2016 and 2017 respectively.

As a result of COVID-19 pandemic restrictions, some leadership trainings were postponed in 2020. Nevertheless, we continued to measure participants' performance and the impact of their leadership behaviours. The results reveal that we are steadily improving our positive leadership styles, allowing us to create a more productive performance climate for our teams. More than 2,000 leaders have now participated in these programmes.

Our mentorship programme, a powerful tool to support collaboration and knowledge sharing, remained active throughout 2020. It was further virtualised and was operational both at Cargotec level and across all our strategic business units.

Our talent process was fine-tuned throughout the year as well. We have been able to make our talent acquisition process more systematic, as well as gain considerable cost savings, by recruiting internal candidates and building talent pipelines that help place our employees in critical positions.

Enhancing our virtual capabilities

LEARN, our e-learning experience platform, became operational in October 2019 and was further enhanced during 2020. Amidst the COVID-19 disruption, it revealed itself to have been both a smart investment and an extremely useful learning tool. Through LEARN, we were able to successfully substitute the previously normal on-site, face-to-face training and learning. In 2020, we really started to share content, exchange insights, and further leverage the platform's powerful capabilities.

Connect, our social intranet at Cargotec, is another key digital platform where we were able to effectively communicate, co-create and collaborate. The platform was a critical asset for us in helping to build a stronger culture of inclusion, dialogue and openness, providing a means to exchange information about – and a tool to help cope with – the coronavirus crisis, in particular.

An enhanced feedback culture requires agile performance management

Our long-running Performance and Development Plan (PDP) process remains a fundamentally important operational cornerstone, supporting us in performance management, the setting of future targets, personal development and the promotion of a feedback-rich culture. The PDP concept has now been fully systematised and implemented throughout all Cargotec entities globally.

High performance merits rewards

Incentive programmes continued to reinforce our high-performance culture and pay-per-performance philosophy during 2020. Company-wide base salaries, promotions, and recruitments were frozen throughout 2020 as a cost-saving measure to protect many thousands of jobs. However, performance-based compensation and incentives continued to be implemented in all parts of our operations and remain an integral part of our compensation philosophy. Approximately 7,300 of our employees were covered by our incentive programmes during 2020.

CBS seamlessly harmonises global processes

Cargotec Business Services (CBS) is our internal service centre. Now operational for over three years, it harnesses all the transactional finance, indirect procurement and HR activities from different countries, centralising them using the same IT, policy and service centre landscape. From the HR perspective, CBS served around 80 percent of our total global head count at the end of 2020, compared to 57 percent of our personnel in 2019, and 25 percent in 2018. The final countries, mostly in APAC, will be enrolled in 2021. When fully operational, CBS will allow us to deliver a completely unified way of working across the whole company.

In conjunction with our ongoing CBS implementation, our HR master data system, ZONE, is an IT platform that serves as the backbone of our operations, making it possible for us to run all our people-related processes.

Finally, Compass, our employee engagement survey, revealed a 5.7 percent improvement in 2020 in comparison to 2019. The survey also found that leadership data shows behavioural measures that provide a very positive incremental year on year change. This can now be seen clearly in overall employee engagement, with the results based on data analysed from approximately 11,000 respondents in 2020.

Much of the investment we have made into platforms over recent years—particularly in systematising processes, tools, and policies—is now successfully paying off. This was especially true during a year of unprecedented disruption. We are proud to report that our IT platforms have come into their own during an extraordinarily challenging year and our personnel have seen numerous positive benefits as a result.

Mikko Pelkonen, Senior Vice President, Human Resources tells about the decisive actions during the COVID-19 year 2020 ❯

Read about MacGregor's TTS integration and our HR principles related to it ❯

Watch a video about MacGregor's TTS integration ❯

[1] More information about the COVID-19 effects on our performance can be found in the CEO review and Sustainability section, the GRI index, the Board of Directors' report and Note 2.7 to the consolidated financial statements.

VALUE CREATION

Cargotec´s business model is based on an asset-light and assembly-only production footprint and supply chain expertise. We are a knowledge and engineering company and our employees are an integral part of our competitiveness.

Cargotec is a leading provider of cargo and load handling solutions with the goal of becoming the leader in intelligent cargo handling. We have operations in about 100 countries, consisting of 16 assembly sites, 118 non-assembly sites (i.e. service sites and frontline units) and 6 competence centres.

Our business areas Kalmar, Hiab and MacGregor are leading players in ports, on roads and at sea. With their leading first-class solutions and services, they can optimise global cargo flows and create sustainable customer value.

We want to lead the industry transformation by promoting intelligent cargo handling. With our purpose – smarter cargo flow for a better everyday – we pursue to create value for all stakeholders.

The outputs of our businesses are the products, services and solutions that make global trade smarter, better and more sustainable. Our greatest positive contribution is through the development of societal infrastructure, since cargo handling operations are essential to keep modern society running.

Read more about value creation at cargotec.com ❯

Upright model
The Upright model is an automated way to quantify companies’ net impact on environment, health, society and knowledge.
Read more about the model at uprightproject.com ❯

Impact

Enhancing innovation

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Responsible growth

- With jobs and paid taxes, creating positive contribution to employee well-being and local economies
- Solid financial performance adds value to shareholders and society

8 DECENT WORK AND ECONOMIC GROWTH

Climate ambition

- 1.5°C climate ambition transforms the industry to enable a low-carbon society
- The eco-efficient offering presents the 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

13 CLIMATE ACTION

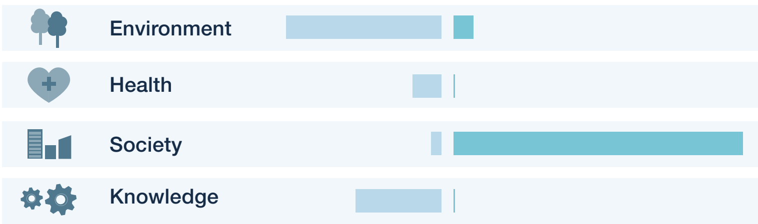
Fair & functioning society

- Good governance and global commitments strengthen societal prosperity
- Building a strong, just and inclusive society with jobs, paid taxes and cooperation with global partnerships
- Supporting recovery from COVID-19 by safeguarding efficient cargo flow to ensure a functioning society and showing support by signing the UN Uniting Business and Governments to Recover Better statement, which urges the governments to prioritise a faster and fairer transition from a grey to a green economy by aligning policies and recovery plans with the latest climate science

16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS

Measuring net impact with Upright model

Positive contribution to society through improved infrastructure is our greatest impact. This proves that we are delivering on our purpose, smarter cargo flow for a better everyday.



Negative | Positive

United Nations’ Sustainable Development Goals (SDGs)

SDGs are a set of 17 goals that target achieving prosperity for the people and the planet by 2030. Companies have an important role to play since the goals cannot be reached with the actions of the public sector only. We firmly believe that with our ambition of being the leader in intelligent cargo handling, we are particularly impacting these six goals.

SUSTAINABILITY

SUSTAINABILITY AT CARGOTEC

Cargotec's sustainability work is based on a holistic and balanced approach, taking into account the aspects of environment, people and society, and governance. By being a 1.5 degree company, we strive to create value for all stakeholders. We sense the urgency of climate action and consider the transformation towards a sustainable world as a major phenomenon that will change the whole industry.

We support transformation into a fair and prosperous society. With our purpose – smarter cargo flow for a better everyday – we drive resource efficiency in our industry, in order to reach a low-carbon economy and thus turn environmental challenges into opportunities. Our climate ambition can only be achieved via inclusive cooperation with all the participants in the value chain and the COVID-19 pandemic has only highlighted the importance of partnerships. Making the transition just and inclusive for all ties the social and good governance aspects into our climate ambition.

In 2020, sustainability became a higher priority than ever before. We have worked intensively on our climate ambition to align our operations with the most ambitious goal of the Paris Agreement. The consequences of climate change are not only environmental, but there are also significant financial and social impacts. To ensure financial stability and global wellbeing also for future generations, it is our obligation to act on climate now.

We take responsibility for the environment throughout our value chain

Climate change and greenhouse gas emissions are our key focus areas within the environment theme. The logistics industry is causing a significant share of the global emissions. At Cargotec, this challenge is actually perceived as a business opportunity. Manufacturing products and technologies that enable avoiding or reducing greenhouse gas emissions in other sectors (the logistics sector, for example) is pivotal in the transition towards a low-carbon economy. Cargo handling solutions are essential in ports, on vehicles and on vessels. As the wellbeing of people is dependent on uninterrupted cargo flows, our products and solutions are necessary to keep modern society running. Cargotec has a great potential to support its customers to reduce their emissions. Moreover, our intelligent solutions are an enabler for a wider societal change towards a more circular economy.

More information about Cargotec's approach to sustainability at cargotec.com ❯

Cargotec's eco portfolio consists of eco-efficient solutions that enhance customers' sustainability with tangible environmental benefits. Read more about our eco portfolio on page 19.

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

We realise that a successful and sustainable business is not only about what we do, but also about how we do things. Safety and ethical conduct are high on our agenda. Cargotec is dedicated to protecting safety and wellbeing in all our operations and also through our products, services and solutions. Safety being our priority became evident also during the COVID-19 pandemic when all possible measures were taken to keep the employees safe. We want to operate in an ethical manner and take concerns of misconduct seriously. We promote a speak-up culture and awareness of the reporting channels, including the Speak-Up line, through a variety of means.

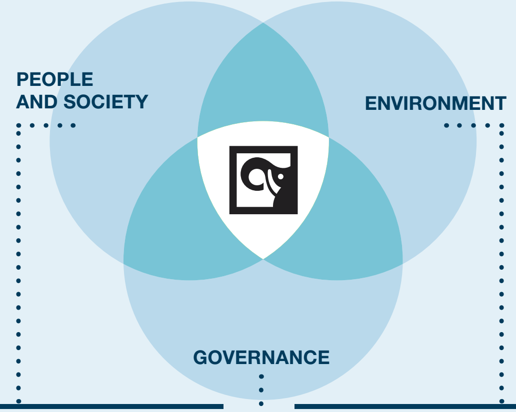
We are a knowledge and engineering company, and our employees are an integral part of our competitiveness. We trust our people are the key in creating customer value through innovation, experimentation, learning and adapting new skills in a complex and ever changing world. We provide employees with suitable training e.g. via the new LEARN platform.

We promote good corporate governance and respect our stakeholders

We consider good governance practices, including efficient risk management processes, the foundation for conducting business. Cargotec's culture of integrity starts at the top. The spirit of our compliance work is best captured by the words *integrity* and *transparency*. Most important of all, the value of integrity— the quality of upholding strong moral principles—has become part of Cargotec's culture through strong management commitment.

Cargotec signed the UN Global Compact in 2007. The Global Compact is a call for companies to align their strategy and operations with 10 principles on human rights, labour, environment and anti-corruption. The UN Global Compact helps businesses contribute towards the Sustainable Development Goals (SDGs). SDGs are a set of 17 goals that target achieving prosperity for the people and the planet by 2030. Companies have an important role to play since the goals cannot be reached with the actions of the public sector alone. We firmly believe that with our ambition of being the leader in intelligent cargo handling, we are in a position to advance especially the six goals named on the right.

WE CREATE VALUE FOR ALL STAKEHOLDERS BY BEING A 1.5 DEGREE COMPANY



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

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

"We take responsibility for the environment thoughout our value chain"

Greenhouse gas emissions
Own operations
Circular economy
Eco-efficient solutions

"We promote good corporate governance and respect our stakeholders"

Compliant and transparent
Climate risks and opportunities
Business ethics
Financial sustainability

SUSTAINABILITY TARGETS AND HIGHLIGHTS OF 2020

Despite the challenging economic situation due to COVID-19, we acknowledge the urgency of actions and our CEO has signed the UN Uniting Business and Governments to Recover Better Statement, which urges governments to prioritise a faster and fairer transition from a grey to a green economy, by aligning policies and recovery plans with the latest climate science.

BUSINESS AMBITION FOR 1.5°C

Target 2020

Define an action programme for managing climate-related risks and opportunities

Cargotec demonstrated commitment to climate actions by joining the UN Global Compact Business Ambition for 1.5°C campaign in March 2020

New target 2030

1.5 degree climate ambition with emission reduction target validated by the Science Based Targets initiative

New target 2024

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

1 million tons

Target 2020 IIFR	Achieved	New target 2021 IIFR
<5.0 in assembly	**3.4** in assembly	**<5.0** in all operations

Target 2020

Audit 50 percent of suppliers that failed the 2019 sustainability risk assessment

Put on hold due to COVID-19 related travel restrictions and focus on mitigating delivery risks. The sourcing teams developed a self-sustainability audit and online review process.

New target 2021

Renew the supplier sustainability risk assessment process

New target 2021

100% Code of conduct online training completion rate

Target 2021

Eco portfolio to achieve double sales growth compared to traditional products

Achieved ahead of time. We have recorded a significant growth in the sales of the eco portfolio when comparing the 2020 sales to sales in 2018, while at the same time the sales of traditional products have decreased. Eco portfolio sales constituted 24 percent of total sales in 2020.

New target 2021

Revise the eco portfolio criteria to align with the upcoming EU Taxonomy regulation

Climate Enthusiasts tribe

Launched to increase expertise and enhance networking throughout our organisation

Target 2020	Achieved	New target 2021
40%	**44%**	**50%**

of electricity in own operations will be renewable

Target 2021

Process for global chemical risk management defined and implemented

On track, training module launched in Kalmar

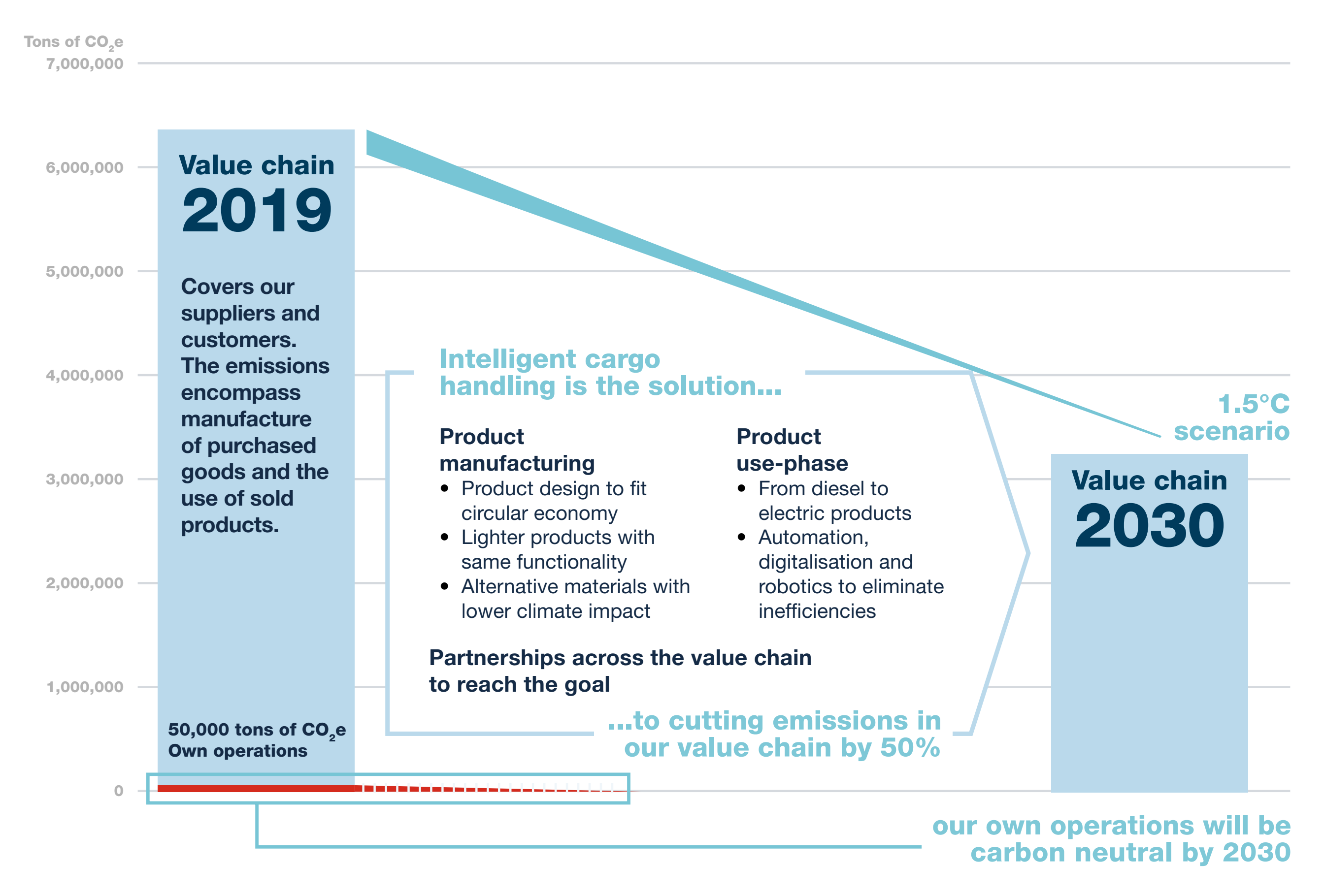
Integrity index*

Achieved	New target 2021
74% favourable	**>75%**

Read more about our climate ambition ›

* The integrity index is a comprehensive measure built from three key categories in the Cargotec annual engagement survey: 1) Sustainability, 2) Pride and hope, and 3) Leadership. Sustainability captures employee perceptions of aspects such as code of conduct, fair treatment, safety and environmental sustainability. Pride and hope shows to what extent employees are proud to be part of the company and hold a positive outlook. Leadership builds on Cargotec's Leadership Profile and measures the quality of leadership our employees receive.

Our climate ambition is consistent with the emission reductions required to keep warming to 1.5°C



ENVIRONMENT

In the beginning of the year we held our annual strategy event for the top management with climate as the main topic. As a result, Cargotec's Board of Directors set our ambition to be a 1.5 degree company and we committed to the UN Global Compact Business Ambition for 1.5 campaign, joining other leading companies in promising to pursue science-based measures to tackle climate change.

In August 2020, the Science Based Targets initiative (SBTi) validated and approved our targets to be in line with the latest climate science. The target is to reduce Cargotec's greenhouse gas emissions at least 50 percent across all three emission scopes by 2030, from a 2019 base year. Cargotec's internal goal is to become carbon neutral in its own operations, which goes beyond the required ambition level of the Science Based Targets initiative. Moreover, since more than 95 percent of the emissions occur in Cargotec's value chain (upstream and downstream activities), setting the 50 percent absolute emission reduction target in that area is vital to tackling climate change. Offering solutions that enable a low-carbon economy and support the principles of the circular economy is a great business opportunity for us, while at the same time we are also proud and excited to contribute to the global efforts of safeguarding the environment.

The breakout of the COVID-19 pandemic slowed down our climate ambition related strategy alignment work only temporarily. The work aimed at embedding the climate target to business area and functional strategies, and also collected ideas for new business opportunities. We do not want to make empty promises, but really understand where we stand today with our carbon footprint, and how far on the emission mitigation path we can get with the currently known activities and technologies. The work clarified the required actions in business areas and corporate functions that would enable reaching the climate ambition by 2030. Based on the work we concluded that the current strategies remain valid – intelligent cargo handling is ultimately the solution to cutting emissions in our value chain.

Eco portfolio

Cargotec's eco portfolio dates back to 2017 when we decided to gather together the products and services that enhance our customers' sustainability, and to disclose the share of the eco portfolio sales. The eco portfolio draws attention to the solutions with potential to help our customers become low-carbon in their operations. Besides electrification, also automation and connectivity are considered as very promising measures to improve the efficiency of their operations. We have been investing in software and digital businesses as we believe digitalisation will enable making cargo handling more efficient and there will be increasing demand for efficient solutions in the future. It 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. Eco portfolio sales accounted for 24 percent in 2020 (2019: 21%). All solutions included in the portfolio have passed an external review process.

Own operations

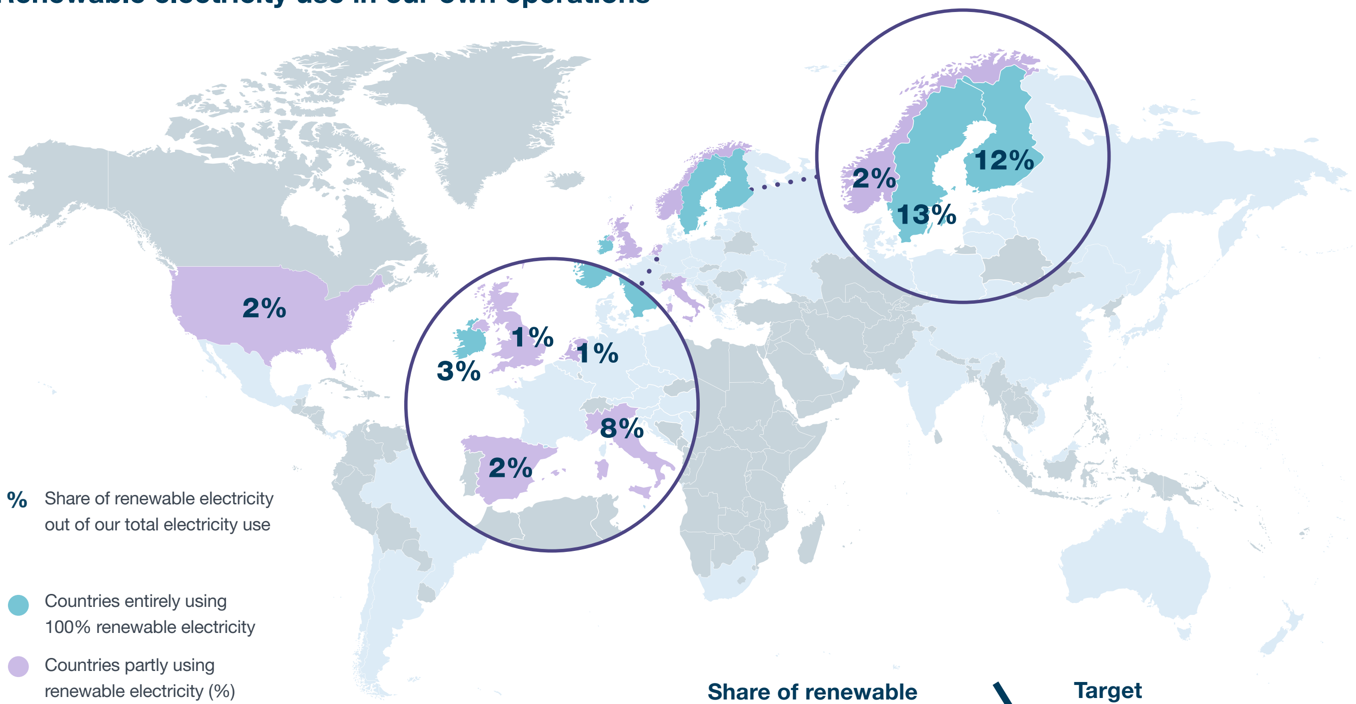
With full control over our own operations, we wanted to be more ambitious and make carbon neutrality our target. About 40 percent of the emissions from our own operations are related to electricity use and we are committed to increasing the share of renewable electricity to 50 percent by 2021 and to 100 percent by 2030. At the end of 2020, the share of renewable electricity reached 44 percent in our own operations. The map on the right highlights the share of renewable electricity in our main locations. The fuel usage by our service fleet is another big contributor to the emissions of our own operations. In order to mitigate those emissions and reach carbon neutrality, the plan is to increase remote services and use biofuels or electric vehicles. While reaching carbon neutrality may require compensation for the remaining emissions that cannot be mitigated, we focus primarily on cutting the emissions in our value chain.

See GRI index 2020 for sustainability data ❯

Read more about the eco portfolio at cargotec.com ❯

Read why Cargotec is measuring its handprint at cargotec.com ❯

Renewable electricity use in our own operations



% Share of renewable electricity out of our total electricity use

- Countries entirely using 100% renewable electricity
- Countries partly using renewable electricity (%)
- Countries not using renewable electricity
- Countries without Cargotec operations

Share of renewable electricity of total electricity consumption
44%

Target
50%
by 2021

Safety first – towards zero incidents through systematic safety management

Sustainability policy

Cargotec's sustainability work is based on the balance between social, environmental and economic objectives. We promote high safety levels and work continuously towards zero accident level in all our operations and also through our products, services and solutions. Our employees are trained to operate in a safe manner.

Business area H&S policy

Operationally safety is managed on the business area level focusing on training, preventive and corrective actions, proactive reporting, root-cause analysis, communication, engagement and implementing all EHS processes required by law and needed for creating a safe, worry-free working environment for all our employees.

Employees **11,500**

Assembly employees **4,100**

Non-assembly employees **7,400**

More than **140** locations

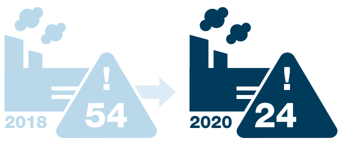
Our own operations in **50** countries

PROACTIVE REPORTING

more than
14,000
reports

Engagement through action plans, trainings, best practice sharing

GOOD IMPROVEMENT IN ACCIDENT RATE



Accidents at end of 2018 in assembly sites = 54
End of 2020 = 24 (reduction of 35/64%)

CREATING A MINDSET OF SAFETY FIRST

IIFR 3.4
in assembly

70% of non-assembly sites have had no incidents this year

40% of assembly sites have had no incidents this year

WE REACHED THE TARGET <5

when IIFR totaled 3.4 at the end of the year. This is the first year we achieved our target and we're proud of it.

PEOPLE AND SOCIETY

Safety

The Industrial Injury Frequency Rate (IIFR) for Cargotec assembly sites was 3.4 in 2020 (2019: 7.0) and we managed to achieve our target of <5.0 for the year. We were able to bring the rate down at many of our assembly sites, with about 40 percent of them achieving zero incident levels. Kalmar and Hiab assembly sites have performed exceptionally well, achieving an IIFR of 1.7 and 4.6, respectively.

We have set a new IIFR target rate of <5.0 for 2021 across the whole organisation, now also including the non-assembly units. In 2020, Cargotec total IIFR improved to 5.2 (2019: 6.9). We promote high safety culture and work continuously towards zero accident level in all our operations and also through our products, services and solutions.

Diversity

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

Read how Cargotec fosters compliance through company culture at cargotec.com ❯

Read how Cargotec improved its safety during the coronavirus pandemic at cargotec.com ❯

SUSTAINABILITY GOVERNANCE

Sustainability is on the agenda of the Cargotec's Board of Directors, and the Board reviews sustainability at least on an annual basis. The management teams of Kalmar, Hiab and MacGregor hold a sustainability review at least bi-annually for their respective business areas. Read more about sustainability governance ›

COVID-19 impact on stakeholders

The challenging situation with the outbreak of the COVID-19 pandemic has impacted all our stakeholder groups. The Cargotec Leadership Team decided to act rapidly when the pandemic hit and implemented measures to protect both the health of employees as well as the financial stability of the company. More information about our COVID-19 pandemic actions is available in the Board of Directors' Report and Note 2.7 to the consolidated financial statements and in the GRI index.

Personnel

Keeping our people safe has been the number one priority from the onset of the outbreak. Empowering the local management was crucial to enable them to act according to the guidance from their national governments and local health authorities. We have also followed the WHO recommendations.

The pandemic brought additional complexity to the safety management to ensure the health and safety of our personnel. An array of preventive measures has been deployed such as limiting the access of external guests, applying work from home policies, providing additional personal protective equipment and guidance for the employees. We created special communication channels to provide updates and feedback channels for our employees. Lock-down periods and temporary working time reductions at our assembly sites have also impacted our safety activities, especially during the second quarter of the year. Overall, we were able to ensure the safety of our own employees and have not had major COVID-19 outbreaks at any of our sites.

About 80 percent of our white-collar employees were temporarily laid off in April-August. At the same time, around 200 Cargotec executives voluntarily committed to reducing their pay by 20 percent. These actions helped to limit the need for permanent cost reductions.

During the year, Cargotec's HR team launched a regular pulse survey to gather honest feedback from employees. The results showed that, as expected, there was anxiety among the employees, but they still helped map out areas that needed special attention. Furthermore, employee engagement has gone up by over 5 percent compared to the engagement survey in 2019.

Shareholders

To safeguard financial continuity, Cargotec had to introduce temporary saving measures. Besides the working time reductions, several other measures were also implemented. These include delay of salary reviews and promotion increases, reduced external workforce, limited new external hires, and limited travel and meetings. The cost saving measures resulted in approximately 10 MEUR savings per month during the restrictions (Q3/2020), and together with productivity improvements we managed to keep our comparable operating profit margin at a reasonable level despite lower sales. In addition to cost saving measures, Cargotec prepared for the potential instability in the financial markets by drawing EUR 250 million of long-term bank loans in April.

Real-time data on world trade from our connected equipment, namely Kalmar mobile equipment running hours and Hiab loader cranes' activity index, indicates economic recovery. About half of the merchant ships in the world carry our equipment, while every fourth container move is being handled by our solution. The real-time data is collected from tens of thousands of pieces of equipment that are connected and operated by our customers. This data gives us a good idea of the activity levels of cargo flows in different segments and geographical locations.

Customers

Our customers keep the whole world up and running. During the pandemic, essential logistics such as those for food and beverages have remained indispensable, even with continuing lockdowns and social distancing measures. The wider trend of consumers heading to e-commerce sites instead of in-store purchasing is evidence of an undeniable shift in behaviour.

For Hiab, keeping critical logistics flowing has also meant producing and dispatching replacement equipment even more rapidly to prevent interruptions at a time when some customers' businesses have been busier than ever. In the case of Kalmar, a number of new services were initiated to help businesses that handle cargo at ports protect the immediate health and safety of their employees. With social distancing directives, pressure for businesses to ensure continuous operations is intense and recognition of the advantages offered by connected solutions, such as remote monitoring and condition-based maintenance in preventing costly interruptions.

Investors

The global pandemic has also had an impact on our investors, and we communicated with investors and analysts primarily via digital channels. Cargotec's IR blog published a corona update on a weekly basis during the first months of the outbreak. We have also produced more digital content and launched the concept of digital Q&A in social media to address the demand of transparent information sharing.

The pandemic has not only made the markets cautious, but also social aspects have become even more of a focus for our investors. The social aspect of the pandemic has brought the topics of mitigating safety risks even higher on the agenda. Responding effectively, not only to the financial challenges resulting from the pandemic, but also to the health aspects has brought additional complexity for global organisations.

Suppliers

Our sourcing organisations increased cooperation with suppliers in order to mitigate the potential delivery risk, which had increased as a result of the global pandemic. The teams spent an excessive amount of time and resources on monitoring our supply continuity to secure the materials supply and to provide stability to our operations.

In regard to sustainability risk assessment, a new way of working was set up to adapt to the travel restrictions. The teams established a new audit process that starts with self-sustainability assessment by the supplier and then an online review follows in order to check for the proof of evidence.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2020

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).

The corporate governance statement has been reviewed by the Board's Audit and Risk Management Committee on 2 February 2021. It is issued as a separate report and disclosed, together with the financial statements and Board of Directors' report, on the Company website. Up-to-date information on governance and remuneration is available on the website.

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

The Annual General Meeting is held annually within three months of the closing of the financial period, on a day designated by the Board. The issues decided on by the AGM include the adoption of the financial statements, distribution of profit, granting of release from liability to the members of the Board of Directors and to the CEO as well as the election of and remuneration payable to the members of the Board and auditor. The Shareholders' meeting also has the right to amend the Articles of Association, decide on merger and demerger and make decisions and authorise the Board of Directors to make decisions on the acquisition of treasury shares, on share issues and on option programmes.

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

In 2020, Cargotec's AGM was convened on 17 March 2020; however, the meeting was cancelled due to the development of the coronavirus situation and the announcement by the Finnish Government on 16 March 2020.

The AGM was held on 27 May 2020 with shareholders having also the possibility to follow the meeting via a video stream and to vote in advance or to exercise their voting rights by proxy representation. The meeting adopted the financial statements, consolidated financial statements and the remuneration policy 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 2019. The meeting approved the distribution of dividends and appointed members of the Board of Directors and the Auditor.

Cargotec's Extraordinary General Meeting (EGM) was held on 18 December 2020. At the EGM, the shareholders resolved the merger of Konecranes Plc into Cargotec Corporation and approved the Merger plan signed by both companies' Board of Directors on 1 October 2020. Conditional on the completion of the merger, the EGM also decided on the amendment of the articles of association of Cargotec and the issuance of shares in Cargotec as merger consideration to the shareholders of Konecranes, on the establishment of the shareholders' nomination board, and on authorising the Board to decide on an issue of shares without payment in which each shareholder in Cargotec will be issued new shares in the Company without payment in proportion to their holdings (share split). The shareholders and their proxy representatives participated in the EGM and exercised shareholder rights by voting in advance and by asking questions in advance.

Information on both Shareholders' meetings is available on the Company's website at www.cargotec.com/agm.

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 2020, the Board had 24 meetings. Some of these meetings were held remotely or the resolutions were recorded without convening. Attendance in the meetings is reported in the table further below. The Board agrees annually on focus areas for the coming year. The key themes on the Board's agenda are Cargotec's strategic focus areas, which in the strategy period 2019–2021 are customer centricity, services, digitalisation and productivity. Cargotec's business areas Kalmar, Hiab and MacGregor and their R&D activities were discussed in specific theme meetings. The Board monitored the integration and financial performance of companies that had joined the group as result of acquisitions. The Board handled the strategically important sustainability themes in several meetings and approved Cargotec's commitment to the United Nations Global Compact Business Ambition for 1.5°C to mitigate climate change. The Board was informed regularly on the challenges and effects of the coronavirus pandemic to the customers, business and personnel. The Board handled the possibility to merge with Konecranes Plc and monitored the combination project, due diligence analysis and negotiations. On 1 October 2020, the Board signed the combination agreement and the merger plan to combine the two companies through a merger. The Board convened an Extraordinary General Meeting to decide on the merger.

Composition

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

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

At the AGM in 2020, the number of Board members was confirmed to eight and the current Board members Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. Jorma Eloranta, Board member until 27 May 2020, did not stand for re-election. In its organising meeting, the Board elected Ilkka Herlin as Chairman and Tapio Hakakari as Vice Chairman.

At the end of 2020, the age range of the members was between 50 and 67 years. Three of the eight Board members were women and five were men. Half of the members have been on the Board for more than five years and the other half for less than five years. The gender target the Board had set has been reached. The Board members have a wide range of educational background and they have executive experience in international companies in different cultures.

Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. In the self-evaluation discussion conducted in December under the direction of the Chairman, the members commented that particular flexibility and commitment to board work as well as extensive business knowledge and management experience was required from the Board in the exceptional circumstances caused by both the coronavirus pandemic and the merger negotiations.

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 2020, the members were independent of the Company and all except Ilkka Herlin and Peter Immonen 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. Peter Immonen is Board member of two significant shareholders, Mariatorp Oy and Wipunen varainhallinta oy. The Board considers that also Ilkka Herlin, Tapio Hakakari, Peter Immonen 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 2020.

Board and committee members' participation in meetings 2020

Name	Board of Directors	Audit and Risk Management Committee	Nomination and Compensation Committee
Ilkka Herlin	24/24	10/10	8/8
Tapio Hakakari	24/24		8/8
Jorma Eloranta*	7/7		2/2
Peter Immonen	24/24		8/8
Teresa Kemppi-Vasama**	24/24		6/6
Johanna Lamminen	24/24		
Kaisa Olkkonen	24/24	10/10	
Teuvo Salminen	24/24	10/10	
Heikki Soljama	24/24		

* Member of Board and Nomination and Compensation Committee until 27 May 2020
** Member of Nomination and Compensation Committee as of 27 May 2020

Board members 31 Dec 2020

Ilkka Herlin

Chairman, b. 1959

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

Board Chairman since 2005

Chairman of the Nomination
and Compensation Committee

Member of the Audit and Risk
Management Committee

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

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

Ownership 31 Dec 2020*:
2,940,067 A shares,
6,210,476 B shares

Tapio Hakakari

Vice chairman, b. 1953

LL.M

Board member since 2005,
Vice Chairman since 2009

Member of the Nomination
and Compensation Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2020*:
161,141 B shares

Peter Immonen

member, b. 1959

M.Sc. (Econ)

Board member since 2005

Member of the Nomination
and Compensation Committee

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

Main position: Chairman, WIP Asset Management Oy

Ownership 31 Dec 2020*:
55,324 B shares

Teresa Kemppi-Vasama

member, b. 1970

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

Board member since 2017

Member of the Nomination
and Compensation Committee

Independent of the Company and significant shareholders

Main position: Executive Chairman of the Board, Kemppi Oy

Ownership 31 Dec 2020*:
1,607 B shares

Johanna Lamminen

member, b. 1966

D. Sc. (Tech.), MBA

Board member since 2017

Independent of the Company
and significant shareholders

Main position: CEO, Gasum Ltd

Ownership 31 Dec 2020*:
1,607 B shares

* Direct ownership and the ownership of controlled corporations

Board members 31 Dec 2020

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 2020*:
1,897 B shares

Teuvo Salminen

member, b. 1954

M.Sc. (Econ), APA exam 1983

Board member since 2010

Chairman of the Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: Non-executive director

Ownership 31 Dec 2020*:
10,663 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 2020*:
1,897 B shares

Board member until 27 May 2020: **Jorma Eloranta**, b. 1951, M.Sc. (Tech), D.Sc. (Tech) h.c., Independent of the Company and significant shareholders.

* Direct ownership and the ownership of controlled corporations

Board Committees

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

Audit and Risk Management Committee

The committee's duty is to supervise the financial reporting executed by the management, and to monitor the financial statement and interim reporting process. In accordance with its charter, the committee supervises the adequacy and appropriateness of the Company's internal control, internal audit and risk management, the development of operative and strategic risks and risk management, and handles Internal Audit plans and reports. Furthermore, the committee prepares a proposal to the AGM regarding the election and fees of the external auditor, and monitors the statutory audit of financial statements and consolidated financial statements. The committee defines and monitors the non-audit services performed by the auditing firm to ensure the auditor's independence. Cargotec's Board has confirmed a Non-audit services policy for defining the permitted non-audit services purchased from the auditors. 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 and Head of Internal Audit as well as representatives of the auditing firm attend the meetings. The directors of Group Control, Treasury, Taxes, Legal, Risk Management and Ethics & Compliance 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 2020, the committee met ten times. The meeting attendance is reported in the above table. Along with financial, treasury, tax, risk management and compliance issues, the committee acquainted itself with the integration of the TTS Group, acquired in 2019, sales 3rd party risk management, implementation of vendor controls in front line units and information security risk management. The committee monitored the audit tender process organised in 2020, handled the audit tenders received by the Company and prepared the proposal regarding the auditor to be presented to the AGM. The committee monitored the preparation of the Cargotec-Konecranes merger prospectus and the pro forma figures and working capital calculations of the merging entity. The committee held an annual self-assessment discussion to review whether its performance needs to be developed.

Nomination and Compensation Committee

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

The committee consists of a minimum of three Board members. The committee convenes as needed but at least three times a year. Ilkka Herlin acted as chairman of the committee, and the members were Tapio Hakakari, Peter Immonen, Jorma Eloranta until 27 May 2020 and Teresa Kemppi-Vasama as of the same date. Committee members are independent of the Company. The CEO and the Senior Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2020, the committee convened eight times. The meeting attendance is presented in the above table. In accordance with the annual cycle, the committee's agenda comprised top management incentive programmes and their outcome, top management reviews and compensation as well as talent review follow-up. The committee prepared the remuneration policy for the governing bodies presented to the AGM in 2020. 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 2020. Board member Jorma Eloranta informed the committee that he was not going to stand for re-election and the committee proposed that the number of members be decreased to eight and all other current members be re-elected. In the autumn the committee prepared for Board approval a new Restricted Share Unit Programme that is intended to function as a bridge programme for the transition period before the closing of the merger of Cargotec and Konecranes Plc and forming the combined company in the merger. The aim of the programme is to align the objectives of the shareholders and the key employees, to secure business continuity during the transition period, and to retain key employees at the Company.

CEO

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

Leadership Team

Supporting the CEO in his duties, the Leadership Team is responsible for business development and the Company's operational activities in accordance with the targets set by the Board of Directors and the CEO. The Leadership Team also defines operative principles and procedures in accordance with the guidelines set by the Board. The Leadership Team concentrates on the strategic issues of the group and the business areas. The agenda regularly includes reports and issues concerning financial development, governance, human resources, sustainability and development projects. The Leadership Team members report to Cargotec's CEO. The CEO's and the Leadership Team's CV details are available on the Company website. The CEO remuneration is described in the Remuneration report 2020 and the remuneration of the Leadership Team can be found on the Company website at www.cargotec.com.

Leadership Team 31 Dec 2020

Mika Vehviläinen

CEO

B. 1961, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
122,888 B shares

Mikko Puolakka

Executive Vice President, CFO

B. 1969, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
24,677 B shares

Antti Kaunonen

President, Kalmar Automation Solutions

B. 1959, Finnish citizen

Dr. Tech

Ownership 31 Dec 2020*:
14,293 B shares

Stefan Lampa

President, Kalmar Mobile Solutions

B. 1964, Swedish citizen

M.Sc. (mech. eng.), EMBA

Ownership 31 Dec 2020*:
16,513 B shares

Scott Phillips

President, Hiab

B. 1966, American citizen

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

Ownership 31 Dec 2020*:
18,829 B shares

Michel van Roozendaal

President, MacGregor

B. 1963, Dutch citizen

M.Sc. (Aerospace Eng.), MBA

Ownership 31 Dec 2020*:
34,449 B shares

* Direct ownership and the ownership of controlled corporations

Leadership Team 31 Dec 2020

Outti Aaltonen

Senior Vice President,
General Counsel

B. 1965, Finnish citizen

LL.M

Ownership 31 Dec 2020*:
6,195 B shares

Soili Mäkinen

CIO, Senior Vice President,
Digitalisation

B. 1960, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
11,672 B shares

Carina Geber-Teir

Senior Vice President,
Communications

b. 1972, Finnish citizen

M. Sc. (Pol)

Ownership 31 Dec 2020*:
1,150 B shares

Mikko Pelkonen

Senior Vice President,
Human Resources

B. 1970, Finnish citizen

B.A.

Ownership 31 Dec 2020*:
42,213 B shares

Mikael Laine

Senior Vice President,
Strategy

B. 1964, Finnish citizen

M.Sc. (Econ.)

Ownership 31 Dec 2020*:
14,687 B shares

* 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. In 2020 Cargotec terminated its permanent insider register. Persons who, on the basis of an employment or other contract, work for the company and obtain inside information associated with a specific project, are entered in the Company's project-specific insider register, which is established when necessary.

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

a) if a person possesses inside information,
b) regarding project-specific insiders, for the duration of the project until the project is published or otherwise terminated,
c) regarding Managers, during a period of 30 days prior to the publication of Cargotec's annual or interim reports (closed window),
d) regarding persons having access to full Cargotec financials, especially persons engaged with preparing Cargotec's annual or interim reports, during a period of 30 days prior to the publication of such report (extended closed window), and
e) until execution of the contemplated merger of Konecranes Plc into Cargotec, regarding persons belonging to steering groups of the merger, or having regularly access to transaction related information of such steering groups, during a period of 30 days prior to the publication of an annual or interim report (extended closed window).

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

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

External audit

The statutory external audit for the financial period includes the auditing of accounting records, financial statements and administration. In addition to the auditor's report issued annually, the auditors report to the Board of Directors on their audit findings on a regular basis, and attend the Board's Audit and Risk Management Committee meetings. According to the Articles of Association, the Company has at least one and a maximum of three auditors. The auditors must be public accountants authorised by the Central Chamber of Commerce, or an auditing firm. The auditors are elected annually by the AGM and their assignment expires at the end of the first AGM following the election.

The AGM on 27 May 2020 elected one auditor, the auditing firm PricewaterhouseCoopers Oy, with APA Markku Katajisto as its principal auditor. PricewaterhouseCoopers Oy has acted as Cargotec's auditor since 2005. Competitive tendering for the audit was organised in 2020 and based on the tendering, the Audit and Risk Management Committee will make a proposal for Cargotec's auditor to the AGM in 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	2020	2019
Audit fees	3.0	2.9
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	0.5	-
Tax advice	0.6	0.6
Other services	1.0	0.6
Total	**5.1**	**4.0**

Internal control and risk management of the financial reporting process

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

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

Internal control

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the Company's Code of Conduct and internal controls. With respect to the financial reporting process, these are supported by policies and guidelines, as well as 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 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.

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. Board of Directors' report includes an estimate on the Company's main risks and uncertainties and short-term risks.

Financial reporting process

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

The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The Company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them. Cargotec Business Services offer shared financial, HR and indirect procurement services for Cargotec companies and target a harmonised way of working with common processes, controls and tools.

A corporate-wide development programme regarding internal controls has clarified and reinforced the shared principles and ways of working and strengthened internal control. The programme's processes are part of the company's daily operations and help ensure compliance with Cargotec's Code of Conduct and internal policies. Multifaceted reporting tools, based on common systems, have been developed to support the financial performance monitoring and comparability.

CARGOTEC REMUNERATION REPORT 2020

This Remuneration Report sets out how Cargotec Corporation ("Company") has implemented its Remuneration Policy in 2020. This report includes information concerning remuneration of the Board of Directors ("Board") and the CEO of Cargotec between 1 January 2020 and 31 December 2020. 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 2021.

Letter from the Chairman of the Board

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

The pandemic situation had a clear impact in all Cargotec's business areas, and orders decreased by 16 percent compared to the previous year. The situation improved steadily throughout the second half of 2020. At the beginning of the year, the order backlog was strong, which helped coping with the pandemic crisis as the year progressed. Sales increased in Kalmar's project business and in MacGregor, while sales declined in Hiab and Kalmar's mobile equipment.

Cargotec's service business performance was resilient in 2020, establishing 31 percent of total sales. The sales of Cargotec's eco portfolio increased as well, totalling 24 percent of total sales in 2020. It is clear that Cargotec's customers are moving towards sustainable solutions, preferring electric and hybrid solutions over internal combustion engines. In 2021, Cargotec aims to achieve double eco portfolio sales growth compared to traditional products.

To minimise the pandemic effects, temporary cost savings were initiated in April–August. This produced ca. EUR 10 million monthly savings during the period. Towards the end of the year, the focus was shifted towards more permanent actions to safeguard business and profitability. Cargotec's comparable operating profit decreased compared to the previous year. However, the comparable profit margin remained at a healthy level even during this challenging year.

Several important strategic steps were announced during the year. A strategic evaluation of the software solutions and services provider Navis was conducted to support its future development. In December, the Board of Directors decided to initiate the actual sales process of the Navis software business. Cargotec also completed the TTS integration with MacGregor and sold its share of the Rainbow-Cargotec Industries Co., Ltd joint venture in China.

In October, the plan to combine Cargotec and Konecranes through a Merger was announced. In December, the extraordinary general meetings of both companies resolved to approve the Merger. This was also the unanimous recommendation of the Boards of Directors of both Cargotec and Konecranes.

The pandemic situation and merger were taken into account in the 2020 remuneration decisions. For the 2020 Annual Bonus Programme (STI) and for the 2020-2022 Performance Share Programme (LTI), the Board decided to adjust the original performance criteria for a better steering and motivational effect of the financial performance targets in 2020. To ensure successful execution of the Merger, Cargotec's business performance, and shareholder value creation in 2021, the Board decided to launch a retention incentive programme for the CEO. Additionally, the Board decided to launch a Restricted Share Unit Programme in which also the CEO participates.

The work to finalise the merger continues in 2021. Completion is expected in January 2022, provided that all conditions for completion are being fulfilled. The Future Company will be in a better position to address the world's sustainability challenges. I personally believe this is an excellent value creation opportunity from a financial perspective, and also for shaping global trade for the better, and making the world a cleaner, better place.

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

Cargotec 2020 Remuneration in brief

Cargotec's Remuneration Policy's key principles were followed through 2020. For the financial period 2020, the annual fixed salary of Cargotec's CEO Mika Vehviläinen was EUR 650,958 including fringe benefits. In addition, he received the following variable pay programme payments: Short-term incentive payout of EUR 580,942 (2019 annual bonus programme, payout is based on 2019 performance) and long-term incentive payout of EUR 106,506 (2018 performance share programme, payout is based on 2018–2019 performance). Additionally he received a matching share payout of EUR 299,289. Total remuneration paid to the CEO in 2020 was (2019): 1,637,694 euros (1,539,787 euros).

In 2020, the CEO participated in the following variable pay programmes (pay-for performance):

- 2020 Annual Bonus Programme (STI): Achievement EUR 764,452 / 85% 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 (LTI): Achievement 6,552 class B shares / 81% of the maximum from the measuring period 2020 (incentive payment in 2023 after measuring periods 2021 and 2022).
- 2019–2021 Performance Share Programme (LTI): Achievement 0 class B shares from the measuring period 2020. Programme in total 1,650 class B shares / 7% of the maximum (incentive payment in 2021, followed by ownership and value creation period until end of 2021).

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

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

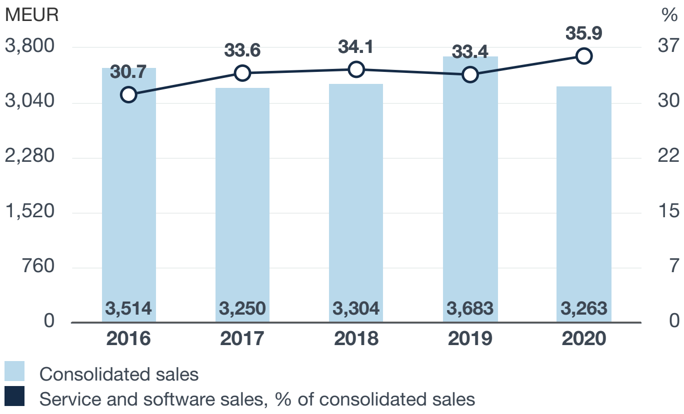
Based on the decision of the AGM of 27 May 2020, the Board's annual remuneration remained unchanged in 2020.

Development of Financial Performance and Remuneration

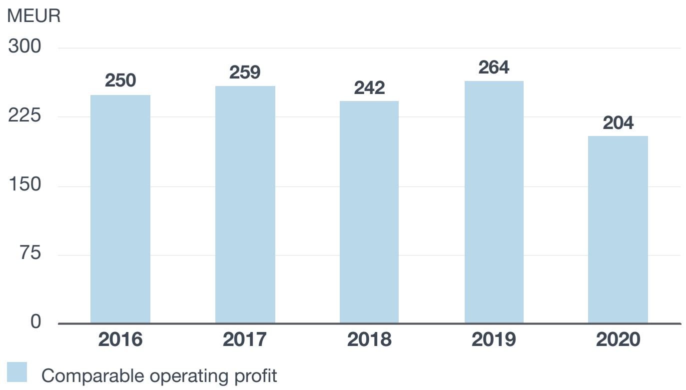
5-year Development of Financial Performance

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

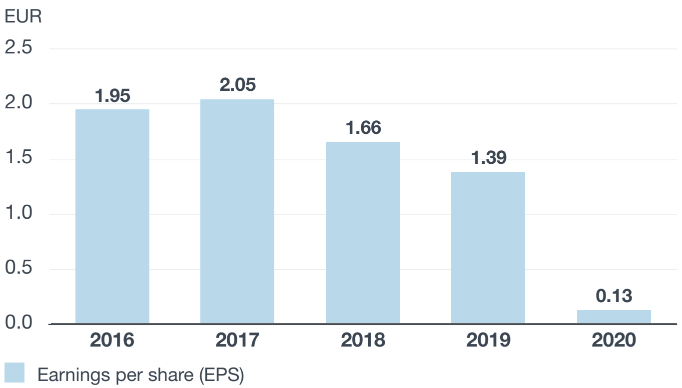
SERVICE AND SOFTWARE SALES, % OF CONSOLIDATED SALES



COMPARABLE OPERATING PROFIT, M€



EARNINGS PER SHARE (EPS), €



DIVIDEND PER CLASS B SHARE, €

* Board's proposal for dividend

SHARE PRICE 2016–2020

5-year Development of Remuneration

Development of paid CEO Remuneration in euros

	2016	2017	2018	2019	2020
Fixed salary[1]	686,168	706,860	701,190	699,659	650,958
Short-term incentives (STI)[2]	559,707	575,505	340,184	124,344	580,942
Long-term incentives (LTI)	-	797,666[3]	1,821,328[4]	715,784[5]	106,506[6]
Restricted shares	443,674	258,280	-	-	-
Matching shares	-	-	-	-	299,289
Supplemental pension	700,000	500,000	500,000	0	0
Total remuneration	**2,389,549**	**2,838,311**	**3,362,702**	**1,539,787**	**1,637,694**
Development					
Base salary	0%	0%	0%	0%	0%
Total remuneration	-5.8%	18.8%	18.5%	-54.2%	6.4%

[1] Annual fixed salary includes base salary, holiday pay and fringe benefits. Monthly base salary EUR 55,000 during the period of 1 January 2016–31 December 2020. Additionally, voluntary base salary reduction of 20% during the period of 1 April 2020–31 August 2020.
[2] Short-term incentive payment based on previous year performance.
[3] Performance Share Programme, performance period 2014–2016.
[4] Performance Share Programme, performance period 2015–2017.
[5] Performance Share Programmes, performance period 2016–2018 and performance period 2017–2018 (2019 ownership and value creation period).
[6] Performance Share Programme, performance period 2018–2019 (2020 ownership and value creation period).
[7] Matching Share Programme, 1st installment in 2020.

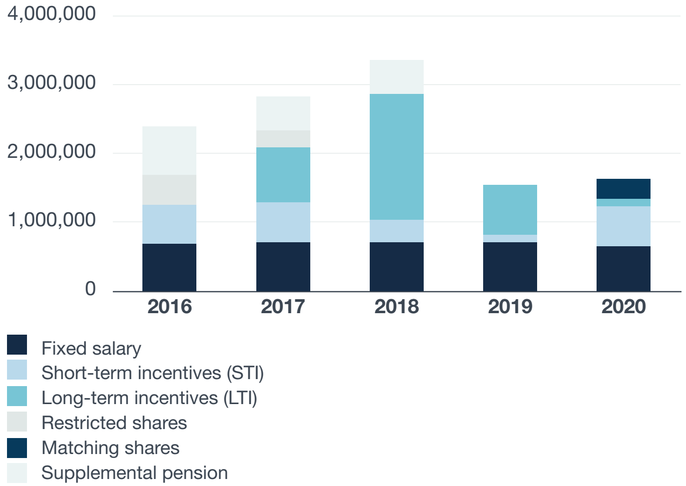
Development of paid Board Remuneration in euros

	2016	2017	2018	2019	2020
Chairman annual fee					
Development	80,000 (0%)	85,000 (+6.3 %)	85,000 (0%)	85,000 (0%)	85,000 (0%)
Vice chairman annual fee					
Development	55,000 (0%)	60,000 (+9.1%)	60,000 (0%)	60,000 (0%)	60,000 (0%)
Board member annual fee					
Development	40,000 (0%)	45,000 (+12.5%)	45,000 (0%)	45,000 (0%)	45,000 (0%)

Development of employee base salary (median)

	2016	2017	2018	2019	2020
Median year-on-year development	+3.0%	+3.0%	+2.9%	+3.0%	0.0%

CEO PAID COMPENSATION DEVELOPMENT AND BREAKDOWN



According to Cargotec's Remuneration Policy, our variable pay programmes promote pay-for-performance and this can also be seen in the CEO's actual incentive payouts in the past five years. During this period, the CEO's base salary development has been 0 percent, while for Cargotec's employees globally, the median year-on-year increase has been around 3 percent. Year 2020 was an exception, the CEO had a voluntary salary reduction for five months and for Cargotec's employees globally, the merit increases were cancelled to manage fixed costs. For the Board members the latest annual fee increase was implemented in 2017.

Remuneration of the Board of Directors in 2020

Cargotec Board Remuneration 1 January–31 December 2020

Director	Committee memberships	Annual fee in euros	Meeting fees in euros	Total in euros[1]	Number of class B shares obtained as remuneration[2]
Ilkka Herlin, Chairman	Nomination and Compensation Committee, Chairman Audit and Risk Management Committee, Member	85,000	30,160	115,400	1,269
Tapio Hakakari, Vice Chairman	Nomination and Compensation Committee, Member	60,000	21,696	81,936	896
Jorma Eloranta[3]	Nomination and Compensation Committee, Member	0	5,000	5,000	0
Peter Immonen	Nomination and Compensation Committee, Member	45,000	22,022	67,022	672
Teresa Kemppi-Vasama	Nomination and Compensation Committee, Member	45,000	20,022	65,022	672
Johanna Lamminen		45,000	14,022	59,022	672
Kaisa Olkkonen	Audit and Risk Management Committee, Member	45,000	23,022	68,022	672
Teuvo Salminen	Audit and Risk Management Committee, Chairman	60,000	22,696	82,696	896
Heikki Soljama		45,000	13,022	58,022	672
Total		**430,000**	**171,662**	**602,142**	**6,421**

[1] Including annual Board remuneration, meeting attendance fees and fringe benefits for the period of 1 January 2020–31 December 2020.
[2] 30% of the Annual Fee is paid as Cargotec class B shares. The value of the shares is included in the Annual Fee in Euros.
[3] Until 27 May 2020.

Note on Board remuneration in 2020: The Board decided that meeting fees are not paid for the several virtual meetings held during the year.

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2020 as follows.

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

Remuneration of the CEO

Application of Performance Criteria in 2020

The CEO participated in the following variable pay programmes in 2020 (short- and long-term incentive programmes):

Programme	Purpose	Performance period	Earning opportunity	Performance measures	Achievement
STI: 2020 Annual Bonus Programme	To reward and incentivise achievement of financial, strategic, operational and sustainability targets aligned with Cargotec's business strategy	2020	Maximum 130% of annual base salary	2020 full year and 2nd half comparable operating profit (m€), 2020 full year and 2nd half operative cash flow (m€)*	EUR 764,452 / 85% of maximum. Incentive payment in April 2021.
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 2020	Maximum 24,400 class B shares from performance period 2020–2022	2020 comparable operating profit (m€)*	6,552 class B shares / 81% of maximum for the measuring period 2020. Incentive payment by April 2023 after measuring periods 2021 and 2022.
LTI: 2019–2021 Performance Share Programme		Measuring period 2020	Maximum 23,100 class B shares from performance period 2019–2020, 2021 ownership and value creation period.	2020 service gross profit (m€)	Measuring period 2020: 0 class B shares / 0% of maximum. Programme in total: 1,650 class B shares / 7% of maximum. Incentive payment by April 2021.

*COVID-19 adjustments made for a better steering and motivational effect of the financial performance targets.

Share-Based Incentives

CEO's share-based incentive framework:

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

CEO's share-based incentive programmes in 2020:

Programme	2018	2019	2020	2021	2022	2023
2018–2020 Performance Share Programme	Measuring period 1: - Service gross profit	Measuring period 2: - Comparable operating profit	€			
2019–2021 Performance Share Programme		Measuring period 1: - Comparable operating profit	Measuring period 2: - Service gross profit	€		
2020–2022 Performance Share Programme			Measuring period 1: - Comparable operating profit	Measuring period 2: - TBD	Measuring period 3: - TBD	€
2019–2022 Matching Share Programme		Share investment	€	€	€	
2019–2020 Restricted Share Unit Programme					€	

€ = share delivery / incentive payment.

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

2017–2020 share-based incentive programme

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

2020–2024 share-based incentive 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 in 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 for shares vested during the last year for which there is no lock-up period.

2020 Restricted Share Unit Programme

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

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

Programme	Performance Period	Grant Date	Payment Date	Vesting Date	Performance Criteria	Awarded Shares Net pcs maximum	Achieved Reward as % of maximum	Net Shares Earned pcs
2020 Restricted Share Unit Programme	2020–2021	5 November 2020	Within three months after the closing date of Merger	12-month lock-up period, starting the day after closing of the merger	Closing of the Merger of Cargotec Corporation and Konecranes Plc	7,521	n/a	n/a
2020–2022 Performance Share Programme	2020–2022	8 April 2020	By April 2023	April 2023	2020 comparable operating profit; 2021 and 2022 decided by the Board	24,400	Measuring period 2020: 81%	Measuring period 2020: 6,552
2019–2021 Performance Share Programme	2019–2020	10 April 2019	By April 2021	31 December 2021	2019 comparable operating profit; 2020 service gross profit	23,100	7%	1,650
2019–2022 Matching Share Programme	2019–2022	1 March 2019	1st installment paid by the company on 31 March 2020 2nd installment by April 2021 3rd installment by April 2022	For the 1st installment until 31 March 2021	Personal share investment and continuous shareholding	24,770	1/3 of total matching shares delivered in 2020	8,256
2018–2020 Performance Share Programme	2018–2019	8 April 2018	31 March 2020	31 December 2020	2018 service gross profit; 2019 comparable operating profit	15,040	19.5%	2,938

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 2020

Fixed Salary	Supplemental Pension Payment	Paid Annual Short-term Incentive	Paid Long-Term Incentive	Paid Matching Shares	Total Paid Remuneration in 2020
650,958	0	580,942	106,506	299,289	1,637,694

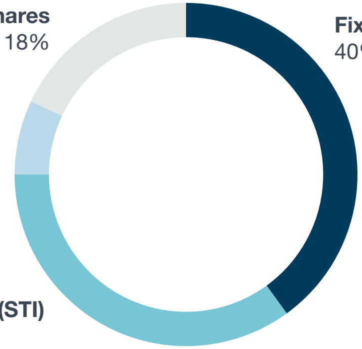
Paid annual short-term incentives

Programme	Performance Period	Earning opportunity as a % of base salary target / max	Performance measures	Achieved Reward as % of maximum	Remuneration in EUR
STI: 2019 Annual Bonus Programme	2019	65% / 130%	2019 comparable operating profit (m€), 2019 operative cash flow (m€), 2019 strategic individual targets	65%	580,942

Paid share-based incentives

Programme	Performance Period	Earning opportunity	Financial performance measure	Achieved Reward as % of maximum	Remuneration
LTI: Performance Share Programme 2018–2020	2018–2019	Maximum 15,040 class B shares	2018 service gross profit (m€), 2019 comparable operating profit (m€)	19.5%	2,938 net shares / EUR 106,506
Matching Share Programme 2019–2022	2020 matching (1st installment by the company)				8,256 net shares / EUR 299,289

STRUCTURE OF PAID COMPENSATION IN 2020



Pension

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

Merger related retention programme

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

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BOARD OF DIRECTORS' REPORT

Operating Environment 2020

The year 2020 has been an exceptional year not only for Cargotec, but for the whole world. Our operating environment was affected especially by the COVID-19 pandemic and related restrictions. The pandemic slowed activities in China during the beginning of the year, as factories were faced with lower capacities, and the availability of components weakened. However, the situation improved towards the end of the first quarter. Until March, the development of the operating environment was stable, especially in Cargotec's main market areas, Europe and Americas. Since then, the coronavirus pandemic changed the situation significantly, and the general market uncertainty, government actions and, for example, regulations that closed down assembly units as well as traveling and meeting restrictions have slowed or postponed the customer decision making, orders, starting and finalisation of projects, and weakened the availability of components. Both demand and the delivery capability of Cargotec and its supply chain started recovering towards the end of the second quarter. The recovery continued in the second half of the year, and Cargotec's delivery capability, including its supply chain, returned to a normal level during the third quarter. Also the demand for Cargotec's solutions strengthened in the second half of 2020.

According to the International Monetary Fund's (IMF) world economic outlook update published in January 2021, the world economy contracted by 3.5 percent in 2020. IMF's previous forecast from October estimated a 4.4 percent decline. In 2020, the decline would be 4.9 percent in what IMF calls an advanced economy group, which includes several key Cargotec markets, such as the United States, the United Kingdom and Germany, while the estimate in October was -5.8 percent. The world economy is expected to increase by 5.5 percent in 2021, according to the IMF.

Kalmar's demand driver, the number of containers handled at ports globally, is estimated to have decreased by 2.1 percent in 2020 compared to the previous year. Demand for smaller cargo handling equipment in industrial segments decreased from the previous year. There is demand for automation solutions, but customers postpone their decisions due to the uncertain market situation. The demand for Kalmar's services weakened slightly due to pandemic related restrictions.

Oxford Economics forecasts that one of Hiab's demand drivers – construction activity – would have slowed down by slightly below nine percent in Europe and by approximately six percent in the US in 2020. The demand for services remained at the previous year's level.

The demand for MacGregor's cargo handling solutions is impacted by the level of merchant ship contracting, which is prognosed to have decreased and drawn close to the historically low level of 2016. During 2020, the estimated amount of new vessel contracting was 661 (851). In 2020, the amount of offshore vessel orders increased from the comparison period but remained still on a low level. The demand for services declined slightly from the comparison period due to pandemic related restrictions and postponements in scheduled maintenance.

Orders received and order book

Orders received decreased in 2020 by 16 percent from the comparison period and totalled EUR 3,121 (3,714) million. Orders received declined in all business areas. Service orders received decreased by 9 percent and totalled EUR 987 (1,079) million.

The order book declined by 13 percent from the end of 2019, and at the end of the fourth quarter it totalled EUR 1,824 (31 Dec 2019: 2,089) million. Kalmar's order book totalled EUR 842 (1,049) million, representing 46 (50) percent, Hiab's EUR 503 (406) million or 28 (20) percent and MacGregor's EUR 480 (633) million or 26 (30) percent of the consolidated order book.

In 2020, the share of orders received was 50 (49) percent in EMEA and 32 (34) percent in Americas. Asia-Pacific's share of orders received was 18 (17) percent.

Sales

Sales in 2020 declined by 11 percent from the comparison period to EUR 3,263 (3,683) million. Sales declined in Kalmar and Hiab and increased in MacGregor. Service sales decreased by 5 percent from the comparison period and totalled EUR 1,005 (1,062) million, representing 31 (29) percent of consolidated sales. Software sales decreased by 2 percent from the comparison period and amounted to EUR 166 (168) million. Service and software sales amounted to EUR 1,171 (1,230) million, representing 36 (33) percent of consolidated sales.

In 2020, EMEA's share of consolidated sales was 49 (48) percent, Americas' 30 (34) percent and Asia-Pacific's 21 (18) percent.

Financial result

Operating profit in 2020 totalled EUR 70 (180) million. The operating profit includes items affecting comparability worth EUR -133 (-84) million. EUR -55 (-7) million of the items were related to Kalmar, EUR -29 (-11) million to Hiab, EUR -44 (-55) million to MacGregor and EUR -6 (-11) million to corporate administration and support functions. More information regarding items affecting comparability is available in Note 2.4, Restructuring costs and other items affecting comparability.

Comparable operating profit in 2020 decreased by 23 percent and totalled EUR 204 (264) million, representing 6.2 (7.2) percent of sales. Comparable operating profit decreased due to the decline in sales, partly offset by productivity improvements and cost savings.

In 2020 net interest expenses for interest-bearing debt and assets totalled EUR 23 (22) million. Net financing expenses totalled EUR 36 (34) million. In 2020 net income totalled EUR 8 (89) million, and earnings per share EUR 0.13 (1.39). Earnings per share decreased due to lower sales, lower comparable operating profit and increased restructuring costs.

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,888 (31 Dec 2019: 4,227) million at the end of the year. Equity attributable to the equity holders of the parent was EUR 1,299 (1,424) million, representing EUR 20.14 (22.12) per share. Property, plant and equipment on the balance sheet amounted to EUR 430 (490) million and intangible assets to EUR 1,158 (1,355) million.

Return on equity (ROE, last 12 months) was 0.6 (31 Dec 2019: 6.3) percent at the end of the year, and return on capital employed (ROCE, last 12 months) was 2.8 (7.3) percent. In 2020, ROCE was weakened by significant restructuring costs and low profitability in business area MacGregor. Cargotec's financial target is to reach 15 percent return on capital employed.

Cash flow from operating activities before financial items and taxes totalled EUR 296 (361) million during 2020. Cash flow decreased due to lower sales and lower EBITDA, partly offset by decreased net working capital, which amounted to EUR 103 million at the end of the year compared to EUR 158 million at the end of 2019.

Cargotec's liquidity position is strong. The objective of liquidity management is to maintain a continuous adequate amount of liquidity to fund the business operations of Cargotec at all times, taking interest and other bank costs into consideration.

Liquidity risk is managed by retaining long-term liquidity reserves exceeding the level of short-term liquidity requirement. The liquidity reserves, consisting of cash and cash equivalents and an undrawn EUR 300 million long-term revolving credit facility, totalled EUR 785 million on 31 December 2020 (31 Dec 2019: 720). Repayments of interest-bearing liabilities due within the following 12 months totalled EUR 158 (31 Dec 2019: 271) million, which includes EUR 38 (40) million lease liabilities.

In addition, Cargotec had access to a EUR 150 million commercial paper programme, of which undrawn EUR 150 (31 Dec 2019: 150) million, as well as undrawn bank overdraft facilities, totalling EUR 116 (31 Dec 2019: 137) million.

In addition to liquidity risk management, Cargotec manages funding risk of its loan portfolio. The objective is to avoid an untenably large proportion of loans or credit facilities to mature at a time when refunding is not economically or contractually feasible. The risk is minimised by diversifying the financing sources as well as balancing the repayment schedules of loans and credit facilities. At the end of 2020, 64 (31 Dec 2019: 77) percent of Cargotec's loan portfolio were bonds and Schuldschein loans, 36 (22) percent bilateral bank loans, and 0 (1) percent commercial papers and drawn bank overdrafts.

Cargotec's maturity profile is balanced. During 2021–2027, the annual maturities are in the range of EUR 100–380 million. The revolving credit facility of EUR 300 million matures in 2024.

Interest-bearing net debt totalled EUR 682 (31 Dec 2019: 774) million at the end of 2020. Interest-bearing net debt includes EUR 174 (188) million in lease liabilities. Interest-bearing debt amounted to EUR 1,191 (1,224) million, of which EUR 158 (271) million was current and EUR 1,033 (953) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 1.4 (1.8) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 509 (451) million.

At the end of the year, Cargotec's equity to assets ratio was 35.3 (31 Dec 2019: 36.4) percent. Gearing was 52.4 (54.2) percent.

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

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

Research and development

Research and product development expenditure in 2020 totalled EUR 105 (102) million, representing 3.2 (2.8) percent of sales. Research and development investments were focused on themes supporting our climate targets such as digitalisation, electrification and automation as well as projects that aim to improve the competitiveness and cost efficiency of products.

Kalmar

2021 will mark a considerable milestone for Kalmar as its entire portfolio becomes available as electrically powered. In 2020, a containerised ChargePod solution and energy-saving guarantee for electrically powered forklift trucks were introduced to the market.

In addition, Kalmar introduced a new range of G-Generation top loaders with improved hydraulics, fuel consumption and operator ergonomics.

In June, Kalmar and MacGregor announced their joint participation in AEGIS (Advanced, Efficient and Green Intermodal Systems), a three-year project funded by the EU's Horizon 2020 Research and Innovation programme. The focus of the project is on integrating smaller ships, inland transport and short-sea shipping with larger terminals to create a completely new European transport system. Kalmar and MacGregor will be the technology providers for the project.

Navis announced in June that it will leverage the solutions offered by two startups, i4sea and Teqplay, as part of the Navis Smart Suite offering. Both solutions provide complementary features for the Navis Berth Window Management, a cloud-based product that enables terminal operators to better plan and optimise their berth utilisation in an intuitive and easy manner.

In November, Navis announced the launch of the N4 as a Service (SaaS) offering, allowing its customers to seamlessly move terminal operations to the cloud. N4 SaaS provides customers the full feature set of a TOS with the added convenience that it is delivered as a service, helping to further strengthen partnerships between terminals and clients.

Hiab

In collaboration with VTT, a Finnish state-owned research organisation, Hiab designed and implemented a steering system for a self-driving truck that is being tested by Stora Enso, a global provider of packaging, biomaterials, wooden constructions and paper, in Finland. The truck is being used to determine how much automated transport can reduce emissions and improve safety.

In May, Hiab announced a free version of the connected service HiConnect™, a web portal that lets Hiab customers with connected equipment receive insights to improve safety and utilisation as well as keeping track of service needs based on actual usage. The free version provides access to core features, such as a live map of the fleet, upcoming maintenance dates based on actual usage, equipment operation times and used capacity. The full subscription version, now rebranded as HiConnect Premium, provides access to even more extensive data including fleet trends and operational insights, which gives the customer better control and visibility of their operations.

In the second quarter, Hiab also launched MULTILIFT Optima 15S and MULTILIFT Optima 25S hooklifts for two and four axle trucks. Optima hooklifts have a light, yet robust construction to provide better fuel efficiency and reduce CO_2 emissions. They offer customers great value and deliver quality, safety and reliability.

In the third quarter, Hiab announced that it had helped to develop a new truck used by JOLT Energy Group to collect and return mobile charging stations for electric vehicles. The truck body has been created with the help of Hiab's modular installation system FrameWorks and it comes equipped with a HIAB X-HiPro 232 loader crane with Hiab's automation technologies.

All new WDV railgates by Hiab's American brand WALTCO ordered from 1 September will have HiConnect™ connectivity as a standard feature with one year of access already included. This enables WALTCO WDV customers to utilise real time data and notifications to improve safety, reduce downtime and increase productivity throughout their fleets. WALTCO has also moved to a new location in Streetsboro, Ohio. The new facilities will provide a better environment for employees, improve productivity and serve customers' better.

In December, Hiab launched the MOFFETT E4 NX, its next generation eSeries of electric forklifts and the world's first all electric 3-wheel drive truck mounted forklift. The forklift is powered by lithium-ion batteries and features new controllers and the new HMI (Human Machine Interface) that displays battery capacity, machine performance and service information. The new MOFFETT eSeries, currently available in four E4 NX models with more being added, is not only beneficial to the environment as it has zero emissions, it is also much more comfortable and safer for the operator as it is virtually silent and has less vibrations than a diesel powered truck. The low noise means it can be operated without earplugs allowing the driver to both see and hear danger. It can also be operated at night-time and deliver the cargo inside warehouses. The MOFFETT eSeries have in-built connectivity so that owners can access Hiab's HiConnect™ that monitors over 100 machine parameters.

MacGregor

MacGregor is applying proven oil & gas technology and extensive operational experience to support the development of offshore wind and renewable energy, with Edda Wind and OHT contracts being good examples of this. In the second quarter, a digital technology-enabled Factory Acceptance Test (FAT) was also successfully completed on a MacGregor 3D-compensated crane to be installed on an offshore wind energy service operation vessel.

Also during the second quarter, MacGregor's test engineers based in Norway together with the remotely located shipowner (France), their client (Denmark) and the shipbuilder (Turkey) overcame COVID-19 restrictions and completed a significant key project milestone utilising digital technologies including CCTV feed from a crane's Augmented Reality Operator Station.

Continuing the development of MacGregor's condition-based monitoring and remote support capabilities, further OnWatch Scout pilot systems were successfully installed onboard a multi-purpose offshore supply vessel and a general cargo vessel during the year. This installation included the first electric merchant cranes to be connected to the OnWatch Scout solution, and the first installation of wireless antennas to transmit data from the cranes to the ship's office room instead of hard cabling.

MacGregor has made good progress with the OnWatch Scout pilot programme, with several now moving to commercial contracts and completion of the first five-year service agreement.

Capital Expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 59 (61) million in 2020. Investments in customer financing were EUR 26 (39) million. Depreciation, amortisation and impairment amounted to EUR 144 (134) million. The amount includes impairments worth EUR 16 (9) million, of which EUR 16 (8) million has been booked as restructuring costs.

Acquisitions and divestments in 2020

Navis, a part of Cargotec, acquired the assets of Biarri Rail, a global provider of planning and scheduling optimisation software for freight railroads on 20 March 2020 at a consideration of EUR 8.2 million. The acquired businesses' results have been consolidated into business area Kalmar's financial figures as of 1 April 2020.

On 1 October, Cargotec Corporation and Konecranes Plc announced that their respective Boards of Directors have signed a combination agreement and a merger plan to combine the two companies through a merger. Cargotec's extraordinary general meeting held on 18 December 2020 approved the merger. The combination is subject to, among other items, the obtaining of merger control approvals. Completion is expected on 1 January 2022. The planned effective date may change, and the actual effective date may be earlier or later than the above-mentioned date. Until the completion of the merger, Cargotec and Konecranes will carry out their respective businesses as separate and independent companies.

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

Operational restructuring

In May 2017, Cargotec announced it would target EUR 50 million savings by reducing indirect purchasing spend, streamlining processes and centralising administrative operations to Cargotec Business Services centre. The realised savings cumulatively since the beginning of the programme amount to approximately EUR 57 million. Around EUR 16 million savings were achieved during 2020.

In May, Cargotec concluded the change of ownership structure of its joint venture Rainbow-Cargotec Industries Co., Ltd (RCI) in China. As part of the agreement, Cargotec acquired certain operations and assets from Jiangsu Rainbow Heavy Industries Co., Ltd. (RHI) and approximately 160 employees moved over to Kalmar. Additional information about the sold ownership in RCI is disclosed in note 16, Joint ventures and associated companies.

In June, Kalmar signed a letter of intent with ARX Mining and Construction Equipment Private Limited (ARX), according to which ARX would become Kalmar's contract manufacturing partner in India, responsible for the manufacturing and development of Indital branded products previously manufactured at Kalmar's current multi-assembly unit in Bangalore. As a consequence, all the activities in the unit discontinued as of 12 June 2020.

In December, Kalmar agreed to transfer part of its crane engineering in China to Etteplan, a globally operating engineering company. As a consequence, approximately 70 Kalmar engineering employees in China moved to Etteplan on 1 January 2021.

Restructuring costs in the fourth quarter amounted to EUR 131 (80) million in year 2020. Approximately EUR 50 million of these costs did not have cash flow impact. We estimate the restructuring costs of ongoing restructuring programmes to be approximately EUR 40 million in total in 2021. The estimate does not include costs related to the merger between Cargotec and Konecranes and the restructuring cost estimate is subject to change

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

It is difficult to estimate how the COVID-19 pandemic, and its negative effects on the economy, will develop. For that reason, Cargotec continues to actively adjust its costs to match the generally weaker economic situation. Cost saving measures have included temporary lay-offs, structural developments of the organisation, and other cost adjustments, for example.

Personnel

Cargotec employed 11,552 (31 Dec 2019: 12,587) people at the end of 2020. The number of personnel decreased as a result of restructuring specified in the previous chapter. The average number of employees of 2020 was 12,066 (1–12/2019: 12,470).

Salaries and remunerations to employees totalled EUR 617 (629) million in 2020.

The annual Compass Employee Engagement survey provides valuable information on our employees' work related feelings and thoughts. The Compass 2020 survey was renewed from the previous year. Although the results are not directly comparable, they indicate a positive trend.

The Compass 2020 survey had a completion rate of 80 (78) percent. Total favorability of all answers was 74 percent. According to the results, 83 percent of employees are highly or moderately engaged. In the 2019 survey, the closest corresponding results were 68 and 77 percent.

Team work remains clearly our stronghold. Team climate and performance received 81 percent favorability. Also Cargotec's sustainability received a high score of 79 percent favorable. Perceived stress, training and development opportunities as well as the communication of the company's future direction were identified as improvement areas. In these areas, favorability scores ranged around 40 to 50 percent.

Disclosure on non-financial issues

Cargotec discloses its key non-financial information in this section to respond to the obligations laid in the accounting act amendment (1376/2016), based on the EU Directive on non-financial reporting. More information about the non-financial and sustainability matters is provided in the Annual Review's sustainability section and in a separate GRI Index. Covering environmental, social and employee matters, respect for human rights, and ethics and compliance matters, this disclosure provides an understanding of the performance, development, position and impacts of Cargotec's activities in the value chain. This disclosure is based on the materiality principle and aims to give a clear and balanced view. 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 the field around the world. Cargotec's global network is positioned close to customers, offering extensive services to ensure a continuous, reliable and sustainable performance according to our customer needs. Cargotec has operations in about 100 countries, consisting of 18 assembly sites, 118 non-assembly and 6 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 with customers operating, for example, in the land transport and delivery industries. MacGregor provides maritime cargo and offshore load handling solutions, services and equipment.

Cargotec is a global provider of solutions for intelligent cargo and load handling. Cargotec's products and services are present in major cargo hubs worldwide. Cargotec aims to become a leading operator in intelligent cargo and load handling. Cargotec's solutions and services make global trade smarter, better and more sustainable. As leading players, Cargotec's business areas Kalmar, Hiab and MacGregor can optimise global cargo flows and create sustainable customer value in ports, on roads and at sea. Cargotec supports its customers to efficiently and sustainably perform their business by combining equipment, service, and software into intelligent offerings.

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

Governance and management of non-financial matters

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

Cargotec's Board of Directors has the overall responsibility for the non-financial matters. The Board reviews the non-financial related issues at least once a year as a separate topic and as part of strategy review, since sustainability is an integrated part of Cargotec's business strategy.

The Board confirms Cargotec's strategy and monitors its implementation. This means that the Board is also responsible for confirming Cargotec's management approach to the non-financial matters, approving the targets and monitoring progress towards these targets. As the Board Chair leads strategy discussions at Board meetings, the highest level of responsibility lies with them.

Cargotec Leadership Team and the business area management teams review the non-financial matters according to specific reporting schedules set for each specific non-financial theme. The central corporate functions supporting the target setting and implementation of the targets of non-financial issues are sustainability (including environment and safety management), HR, ethics and compliance, legal, sourcing, R&D and strategy. More details on the management principles of non-financial matters can be found in the Financial Review's Corporate Governance Statement and in the Cargotec Annual Review 2020.

Cargotec's Leadership Team conducts bi-annual sustainability reviews and approves corporate level sustainability targets. Cargotec's Senior Vice President, Communications is responsible for sustainability issues within the Leadership Team and reports to the CEO. The CEO, together with Cargotec's Leadership Team, are responsible for the implementation of the targets and business plans set by the Board.

The corporate sustainability team is responsible for setting Cargotec's sustainability objectives and targets and ensuring they are in line with Cargotec's international commitments. The annual objectives and targets are approved by Cargotec's Leadership Team while the key long-term sustainability targets are approved by Cargotec's Board of Directors.

The responsibility for the implementation of the key sustainability principles and practices lies with the business areas, while the corporate functions provide expert assistance and strategic guidance. Operationally, sustainability is managed both at the corporate and business area level on a monthly basis. We expect all parties that we work with to apply the same principles.

Cargotec's Sustainability Council aligns and agrees on actions taken on the corporate and business area level regarding the development, implementation and follow-up of sustainability targets and policies. The Sustainability Council consists of the Corporate Sustainability function (SVP Communications and VP Sustainability) and the corporate strategy and business area management team members, responsible for sustainability issues in their own operations and sourcing.

Environment

Climate change is considered as a material topic both from a financial and environmental & social materiality perspective. Climate change mitigation and a transition to a low-carbon economy are seen as business opportunities for us. Cargotec operates in the logistics sector that has a big carbon footprint and many of our products are still powered with fossil fuels today. Reducing the carbon footprint of the logistics sector is a significant business opportunity for us.

We have identified natural resource use as a topic of high importance, too. Our products are mainly made of materials from finite resources, although the materials are highly recyclable. We are anticipating that the transition to a circular, low-carbon economy will lead to rethinking the material flows and options.

Energy use in our operations is fairly limited when compared to the impacts in our value chain. Due to the nature of our own operations, water and waste are considered as not material aspects. Water is not used for manufacturing processes and the waste generation is relatively low. Moreover, steel is the most common material used in our products and it is recycled to a high extent.

The main focus is on climate-related topics throughout the value chain due to their potential significance.

Governance

Our environmental objectives, as laid out in Cargotec's sustainability policy, are to mitigate adverse impacts on the environment and to promote resource and energy efficiency throughout the value chain. We also acknowledge the need to operate within planetary boundaries, and aim to contribute to tackle global challenges, such as resource depletion, biodiversity loss and pollution.

During the year 2020, the Board discussed climate matters three times. In February 2020, the Board decided to set a 1.5 degree climate ambition. This means Cargotec has joined the Science Based Targets initiative as well as the UN Business Ambition for 1.5°C campaign and committed to reduce greenhouse gas emissions in line with the 1.5°C warming scenario, which is the most ambitious goal of the Paris Agreement. The climate ambition was published in the Annual General Meeting in May. In June, the Board discussed climate-related risks and opportunities and the identified emission reduction opportunities. In October, the Board discussed the findings of the business areas' gap analysis. The Board has stated that climate-related risks and opportunities, as well as targets and action plans, should be embedded into the businesses' strategies.

Climate-related risks and opportunities are considered in the strategy process. Our strategic focus areas customer centricity, services, digitalisation and productivity support eco-efficient and sustainable cargo flow throughout the value chain. Business plans, related performance objectives, annual budgets and major capital expenditures such as acquisitions and divestitures are based on the strategy. While the Board has oversight of the strategy, risk management, business plans, related performance objectives and major capital expenditures, the CEO together with Cargotec's Leadership Team are responsible for the implementation of the targets and business plans. As the strategy covers the climate-related risks and opportunities, the CEO is responsible for assessing and managing climate-related risks and opportunities.

Strategy

Cargotec strives to be a global leader in intelligent cargo handling. This vision is well aligned with the climate ambition that comprises absolute emission reduction targets for both our own operations and the value chain. Cargotec demonstrated commitment to climate actions by joining the UN Global Compact Business Ambition for 1.5°C campaign in March 2020. Our CEO has signed the UN Recover Better Statement, which urges the governments to prioritise a faster and fairer transition from a grey to a green economy, by aligning policies and recovery plans with the latest climate science.

Cargotec's business strategy has been influenced by the identified climate-related risks and opportunities. Our goal is to mitigate climate change by constantly seeking to increase the energy efficiency and decrease the emissions of our products, for example by offering electric versions. The financial planning period is three years, while the underlying megatrends are assessed with a long-term time horizon. The electrification roadmaps are also long-term by nature. Technology and market risks are deemed as the most material, while at the same time seen as the greatest opportunities. Transforming the industry and mitigating climate change with low-carbon solutions for customers is a great opportunity for us. High demand for certain materials can lead to increased direct cost, which can affect our electric offering that is dependent on the availability of high-capacity batteries. We expect the demand for low-carbon products and services to increase. With planned further investments in R&D and innovation, we are seizing the opportunity to develop new products and access new and emerging markets, besides exploiting the increasing demand. However, in case of more expensive low-carbon products, the customers' demand and willingness to pay are more uncertain. It is our challenge to make the low-carbon technologies superior also from the economic point of view. We aim to ensure the customer-product fit through R&D and supply chain expertise.

In terms of the physical consequences of climate change, business interruption is recognised as a potential risk. Our business model is based on a multi-tier supply chain that is more vulnerable in case of an extreme weather event. This could impact our production capacity and revenues.

The identified climate-related opportunities relate to digitalisation, electrification, robotics, renewables and circular economy and have all been considered in our strategy and financial planning already in previous years. For example, the Cargotec's eco portfolio was established already in 2017 to gather together the products and services that enhance customers' sustainability, and to disclose the share of the eco portfolio sales. Besides electrification, also automation and connectivity are considered as very promising measures to improve the efficiency of customers' operations. We have been investing in software and digital businesses as we see digitalisation will make cargo handling more efficient and there will be increasing demand for efficient solutions in the future. It 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.

In our own operations, the identified climate-related risks and opportunities have led to setting the target to make our own operations carbon neutral by 2030. With full control over our own operations, we wanted to be more ambitious and reach carbon neutrality well before 2050, ahead of the EU's target. We plan to study the climate-related risks and opportunities in more detail during the next strategy and financial planning round in 2021.

Following the target setting, Cargotec's business areas were given a task to embed the climate ambition in their business strategies. The first step in this work was to analyse their current business plans to identify possible gaps. We have identified several options to reduce the emissions related to purchased goods, products use-phase and our own operations.

The climate-related scenario analysis work was initiated in 2019 and the first round of the scenario work resulted in high-level considerations that supported the strategy. Cargotec's scenario analysis consists of two scenarios 1) increasing emissions and high warming, and 2) low-carbon transition and low warming - both with a time horizon until 2050. Several climate change scenarios have been consulted while conducting the work. IPCC's RCP (2.6; 4.5 and 8.5) as well as IEA (2DS, CPS and Sustainable development) scenarios were considered to understand the general conditions, risks and markets. Another key input in our scenario work is a study "The impact of climate change on Finnish business", by Deloitte for the Confederation of Finnish Industries (EK). The study considered 1.5°C and 4°C pathways until 2050, as well as the direction of trade policy, either protectionism or free trade, and therefore resulted in four scenarios. This study broadened the scenarios to better cover the following aspects: policy and legal, technology, and society. We have identified some certainties in all scenarios, such as digitalisation, electrification, renewable energy and circular economy, and those are integrated in Cargotec's strategy. This builds trust in the resilience of Cargotec's strategy regardless of the warming pathway in the upcoming years.

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

Risk management

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

In the corporate risk management process, climate-related risks are assessed using the general approach of the Enterprise Risk Management (ERM). The ERM process includes both the assessment and management of various broad based business risks (e.g. market, competitor, financial etc). Risks are identified and discussed at the business area and corporate levels. At corporate level, risks informed by business areas are consolidated together with relevant corporate-wide risks. Cargotec also conducts Business Continuity Planning, where together with the insurer, a set of approximately 5 facilities (mainly assembly sites) are evaluated on an annual basis, based on prioritisation and risk level. Assessments include matters such as supply chain risk, property damage and natural hazards. Business areas also have integrated management systems in place, including quality, health & safety and environmental management systems. All of those include risk assessments on asset level including potential short-term impacts of climate change at the location.

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

We have identified several climate-related risks and opportunities over the different time horizons. 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. Several risk types are considered in the process. Current regulation, including both own and customers operations, are always considered. Energy and emissions related regulation can influence raw material availability and prices, and are therefore considered in the risk assessment. For example, our products must comply with noise and other pollution-related regulation that affects customers' operations. Emerging regulation is seen as a business driver. The transition to a low-carbon economy will come with new regulation that can have significant business impact, such as zero emission vehicles and shipping related regulation.

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

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

Table 1: Environmental performance

	2020	2019	2018
Scope 1 emissions (tCO_2e)	22,700	22,000	20,100
Scope 2 emissions, market-based (tCO_2e)	21,000	28,200	28,100
Scope 3 emissions (tCO_2e)*	5,654,000	6,466,000	-
Total emissions (tCO_2e)	5,697,700	6,516,200	-
Emissions intensity, relative to sales (tCO_2e/MEUR)	1,746	1,769	-
Share of eco portfolio sales of total sales (%)	24	21	21
R&D expenditure (MEUR)	105	102	89
Total energy use in own operations (MWh)	157,500	164,800	159,400
Share of renewable energy of total energy use (%)	14	12	11

* see GRI Index 2020 for comprehensive emissions data

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

Metrics and targets

Following Cargotec's commitment to 1.5°C climate ambition we have set greenhouse gas emission reduction targets in line with the latest climate science. Our target, validated by the Science Based Targets initiative, is to reduce the greenhouse gas emissions in all three emission scopes at least 50 percent by 2030 from a 2019 base year. In our own operations we strive to achieve carbon neutrality by 2030. We have chosen a challenging, yet decisive route, by setting the absolute emission reduction target for our value chain, as this means we need to engage with our suppliers and customers in order to reduce the emissions from their operations.

In our own operations, about 40 percent of the emissions are related to electricity use and we are committed to increase the share of renewable electricity to 55 percent by 2024 and 100 percent by 2030. The fuel usage by our service fleet is another big contributor. In order to achieve carbon neutrality, the plan is to increase remote services and use biofuels or electric vehicles.

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

Many of the identified climate-related risks and opportunities are related to our products and services which contribute to climate change mitigation. Moreover, the upcoming EU taxonomy regulation, considers manufacturing as a key sector in enabling emission reductions in other sectors of the economy. Cargotec, as a provider of low-carbon technologies, has a great potential in helping its customers to become low-carbon in their operations. We have an eco portfolio, established already in 2017, that consists of products and services that enhance customers' sustainability with tangible environmental benefits. Sales of the offering amounted to 24 percent of total sales in 2020 (2019: 21%). For the strategy period 2019–2021, the portfolio target was to achieve double sales growth compared to traditional products. This target was met already in 2020. The eco portfolio has performed well during the COVID-19 pandemic. We have recorded a significant growth in the sales of the eco portfolio when comparing the 2020 sales to sales in 2018, while at the same time, the sales of traditional products have decreased. In addition, Kalmar is committed to having electric versions of its full offering available by 2021.

Social and employee matters

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

Governance

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

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

Cargotec's Sustainability policy sets our social objectives. We respect human rights and value employee engagement, diversity, inclusion and equal opportunities. We promote high safety levels and work continuously towards zero accident level in all our operations and also through our products, services and solutions. Our employees are trained to operate in a safe manner. We promote interaction between management and staff by collaborating with personnel at Group and on a country level.

Environment and Health & Safety (EHS) management is a basic element of sustainable operations and it ensures the commitment to minimise the risk of injury and ill health at our places of work. It also ensures protection, so far as is reasonably practicable, for persons not employed by the company who may be affected by our activities. EHS management is a set of practices with which Cargotec develops and implements its EHS practices and manages its EHS aspects and risks.

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

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

Moreover, diversity is recognised as an important factor. Diversity offers Cargotec greater productivity, innovation and flexibility. We are committed to equal opportunity in our employment policies, procedures and practices. Furthermore, we are committed to ensure a nondiscriminatory work environment that values diversity regardless of gender, race, religion, nationality, age or physical ability or any other aspect of diversity. Harassment, in all of it forms - be it face-to-face, written, electronic or verbal, is not tolerated. We respect the freedom of association of our personnel. Cargotec does not act partially, nor does it speak out or commit to political parties and religious groups.

Strategy

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

We are dedicated to safeguard the health and safety of personnel at work. Personnel have a responsibility to protect themselves, colleagues, work site, community and environment by reporting unacceptable health or safety conditions, taking preventive measures and minimising potential damages. As a technology leader, we develop innovative systems and related services that meet the individual needs of our customers. We strive to minimise health and safety risks related to the use of our products and services, by focusing on our product development and quality assurance methods.

We trust our people are the key in creating customer-value through innovation, experimentation, life-long learning and development, adapting new skills and competences in a complex and ever changing world. Our vision, in combination with the continuously evolving environment, suggest that skills of today may not be relevant tomorrow. The purpose of people development at Cargotec is broadly to ensure we have the necessary capabilities, skills, knowledge and attitudes to achieve both our organisational goals as well as personally develop as individuals. Hence, it is imperative that employees continuously evolve and keep developing themselves. For these purposes Cargotec has launched a Learning Experience Platform (LEARN), which is a place where employees can all develop and expand their knowledge on a multitude of topics through comprehensive learning materials.

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

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

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

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

In these exceptional times of COVID-19 pandemic, our first and foremost priority is the health and safety of our own employees, customers and partners. COVID-19 has brought many challenges and changed the way of working, which has required resilience and modification of existing policies and practices. For example, due to the COVID-19 people have been working remotely, which has required modifications in the global and local remote work policies.

Risk management

Cargotec's risk management activities are broken into different segments with responsibilities distributed to the appropriate corporate functions. The responsibility of personal safety of employees lies within human resources. Occupational health and safety issues are developed continuously in order to secure a safe working environment for all of our employees. Health and safety programmes include, for example, various types of training, health and safety practice development and audits, as well as target follow-ups.

Cargotec's assembly sites have implemented safety management systems, wherein safety risks, safety compliance and related mitigation actions are defined.

Metrics and targets

Safety performance is monitored primarily with the industrial injury frequency trend (IIFR, number of injuries per million hours worked). The assembly sites' IIFR target for 2020 was 5, and the rate achieved was 3.4 (2019: 7.0), while the non-assembly site IIFR rate was at 6.2 (2019: 6.8). The Cargotec total IIFR improved to 5.2 (2019: 6.9). We have set a new IIFR target for 2021 to have a rate of 5 across the whole organisation, now also including the non-assembly units. Currently the safety figures cover our own employees and external contractors, excluding subcontractors due to missing working hours information. We have in our long-term plans the intention to also include subcontractor and supplier safety.

Through our employee engagement survey, Compass, all our employees are encouraged to share their thoughts on a wide range of topics, ranging from work-life balance, wellbeing, and social responsibility, to leadership and team climate. By learning what employees share about their business area, organisation, leaders and colleagues, appropriate actions can be taken to create a better working environment for everyone. This year's survey completion rate was 79%, which is 1.7% higher than in 2019. This year we had a total of 42 scaled questions and an open-ended one. The overall favorability for the organisation was 74%, which improved 5.3% from 2019. The category with the highest score was Team Climate & Performance with the favorability of 81%. The category with the lowest score was Direction with the favorability of 54%. The overall favorability for sustainability related questions was 79%.

In addition to the Compass survey, we have also launched a biweekly People Pulse survey to monitor the wellbeing of our employees and how they cope with the difficult conditions in the midst of the COVID-19 outbreak. Such surveys give the employees a chance to anonymously tell how they are feeling and how well they are coping with the current circumstances.

Moreover, we have developed our people analytics 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.

Lastly, Cargotec was acknowledged for its efforts in building an equal leadership culture as it was included in Bloomberg's Gender Equality Index (GEI) 2020. The index consists of 325 companies that set an example to advance women in the workplace through measurement and transparency.

Table 2: Industrial injury frequency rate and Compass results

	2020	2019	2018
Industrial injury frequency rate, (IIFR, all operations)	5.2	6.9	8.4
Compass results			
Completion rate (%)	79	78	85
Engagement index (%)	77	67	67
Sustainability index (%)	79	80	80
Leadership index (%)	74	73	73
Team climate index (%)	81	77	77

Human rights

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

Governance

Cargotec is committed to respect human rights, which is stated publicly in our Sustainability policy. Our human rights work is based on the UN Guiding Principles of Human Rights and Business and is guided by our Code of Conduct and its associated policies and guidelines. The code of conduct lists the main international codes we support: 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. We require our partners to adhere to similar principles.

Cargotec HR manages employment principles and workplace practices within the organisation. The principles are defined in Cargotec's Employment policy, which states that we do not engage in, or support, child labour or forced and compulsory labour. The Supplier code of conduct requires our suppliers to conduct their business in compliance with international human rights and environmental laws and practices.

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

Strategy

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

In 2018, Cargotec carried out an analysis of the most important operational aspects related to human rights risks and measures to mitigate those risks. Most of the human rights risks occur in the Cargotec´s sphere of interest, such as in supply chain and sales agents operations. In addition, mergers and acquisitions were identified as potential areas for human rights breaches.

In 2019, the mergers and acquisition process was developed to ensure that the human rights risks can be identified with better accuracy. The Human Rights risks management process will be further developed in 2021 with special focus on the supply chain. The work will be supported by an external expert.

Risk management

Human rights risks are managed as part of Cargotec's compliance risk management process. The cornerstones of effective compliance risk management are considered to be based on the prevent - detect - respond approach. The same approach is valid for the human rights compliance risks and a self-assessment was started in 2020 and will be finalised during 2021. The compliance risks are assessed regularly in a systematic form and reported to the Cargotec Risk and Audit Committee.

Metrics and targets

To manage the human rights risks in the supply chain, Cargotec expects all suppliers to commit to the Supplier Code of Conduct. In addition, the supplier criteria include elements to audit the supplier's compliance regarding the management of labour practices, human rights, anti-corruption and the environment. 20 percent of the questions in the supplier assessment checklist are related to these topics. In 2020, 100 percent of new direct suppliers were audited against the labour practice, human rights and environmental management criteria.

Our target for 2020 was to audit 50 percent of suppliers that failed the 2019 sustainability risk assessment. This activity was put on hold due to COVID-19 related travel restrictions and focus on mitigating delivery risks. However, the sourcing teams developed a self-sustainability audit and online review process. For 2021, our target is to renew the supplier sustainability risk assessment process.

Speak-up cases are discussed as part of Ethics and Compliance.

Ethics and compliance

Cargotec does business on a global scale and our industry is exposed to compliance risks for example relating to doing business in remote locations, bidding for large projects as well as the use of sales intermediaries in countries where we do not have our own sales offices.

The Code of Conduct is the foundation of our corporate culture and sets out high standards of integrity on how we do business everywhere in the world. The Code of Conduct supports us in handling business matters in conformance with laws, regulations, key policy requirements and principles for ethical business conduct. Ethical behaviour is the responsibility of every employee in Cargotec, and it is management's responsibility to set a clear tone from the top and implement structures to ensure that compliance risks are effectively assessed, controlled and mitigated.

The purpose of the Compliance Programme is to support Cargotec, the CEO and Board of Directors in ensuring that compliance risks are managed effectively and consistently throughout the organisation. This section describes Cargotec's Compliance Programme and its key elements and focus areas.

Governance

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

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

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

Strategy and Risk Management

We continue to build and implement a robust compliance program to support Cargotec in ensuring that compliance risks are managed effectively and consistently throughout the organisation. The main focus areas in 2020 have been the implementation of the Third Party Policy, supporting and implementing the compliance programme in all business areas and continuous effective handling of compliance cases.

In 2020 we conducted compliance risk assessments in our business area operations. Examples of key risk areas are around third party engagements, conflict of interest and internal fraud. For example, in Kalmar, the sales third parties, including commercial agents and dealers globally were identified as the highest area of risk, and a new comprehensive sales third party program was launched.

Based on the compliance risk assessments and Code of Conduct cases, the focus area for 2020 has continued to be Third Party management. The Third Party policy stipulates formal criteria for how to manage E&C risk relating to third parties involved in sales, supply chain, mergers and acquisitions, as well as joint ventures. The company-wide implementation of more detailed instructions and a process for third party screening and risk assessments for sales intermediaries was concluded in 2020. More detailed instructions and the process regarding screening and risk assessment for vendors has started in 2020 and is planned to be fully implemented in 2021.

In 2020 the Ethics & Compliance team has focused on training and awareness efforts around areas where compliance risk has been identified. In particular face to face workshops and online training sessions where key risk groups have been prioritised. The focus of the sessions has been on third party risk and risk mitigation activities together with conflict of interest related topics. The E&C team has conducted mostly in-person training to management teams, sales teams and project services teams at locations in Europe, APAC, and the Americas. In addition, a series of online Q&A discussions with senior management were held throughout the year, allowing employees to comment and ask questions around compliance topics.

Cargotec detected a suspected financial fraud in connection to MacGregor and made an investigation request to the

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

Metrics and targets

During 2020, 65 reports of alleged misconduct were made to the Ethics and Compliance (E&C) team. E&C decided to open an investigation in 32 cases (2019: 40). The reports and investigation cases were referred to the monthly Code of Conduct Panel of the Cargotec Leadership Team, which is chaired by the CEO. The Code of Conduct Panel decides upon case closure, remediation and disciplinary action. During the year, 43 cases were closed and improvement actions were initiated. In 84 % of the closed cases the allegations were substantiated at least partly, and some cases resulted in disciplinary actions such as warnings and personnel dismissals. Six (2019: 3) cases during 2020 concerned HR issues and 4 (9) cases related to possible conflict of interest. Other cases were related to unethical business conduct such as fraud, corruption or policy violations. There were no cases related to environmental grievances, health and safety or privacy matters. One report related to a potential human rights issue was received.

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

To further understand our employees' views on the company's ethical practices, the Code of Conduct related questions were updated and amended in the annual Compass Employee Engagement 2020 survey. 80 percent of respondents consider Cargotec as an ethical company (2019: 80%).

As of 2020, the Code of Conduct e-learning is an annual mandatory training for all Cargotec employees. The e-learning consists of exercises that help employees with their day-to-day dilemmas around ethics and compliance. The Code of Conduct training has been completed by 82 percent of Cargotec employees (2019: 68%). The target group of the e-learning course includes employees with an individual company email address and access to the intranet and across that group there was a 90% completion rate. In addition, onsite training workshops have been arranged for employees without an email address or access to intranet. Due to COVID-19 restrictions the onsite training workshops will continue into 2021, with the aim of full completion of training for the employees without email or intranet access.

Internal control and risk management

The objective of Cargotec's internal control is to ensure that its operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the Company's Code of Conduct and internal controls. With respect to the financial reporting process, these are supported by policies and guidelines, as well as 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 accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. To ensure the independence of the Internal Audit function, the Head of Internal Audit reports functionally to the Audit and Risk Management Committee, and administratively to the CFO. Internal Audit develops a flexible risk based audit plan which is approved by the Audit and Risk Management Committee.

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

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

Board's Audit and Risk Management Committee on the risk reviews, identified risks and mitigation plans.

Financial risks are managed centrally by the Corporate Treasury and reported on for corporate management and the Audit and Risk Management Committee on a regular basis. Board of Directors' report includes an estimate on the Company's main risks and uncertainties and short-term risks.

Cargotec's main strategic risks are related to development of the markets, changes in market structure as well as efficient implementation of the strategy. Operational risks are related to supply chain issues, legality, ethical code of conduct, contract risks, as well as information security and product liability. Employee, customer and third-party health, safety and environmental risks are carefully considered and continuously monitored as top priorities in Cargotec's risk evaluation and management processes.

Leadership Team

On 31 December 2020, Cargotec's Leadership Team consisted of Mika Vehviläinen, CEO; Mikko Puolakka, Executive Vice President, CFO; Mikko Pelkonen, Senior Vice President, Human Resources; Mikael Laine, Senior Vice President, Strategy; Soili Mäkinen, CIO; Outi Aaltonen, General Counsel; Carina Geber-Teir, Senior Vice President, Communications; Antti Kaunonen, President, Kalmar Automation Solutions; Stefan Lampa, President, Kalmar Mobile Solutions; Scott Phillips, President, Hiab; and Michel van Roozendaal, President, MacGregor.

Reporting segments

Kalmar

Kalmar's orders received in 2020 decreased by 21 percent and totalled EUR 1,401 (1,776) million. Kalmar's order book decreased by 20 percent from the end of 2019, and at the end of 2020 it totalled EUR 842 (31 Dec 2019: 1,049) million.

Kalmar's sales decreased by 11 percent in 2020 and totalled EUR 1,529 (1,723) million. Service sales decreased by 6 percent and totalled EUR 437 (464) million, representing 29 (27) percent of sales. Software sales decreased by 1 percent and amounted to EUR 166 (169) million.

Kalmar's operating profit in 2020 totalled EUR 62 (154) million. Operating profit includes EUR -55 (-7) million in items affecting comparability. Comparable operating profit amounted to EUR 116 (162) million, representing 7.6 (9.4) percent of sales. Kalmar's comparable operating profit decreased due to decline in sales and increased share of project business in sales, partly offset by productivity improvements and cost savings.

Cargotec announced in February 2020 that the company has decided to evaluate strategic alternatives for its Navis business to identify the best options to support its future development. In the January–March interim report, Cargotec announced that the evaluation had been paused due to the coronavirus pandemic. In October, Cargotec announced that it has decided to continue the strategic evaluation. As part of the evaluation of options, a preliminary call for tenders was conducted and on 3 December Cargotec announced that the amount and level of the received preliminary and indicative offers suggest that proceeding with a sale is a better possible option for Cargotec and Navis than other presented solutions. Consequently, Cargotec's Board of Directors decided to initiate the actual sales process of the Navis software business. The preliminary indicative offers are not binding and the possible sale of the Navis software business and the terms of the transaction will only be confirmed once the actual sales process has been completed. Cargotec aims to complete the sales process during the first half of 2021.

Hiab

Hiab's orders received in 2020 decreased by 8 percent and totalled EUR 1,210 (1,310) million. Hiab's order book increased by 24 percent from the end of 2019 and totalled EUR 503 (31 Dec 2019: 406) million at the end of the year.

In 2020, Hiab's sales decreased by 19 percent and totalled EUR 1,094 (1,350) million. Service sales decreased by 7 percent to EUR 318 (343) million, representing 29 (25) percent of sales.

Hiab's operating profit in 2020 totalled EUR 97 (159) million. Operating profit includes EUR -29 (-11) million in items affecting comparability. Comparable operating profit amounted to EUR 126 (170) million, representing 11.6 (12.6) percent of sales. Hiab's comparable operating profit decreased due to the decline in sales, partly offset by productivity improvements and cost savings as well as higher sales margins.

MacGregor

MacGregor's orders received in 2020 decreased by 19 percent from the comparison period to EUR 511 (630) million. MacGregor's order book decreased by 24 percent from the end of 2019, totalling EUR 480 (31 Dec 2019: 633) million at the end of the year. Around 70 percent of the order book is merchant ship-related and around 30 percent is offshore vessel-related.

In 2020, MacGregor's sales increased by 5 percent from the comparison period to EUR 642 (611) million. Service sales declined by 2 percent to EUR 250 (255) million, representing 39 (42) percent of sales.

MacGregor's operating profit in 2020 totalled EUR -48 (-83) million. Operating profit includes EUR -44 (-55) million in items affecting comparability. Comparable operating profit totalled EUR -4 (-28) million, representing -0.7 (-4.6) percent of sales. MacGregor's comparable operating profit increased driven by cost savings achieved by restructurings and higher sales margins. In 2020, cost savings from restructuring and TTS integration amounted to EUR 20 million. Savings target for 2021 is EUR 13 million.

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

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting was held on 27 May 2020 in Helsinki. The Annual General Meeting approved a distribution of dividends by paying the dividend in two instalments, the first instalment was paid directly based on the decision of the Annual General Meeting and the second instalment based on a decision of the Board.

The first instalment of the dividend distribution is a dividend of EUR 0.59 for each of class A shares and a dividend of EUR 0.60 for each of class B shares outstanding. The dividend was paid to shareholders who on the record date of dividend distribution, 29 May 2020, were registered as shareholders in the company's shareholder register. The payment date was 5 June 2020.

On 25 August, Cargotec's Board of Directors decided on the second instalment of the dividend based on the authorisation granted to the Board by the Annual General Meeting. The second instalment of the dividend distribution is a dividend of EUR 0.60 for each of class A shares and a dividend of EUR 0.60 for each of class B shares outstanding. The second instalment of the dividend was paid to shareholders who were registered in the shareholders' register on the record date 27 August 2020. The payment date was 3 September 2020.

The meeting adopted the financial statements and consolidated financial statements and the remuneration policy. 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 2019.

The number of the Board members was confirmed at eight. The current Board members Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. The yearly remunerations stayed unchanged: EUR 85,000 will be paid to the Chairman of the Board, EUR 60,000 to the Vice Chairman, EUR 60,000 to the Chairman of the Audit and Risk Management Committee and EUR 45,000 to the other Board members. In addition, members are paid EUR 1,000 for attendance at board and committee meetings. 30 percent of the yearly remuneration will be paid in Cargotec's class B shares and the rest in cash and Cargotec will cover the transfer taxes related to the Board remuneration paid in shares.

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

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

On 27 May 2020, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected in its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. The Board also elected the Chairmen and the members for the Audit and Risk Committee as well as the Nomination and Compensation Committee. Outi Aaltonen, Senior Vice President, General Counsel, will continue as Secretary to the Board.

Cargotec published stock exchange releases on the decisions taken at the AGM as well as the Board of Directors' organising meeting on 27 May 2020. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Decisions taken at the Extraordinary General Meeting

The extraordinary general meeting of Cargotec Corporation held in Helsinki on 18 December 2020, resolved to approve the merger of Cargotec and Konecranes and the resolutions relating to the merger proposed to the general meeting.

The extraordinary general meeting resolved on the merger of Konecranes into Cargotec through a statutory absorption merger under the Finnish Companies Act in accordance with the merger plan concluded and published on 1 October 2020 and approved the merger plan.

The general meeting resolved, conditionally upon the completion of the merger, to amend the articles of association of Cargotec in accordance with the merger plan

The general meeting resolved that the shareholders of Konecranes shall upon the completion of the merger and after the share split referred to below receive as merger consideration in accordance with the merger plan 2.0834 new class B shares and 0.3611 new class A shares in Cargotec for each share they hold in Konecranes. In case the number of shares received by a shareholder of Konecranes as merger consideration is a fractional number, the fractions shall be rounded down to the nearest whole number. Fractional entitlements to new shares of Cargotec shall be aggregated and sold on Nasdaq Helsinki Ltd and the proceeds shall be distributed to shareholders of Konecranes entitled to receive such fractional entitlements in proportion to holding of such fractional entitlements. Any costs related to the sale and distribution of fractional entitlements shall be borne by Cargotec.

The general meeting resolved in accordance with the proposal of the board of directors, conditionally upon the completion of the merger, to establish a permanent shareholders' nomination board to prepare the election and remuneration of the board of directors and confirm the charter for the nomination board in the form appended to the meeting notice.

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

The general meeting was arranged in accordance with the temporary act (677/2020) in such a way that Cargotec's shareholders and their proxy representatives were able to participate in the general meeting and exercise shareholder rights only by voting in advance and by asking questions in advance. The resolutions proposed to the general meeting formed an entirety. The proposals were supported by 99.23 percent of the votes cast and 97.52 percent of the shares represented at the meeting. The proposals were opposed by 0.77 percent of the votes cast and 2.33 percent of the shares represented at the meeting. In total, 0.15 percent of the shares represented at the meeting abstained from voting.

The completion of the merger is still subject to, inter alia, obtaining necessary merger control approvals by the relevant competition authorities. The planned effective date of the merger is 1 January 2022. The planned effective date may change, and the actual effective date may be earlier or later than the above-mentioned date.

Organisation of the Board of Directors

On 27 May 2020, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected at its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. The Board also elected the Chairmen and the members for the Audit and Risk Management Committee as well as the Nomination and Compensation Committee. Outi Aaltonen, Senior Vice President, General Counsel, continued as Secretary to the Board.

The Board of Directors elected among its members Ilkka Herlin, Kaisa Olkkonen and Teuvo Salminen as members of the Audit and Risk Management Committee. Teuvo Salminen was re-elected as Chairman of the committee.

Board members Jorma Eloranta, Tapio Hakakari, Ilkka Herlin and Peter Immonen were elected to the Nomination and Compensation Committee. Ilkka Herlin was re-elected as Chairman of the committee.

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

Board of Directors' authorisations

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

On 27 May 2020, Cargotec Corporation's Annual General Meeting authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of Cargotec's shares with non-restricted equity. Altogether no more than 6,400,000 shares in the company may be purchased and/or accepted as pledge, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. This authorisation shall remain in effect for a period of 18 months from the resolution by the general meeting and it will supersede the previous one.

Cargotec Corporation's Annual General Meeting (AGM), 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 authorization shall not exceed 952,000 class A shares and 5,448,000 class B shares. The authorization 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 authorization remains in effect for a period of five years following the date of decision of the general meeting.

Shares and trading

Share capital, own shares and share issue

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

On 17 March 2020, the Board of Directors decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to the performance period 2018–2019 of Cargotec's share-based incentive programme launched in 2017 and first matching period of matching share programme.

In the share issue, 73,067 own class B shares held by the company were transferred without consideration to the key employees participating in the share based incentive programmes in accordance with the programme-specific terms and conditions. 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 Board of Directors of Cargotec Corporation decided on 27 May 2020 on a directed share issue related to the Board members annual remuneration. In the share issue, in total 6,421 own class B shares held by the company were transferred without consideration to the Board members. According to the decision made in the Annual General Meeting on 27 May 2020, 30 percent of the Board members' yearly remuneration will be paid in Cargotec's class B shares.

The decisions on the directed share issues were 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 2020, Cargotec held a total of 224,840 own class B shares, accounting for 0.35 percent of the total number of shares and 0.15 percent of the total number of votes. At the end of the year, the number of outstanding class B shares totalled 54,957,239.

Share-based incentive programmes

In February 2020, the Board of Directors resolved on the performance criteria for the share-based incentive programme for the year 2020. The performance share programme, approved by the Board of Directors in 2017, includes three performance periods, calendar years 2017–2018, 2018–2019 and 2019–2020. Each performance period includes two measuring periods, both lasting for one calendar year. The Board of Directors will annually resolve the performance criteria for each measuring period.

For the performance period of 2019–2020, the potential reward of the measuring period 2020 will be based on the business areas' service gross profit for the key employees of the business areas Kalmar, Hiab and MacGregor, and for Navis software divisions' key employees, on Navis' sales and on strategic targets of cloud business. For Cargotec Corporate key employees, the performance criterion is Cargotec's service gross profit.

In February 2020, the Board of Directors also resolved to establish a new share-based incentive programme directed to the key employees of Cargotec. The aim of the programme is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to commit the key employees to implement Cargotec's strategy, and to offer them a competitive reward plan based on earning the Company's shares.

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. For the measuring periods, the Board of Directors will annually resolve the length, the performance criteria and the required performance levels for each criterion.

During the performance period 2020–2022, the programme is directed to approximately 150 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 2020 will be based on the business areas' earnings per share (EPS), and for Navis software divisions' key employees, on Navis' sales and on strategic targets of cloud business. For the Cargotec Corporate key employees, the performance criteria is Cargotec's earnings per share (EPS). The rewards to be paid on the basis of the performance period 2020–2022 will amount up to an approximate maximum total of 340,000 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees.

After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods, and potential rewards from the performance period 2020–2022 will be paid partly in Cargotec's class B shares and partly in cash in 2023. As a rule, no reward will be paid, if a key employee's employment or service ends before the reward payment. The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.

In addition, The Board of Directors of Cargotec Corporation resolved to establish a new restricted shares programme for calendar years 2020–2022, 2021–2023 and 2022–2024. As a part of total compensation, restricted share grants can be allocated for selected key employees for recruitment and retention purposes. For the first programme period 2020–

2022 the rewards to be paid on the basis of the programme will amount up to an approximate maximum total of 16,500 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees.

In October 2020, The Board of Directors of Cargotec Corporation decided to establish a new share-based incentive programme for the Group key employees. The new Restricted Share Unit Programme 2020 is intended to function as a bridge programme for the transition period before the closing of the merger between Cargotec and Konecranes and forming the future company in the merger. The aim of the Programme is to align the objectives of the shareholders and the key employees, to secure business continuity during the transition period, and to retain key employees at the Company.

The reward from the programme is conditional to the closing of the transaction. In addition, the reward is based on a valid employment or service and the continuity of the employment or service during the waiting period. The reward is paid partly in shares and partly in cash, after the end of the waiting period, ending on the closing date of the transaction. Shares received as a reward in the programme may not be sold, transferred, pledged or otherwise assigned during the 12-month lock-up period. The lock-up period begins on the date following the closing date of the transaction.

The programme is intended for approximately 70 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 100,000 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.

Market capitalisation and trading

At the end of 2020, the total market value of class B shares was EUR 1,859 (1,660) 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 2,182 (1,950) million, excluding own shares held by the company.

The class B share closed at EUR 33.82 (30.24) on the last trading day of December on Nasdaq Helsinki. The volume-weighted average share price in 2020 was EUR 24.77 (31.09), the highest quotation being EUR 37.14 (38.48) and the lowest EUR 15.15 (24.12). During the period, a total of 55 (29) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,369 (892) million. In addition, according to Fidessa, a total of 55 (40) million class B shares were traded in several alternative marketplaces, such as Cboe BXE and Cboe APA, corresponding to a turnover of EUR 1,441 (1,266) million.

Loans, liabilities and commitments to related parties

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

Board of Directors and CEO

The election of the members of the Board of Directors and the auditor and their remunerations as well as changes on the Articles of Association, are decided by the Annual General Meeting of Shareholders. The Board of Directors elects Cargotec's 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. A slowdown in global economic growth, political uncertainty and trade wars could have an impact on global flow of goods and therefore on the demand of Cargotec's solutions.

The coronavirus pandemic has direct and indirect impacts on Cargotec's business, and the pandemic exposes personnel to a higher risk of illness. Closures of factories, increased safety measures and movement restrictions in accordance with government regulations may limit Cargotec's business prerequisites, and can make it difficult to sell, operate and deliver Cargotec's solutions. Spread of the pandemic and related restrictions may affect the operating environment adversely. Challenges related to the availability, retention and mobility of skilled workforce impact operational performance negatively. The pandemic situation and related operating constraints may have weakened the operational capacity and financial situation of suppliers involved in Cargotec's supply chain, which can hamper Cargotec's ability to deliver products, solutions and services to its customers.

A slowdown or contraction in global economic growth may lower the container traffic growth rate, which affects demand and deliveries for Kalmar's cargo handling solutions. Project executions face risks related to schedule, cost and delivery guarantees. Furthermore, potential bottlenecks in the supply chain could postpone deliveries and have a negative impact on sales and results. Possible restructurings in supply chains can incur significant costs.

Hiab's demand is impacted by the development of the construction market. A significant share of Hiab's orders are from the United States. Even though the cash flows are hedged for the existing order book, the weakening of the US dollar in the longer term could weaken Hiab's results. Similarly, a stronger dollar could strengthen Hiab's results.

MacGregor's market situation involves uncertainties. It is anticipated that the oversupply in the merchant ship market will take time to balance out, since capacity will continue to increase while demand is expected to grow very moderately. The tightening emission regulation for ships and related uncertainty may limit new investments in the short term. The uncertainty regarding oil price development and global decarbonisation targets have led to an intense fall in investments by the oil industry and created oversupply in the offshore market that has decreased offshore vessel investments. The concurrent deterioration in both markets has a negative impact on the financial situation of shipyards, ship owners, and ship operators. A longer-term market downturn could result in an impairment of MacGregor's goodwill.

In the challenging market situation, customers may also try to postpone or cancel orders. Deterioration of the global economic outlook and access to finance can lead to economic and financial difficulties among customers. In some cases their financial position may deteriorate significantly or even lead to insolvency. Challenges and uncertainties related to deliveries may increase Cargotec's net working capital and reduce cash flow.

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

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

There are also ethical risks related to the industries and the geographical scope where Cargotec operates in. 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 2020 was EUR 753,008,900.10. The Board of Directors proposes to the Annual General Meeting convening on 23 March 2021 that of the distributable profit, a dividend of EUR 1.07 for each of the 9,526,089 class A shares and EUR 1.08 for each of the 54,957,239 outstanding class B shares be paid, totalling EUR 69,546,733.35. The remaining distributable equity, EUR 683,462,166.75 will be retained and carried forward.

The dividend shall be paid to shareholders who on the record date for dividend distribution, 25 March 2021, are registered as shareholders in the company's shareholder register. The dividend payment date proposed by the Board of Directors is 1 April 2021.

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

Cargotec announced on 12 January 2021 about concluding a settlement with Nekkar ASA on TTS marine and offshore businesses' purchase price. After completing the acquisition of the marine and offshore businesses of TTS Group ASA (now Nekkar ASA) on 31 July 2019, and challenging the calculation of the purchase price, MacGregor has concluded a settlement agreement with Nekkar. The settlement agreement provides for a total payment of NOK 94 million (EUR 9.1 million) to be made by Nekkar to MacGregor in full and final settlement of the disputed purchase price. The payment is net of NOK 8 million (EUR 0.8 million) previously withheld by MacGregor related to the fulfillment of Nekkar tax obligations in China following completion of the acquisition. The settlement amount will have an approximately EUR 7 million positive impact on MacGregor's first quarter 2021 operating profit.

Outlook for 2021

Cargotec expects its comparable operating profit for 2021 to improve from 2020 (EUR 228[1] million).

Annual General Meeting 2021

The Annual General Meeting of Cargotec Corporation will be held in Helsinki on Tuesday, 23 March 2021 at 1.00 p.m. EET.

Helsinki, 4 February 2021

Cargotec Corporation

Board of Directors

[1] Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation, which amounted to EUR 24 million in 2020. Comparison figure has been calculated based on the new definition. Restatement for 2020 figures will be published before Q1/21 result announcement.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2020	%	1 Jan–31 Dec 2019	%
Sales	2.1, 2.2	3,263.4		3,683.4	
Cost of goods sold		-2,535.5		-2,810.3	
Gross profit		**727.9**	**22.3**	**873.1**	**23.7**
Other operating income	2.3	48.0		33.5	
Selling and marketing expenses		-199.5		-238.4	
Research and development expenses		-107.9		-105.6	
Administration expenses		-236.7		-269.3	
Restructuring costs	2.4	-131.0		-80.1	
Other operating expenses	2.3	-35.7		-33.8	
Share of associated companies' and joint ventures' net income	7.2	5.3		0.6	
Operating profit	2.1, 2.3, 2.4, 3.1, 6.4	**70.4**	**2.2**	**180.0**	**4.9**
Financing income	2.5	2.8		4.0	
Financing expenses	2.5	-38.7		-38.1	
Income before taxes		**34.5**	**1.1**	**145.9**	**4.0**
Income taxes	4.1	-26.4		-56.5	
Net income for the financial year		**8.1**	**0.2**	**89.4**	**2.4**
Net income for the financial year attributable to:					
Equity holders of the parent		8.1		89.4	
Non-controlling interest		-0.1		0.0	
Total		**8.1**		**89.4**	
Earnings per share for profit attributable to the equity holders of the parent:	2.6				
Earnings per share, EUR		0.13		1.39	
Diluted earnings per share, EUR		0.13		1.39	

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

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Net income for the financial year		**8.1**	**89.4**
Other comprehensive income			
Items that cannot be reclassified to statement of income:			
Actuarial gains (+) / losses (-) from defined benefit plans	3.4	-1.2	-13.9
Gains (+) / losses (-) on designated share investments measured at fair value		5.5	-
Taxes relating to items that cannot be reclassified to statement of income	4.1	0.3	2.8
Items that can be reclassified to statement of income:			
Gains (+) / losses (-) on cash flow hedges		35.2	2.6
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		-19.9	3.9
Translation differences		-77.9	11.1
Taxes relating to items that can be reclassified to statement of income	4.1	-1.8	-2.1
Other comprehensive income, net of tax		**-59.8**	**4.5**
Comprehensive income for the financial year		**-51.8**	**93.8**
Comprehensive income for the financial year attributable to:			
Equity holders of the parent		-51.5	93.7
Non-controlling interest		-0.2	0.2
Total		**-51.8**	**93.8**

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

Consolidated balance sheet

MEUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill	6.1	971.9	1,058.5
Other intangible assets	6.2	185.8	296.1
Property, plant and equipment	6.3	429.7	489.7
Investments in associated companies and joint ventures	7.2	56.7	120.8
Share investments	8.2	37.5	0.3
Loans receivable and other interest-bearing assets*	8.2	18.4	29.1
Deferred tax assets	4.2	123.6	131.2
Derivative assets	8.2, 8.5	0.1	-
Other non-interest-bearing assets	5.3, 8.2	17.2	10.3
Total non-current assets		**1,840.9**	**2,136.0**
Current assets			
Inventories	5.2	579.7	713.0
Loans receivable and other interest-bearing assets*	8.2	4.3	1.3
Income tax receivables		25.4	24.1
Derivative assets	8.2, 8.5	13.3	8.5
Accounts receivable and other non-interest-bearing assets	2.2, 5.3, 8.2	753.9	924.3
Cash and cash equivalents*	8.2, 8.3	484.8	420.2
Total current assets		**1,861.4**	**2,091.4**
Assets held for sale	7.4	**185.7**	**-**
Total assets		**3,888.0**	**4,227.4**

*Included in interest-bearing net debt.

MEUR	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share capital		64.3	64.3
Share premium account		98.0	98.0
Translation differences		-110.9	-33.2
Fair value reserves		4.4	-9.1
Reserve for invested non-restricted equity		57.4	57.4
Retained earnings		1,185.6	1,247.1
Total equity attributable to the equity holders of the parent	3.2, 8.6	**1,298.7**	**1,424.5**
Non-controlling interest		2.7	2.8
Total equity		**1,301.4**	**1,427.3**
Non-current liabilities			
Interest-bearing liabilities*	8.2, 8.4, 9.1	1,027.4	953.3
Deferred tax liabilities	4.2	20.6	39.1
Pension obligations	3.4	115.5	110.4
Provisions	5.5	7.2	7.0
Derivative liabilities	8.2, 8.5	0.0	-
Other non-interest-bearing liabilities	5.4, 8.2	62.6	66.0
Total non-current liabilities		**1,233.4**	**1,175.8**
Current liabilities			
Current portion of interest-bearing liabilities*	8.2, 8.4, 9.1	136.1	233.0
Other interest-bearing liabilities*	8.2, 8.4	19.6	38.1
Provisions	5.5	105.9	114.3
Advances received	2.2	182.7	306.3
Income tax payables		21.7	21.1
Derivative liabilities	8.2, 8.5	19.4	11.8
Accounts payable and other non-interest-bearing liabilities	5.4, 8.2	797.5	899.8
Total current liabilities		**1,282.7**	**1,624.3**
Liabilities directly associated with the assets held for sale	7.4	**70.5**	**-**
Total equity and liabilities		**3,888.0**	**4,227.4**

* Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

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

* Net of tax.

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

		Attributable to the equity holders of the parent								
MEUR	Note	Share capital	Share premium account	Translation differences	Fair value reserve	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2019		**64.3**	**98.0**	**-44.2**	**-13.5**	**58.5**	**1,237.9**	**1,401.0**	**3.0**	**1,404.0**
Net income for the financial year							89.4	89.4	0.0	89.4
Cash flow hedges					4.3			4.3	0.0	4.4
Translation differences				11.0				11.0	0.1	11.1
Actuarial gains (+) / losses (-) from defined benefit plans	3.4, 4.1						-11.0	-11.0		-11.0
Comprehensive income for the financial year*		**-**	**-**	**11.0**	**4.3**	**-**	**78.3**	**93.7**	**0.2**	**93.8**
Profit distribution	8.6						-70.7	-70.7	-0.3	-71.0
Treasury shares acquired						-1.1		-1.1		-1.1
Share-based payments	3.2						1.6	1.6		1.6
Transactions with owners of the company		**-**	**-**	**-**	**-**	**-1.1**	**-69.1**	**-70.2**	**-0.3**	**-70.5**
Transactions with non-controlling interests							-	-	0.0	0.0
Equity 31 Dec 2019		**64.3**	**98.0**	**-33.2**	**-9.1**	**57.4**	**1,247.1**	**1,424.5**	**2.8**	**1,427.3**

* 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 2020	1 Jan–31 Dec 2019
Net cash flow from operating activities			
Net income for the financial year		8.1	89.4
Depreciation, amortisation and impairment	6.4	144.0	133.8
Financing items	2.5	35.9	34.1
Taxes	4.1	26.4	56.5
Change in receivables		106.8	-69.6
Change in payables		-149.2	106.5
Change in inventories		98.7	13.5
Other adjustments		25.6	-3.2
Cash flow from operations before financing items and taxes		**296.4**	**361.1**
Interest received		2.8	5.3
Interest paid		-25.8	-29.4
Dividends received		0.1	-
Other financing items		-9.0	14.5
Income taxes paid		-24.5	-48.1
Net cash flow from operating activities		**240.0**	**303.5**
Net cash flow from investing activities			
Acquisitions of businesses, net of cash acquired	7.1	-12.1	-109.5
Disposals of businesses, net of cash sold	7.1	2.7	0.3
Investments in fixed assets	6.2, 6.3	-46.7	-68.5
Disposals of fixed assets	2.3, 6.2, 6.3	25.9	20.8
Cash flow from investing activities, other items		8.9	6.2
Net cash flow from investing activities		**-21.3**	**-150.6**

MEUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Net cash flow from financing activities			
Treasury shares acquired		-	-2.2
Repayments of lease liabilities	8.4	-44.1	-45.5
Proceeds from long-term borrowings	8.4	249.5	298.1
Repayments of long-term borrowings	8.4	-251.4	-168.3
Proceeds from short-term borrowings	8.4	98.8	271.6
Repayments of short-term borrowings	8.4	-106.9	-257.8
Profit distribution	8.6	-77.8	-71.0
Net cash flow from financing activities		**-131.8**	**24.9**
Change in cash and cash equivalents		**86.9**	**177.8**
Cash and cash equivalents, and bank overdrafts 1 Jan	8.3	409.8	225.5
Effect of exchange rate changes		-14.8	6.6
Cash and cash equivalents included in assets held for sale	7.4	0.4	-
Cash and cash equivalents, and bank overdrafts 31 Dec		**482.3**	**409.8**
Bank overdrafts 31 Dec	8.3	2.5	10.4
Cash and cash equivalents 31 Dec		**484.8**	**420.2**

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

Notes to the consolidated financial statements

1. BASIS OF PREPARATION

1.1 Accounting principles for the consolidated financial statements

General information

Cargotec Corporation (1927402-8) is a limited liability company domiciled in Helsinki, Finland. The registered address is Porkkalankatu 5, 00180 Helsinki, Finland. Cargotec Corporation and its subsidiaries form the Cargotec Group (later referred to as Cargotec or company). Cargotec Corporation's class B shares are quoted on Nasdaq Helsinki since 1 June 2005.

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

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

These consolidated financial statements were approved for publishing by the Board of Directors on 4 February 2021. 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 2020 have been used in preparation of the financial statements.

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

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

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

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

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

Accounting principle	Note or note section
Impairments	6.4 Depreciation, amortisation and impairment charges
Consolidation principles, foreign currency transactions, foreign subsidiaries and non-current assets held for sale	7. Group structure
Financial assets, cash and cash equivalents, financial liabilities, offsetting financial assets and liabilities, derivative financial instruments and hedge accounting, profit distribution and treasury shares	8. Capital structure and financial instruments
Leases, Cargotec as lessee and leases, Cargotec as lessor	9.1 Leases
Guarantees and contingent liabilities	9.2 Commitments

New accounting standards in 2020

Starting from 1 January 2020, Cargotec has applied the following new standards and amendments:

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting

Estimates and Errors (effective from 1 January 2020) which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

Amendment to IFRS 3, Business Combinations (effective from 1 January 2020). The amendment includes an updated definition of business, and guidance including an optional simplified test to conclude if IFRS 3 is applicable in an acquisition or not. Therefore, the amendment may allow a simpler accounting method for some of the future acquisitions.

Amendments to standards IAS 39, Financial Instruments: Recognition and Measurement, IFRS 9, Financial Instruments, and IFRS 7, Financial Instruments, Disclosures (effective from 1 January 2020) include guidance for a situation in which a commonly applied benchmark interest rate is changing.

Amendment to IFRS 16, COVID-19-Related Rent Concessions, the amendment allows entities to ignore certain rent concessions in their lease reporting. The relief is applicable only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and meeting the conditions set for the use of relief.

The other amendments effective from 1 January 2020 had no impact on the reported figures.

New or amended IFRS standards and interpretations from 2021

In 2021 and afterwards, Cargotec will adopt the following new and amended standards and interpretations by the IASB. The amendments are not expected to have a significant impact on Cargotec's reporting.

Effective from 1.1.2022

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

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

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

Effective from 1.1.2023

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

1.2 Estimates and assumptions requiring management judgement

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

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

Estimates and assumptions requiring management judgement	Note or note section
Revenue recognition	2.2 Revenue recognition
Defined benefit plans	3.4 Post-employment benefits
Income taxes	4 Income taxes
Inventories	5.2 Inventories
Provisions	5.5 Provisions
Impairment testing of goodwill and other intangible assets	6.1 Goodwill
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 is a leading provider of cargo and load handling solutions. Our goal is to become the leader in intelligent cargo handling. Our 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 continuous, reliable and sustainable performance according to customer needs.

Kalmar's offering comprises industry shaping, sustainable cargo handling equipment and automated terminal solutions, software and services. These are used in ports, terminals, distribution centres and various industries. Kalmar's product range includes ship-to-shore cranes, rubbertyred and rail-mounted gantry cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors, forklift trucks and automated guided vehicles. Kalmar's offering also covers maintenance contracts, technical support, spare parts, training and crane upgrades. The Kalmar One automation system, Navis N4 terminal operating system (TOS) and the Navis Smart suite of terminal applications, Octopi SaaS TOS, loading computer, stowage planning and fleet performance monitoring software, and Bromma spreaders are also part of the Kalmar business area.

Hiab is the global leader in the field of on-road load handling solutions and services. Hiab's offering comprises load handling equipment including loader cranes, forestry and recycling cranes, skiploaders and hooklifts, truck-mounted forklifts, tail lifts and maintenance services and related softwares and digital services. Hiab's products are used in on-land transport and delivery, including construction, distribution, forestry, warehousing, waste and recycling, and defence. Hiab's customers range from single truck and small fleet owners to international fleet operators, across private and public sectors.

MacGregor business area provides integrated cargo and load handling solutions and maintenance services for maritime transportation and the offshore industry. MacGregor's offering for ships includes hatch covers, lashing systems, cranes, RoRo cargo and passenger access equipment, self-unloading systems, winches, steering gear, compressors and deck handling equipment and related softwares and digital services. MacGregor delivers linkspans, shore ramps and passenger gangways for ports and terminals. For the offshore industry, MacGregor's product portfolio includes various solutions for subsea load handling, anchor handling and towing and mooring operations.

Operating segments

Segment results

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

1 Jan–31 Dec 2020 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total
Sales						
Equipment	925.6	775.7	391.2	2,092.5	0.0	2,092.5
Services	437.2	318.2	250.3	1,005.7	-0.4	1,005.3
Software	166.4	-	-	166.4	-0.8	165.6
Total sales	**1,529.2**	**1,093.9**	**641.5**	**3,264.7**	**-1.2**	**3,263.4**
Depreciation and amortisation	62.1	28.9	31.1	122.1	6.3	128.4
Impairment charges	0.6	0.0	11.3	12.0	3.7	15.6
Share of associated companies' and joint ventures' net income	2.6	-0.6	2.4	4.4	0.9	5.3
Operating profit	**61.8**	**97.3**	**-48.2**	**111.0**	**-40.7**	**70.4**
% of sales	4.0%	8.9%	-7.5%	-	-	2.2%
Restructuring costs and other items affecting comparability	54.6	29.1	43.8	127.6	5.7	133.3
Comparable operating profit	**116.4**	**126.5**	**-4.3**	**238.6**	**-34.9**	**203.6**
% of sales	7.6%	11.6%	-0.7%	-	-	6.2%
Financing items	-	-	-	-	-	-35.9
Income before taxes	**-**	**-**	**-**	**-**	**-**	**34.5**
EBITDA	**124.6**	**126.2**	**-5.7**	**245.1**	**-30.7**	**214.4**

1 Jan–31 Dec 2019 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total
Sales						
Equipment	1,090.0	1,006.8	356.6	2,453.5	0.0	2,453.4
Services	464.0	343.2	254.9	1,062.1	-0.5	1,061.6
Software	168.5	-	-	168.5	-0.1	168.4
Total sales	**1,722.6**	**1,350.0**	**611.5**	**3,684.1**	**-0.7**	**3,683.4**
Depreciation and amortisation	63.9	28.5	22.9	115.3	9.8	125.1
Impairment charges	0.4	0.0	7.9	8.3	0.4	8.7
Share of associated companies' and joint ventures' net income	1.4	-1.7	0.4	0.0	0.6	0.6
Operating profit	**154.4**	**159.3**	**-83.3**	**230.4**	**-50.4**	**180.0**
% of sales	9.0%	11.8%	-13.6%	-	-	4.9%
Restructuring costs and other items affecting comparability	7.4	10.9	55.1	73.4	10.9	84.4
Comparable operating profit	**161.8**	**170.2**	**-28.2**	**303.8**	**-39.5**	**264.4**
% of sales	9.4%	12.6%	-4.6%	-	-	7.2%
Financing items	-	-	-	-	-	-34.1
Income before taxes	**-**	**-**	**-**	**-**	**-**	**145.9**
EBITDA	**218.7**	**187.9**	**-52.5**	**354.1**	**-40.2**	**313.8**

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 2020 MEUR	Kalmar*	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total*
Goodwill	341.2	222.4	481.9	1,045.4	-	1,045.4**
Other intangible assets	70.8	17.9	134.5	223.3	27.7	251.0
Property, plant and equipment	260.7	115.3	41.5	417.4	19.9	437.3
Investments in associated companies and joint ventures	31.1	0.0	25.6	56.7	0.0	56.7
Share investments	0.0	0.0	0.0	0.0	37.5	37.5
Working capital receivables	642.5	400.3	324.8	1,367.6	49.8	1,417.5
Unallocated assets, interest-bearing	-	-	-	-	508.5	508.5
Unallocated assets, non-interest-bearing	-	-	-	-	134.0	134.0
Total assets	**1,346.3**	**755.9**	**1,008.2**	**3,110.4**	**777.6**	**3,888.0**
Working capital liabilities	638.8	274.6	339.2	1,252.6	61.4	1,314.0
Unallocated liabilities, interest-bearing	-	-	-	-	1,190.7	1,190.7
Unallocated liabilities, non-interest-bearing	0.0	-	-	-	81.9	81.9
Total liabilities	**638.8**	**274.6**	**339.2**	**1,252.6**	**1,334.1**	**2,586.7**
Operative capital employed*	707.5	481.3	669.1	1,857.9	73.6	1,931.4
Capital expenditure	44.8	27.1	11.9	83.8	1.9	85.7

* Includes assets held for sale and liabilities directly associated with assets held for sale. Additional information of assets held for sale is disclosed in the note 7.4 Assets held for sale.
** Goodwill includes goodwill classified as assets held for sale EUR 73.6 million.

31 Dec 2019 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and elimina-tions	Cargotec total
Goodwill	338.0	226.9	493.6	1,058.5	-	1,058.5
Other intangible assets	79.8	20.9	161.8	262.5	33.6	296.1
Property, plant and equipment	282.1	121.1	63.5	466.7	23.0	489.7
Investments in associated companies and joint ventures	67.9	4.3	23.8	96.0	24.8	120.8
Share investments	-	0.0	0.0	0.0	0.2	0.3
Working capital receivables	775.0	484.7	377.4	1,637.0	24.7	1,661.7
Unallocated assets, interest-bearing	-	-	-	-	450.7	450.7
Unallocated assets, non-interest-bearing	-	-	-	-	149.6	149.6
Total assets	**1,542.7**	**857.9**	**1,120.1**	**3,520.8**	**706.6**	**4,227.4**
Working capital liabilities	726.5	312.4	402.5	1,441.5	61.9	1,503.4
Unallocated liabilities, interest-bearing	-	-	-	-	1,224.3	1,224.3
Unallocated liabilities, non-interest-bearing	-	-	-	-	72.4	72.4
Total liabilities	**726.5**	**312.4**	**402.5**	**1,441.5**	**1,358.6**	**2,800.1**
Operative capital employed	816.2	545.5	717.6	2,079.3	44.4	2,123.7
Capital expenditure	60.7	28.5	6.6	95.7	4.4	100.2

Orders

	Orders received		Order book	
MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	31 Dec 2020	31 Dec 2019
Kalmar	1,400.9	1,775.7	842.2	1,049.3
Hiab	1,210.3	1,309.8	502.9	406.3
MacGregor	510.5	629.7	479.6	633.3
Eliminations	-0.6	-0.9	-0.5	-0.4
Total	**3,121.0**	**3,714.3**	**1,824.3**	**2,088.6**

Number of employees

	Average		At the end of year	
MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019	31 Dec 2020	31 Dec 2019
Kalmar	5,594	5,723	5,526	5,625
Hiab	3,733	4,063	3,390	4,028
MacGregor	2,128	2,125	1,987	2,350
Corporate administration and support functions	611	559	649	584
Total	**12,066**	**12,470**	**11,552**	**12,587**

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

1 Jan–31 Dec 2019 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Finland	37.0	32.8	6.2	76.0	0.0	76.0
Other EMEA (Europe, Middle East, Africa)	758.1	688.3	242.0	1,688.4	-0.5	1,687.8
USA	506.1	443.8	71.6	1,021.5	0.0	1,021.5
Other Americas	136.9	72.2	12.2	221.3	-0.1	221.2
China	79.9	8.5	108.6	197.1	0.0	197.1
Other Asia-Pacific	204.6	104.3	170.9	479.8	0.0	479.7
Total	**1,722.6**	**1,350.0**	**611.5**	**3,684.1**	**-0.7**	**3,683.4**

Non-current assets and goodwill*

MEUR	31 Dec 2020	31 Dec 2019
Finland	84.3	134.0
Other EMEA (Europe, Middle East, Africa)	497.5	559.9
Americas	45.8	108.9
Asia-Pacific	44.6	103.8
Goodwill	1,045.4**	1,058.5
Total	**1,717.6**	**1,965.1**

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

Capital expenditure

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Finland	5.1	10.7
Other EMEA (Europe, Middle East, Africa)	55.5	69.9
Americas	16.0	12.8
Asia-Pacific	9.1	6.7
Total	**85.7**	**100.2**

Number of employees

MEUR	31 Dec 2020	31 Dec 2019
Finland	1,001	1,043
Other EMEA (Europe, Middle East, Africa)	6,634	7,539
Americas	1,458	1,579
Asia-Pacific	2,459	2,426
Total	**11,552**	**12,587**

2.2 Revenue recognition

Accounting principles

Revenue recognition

Sales include revenues from products and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues. The revenue recognition criteria are usually applied separately to each contract, unless multiple contracts effectively form a single transaction, and within contracts, revenue recognition is determined separately for each distinct product or service. A product or service is considered to be a distinct performance obligation if it is separable from other contractual promises to the customer, and if the customer can benefit from it on its own or together with other readily available resources. Therefore, a single agreement including multiple deliverable elements may include one or more distinct items of revenue. 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 the 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 the control of the product or service is transferred to the customer. The control is considered to be transferred over time if the benefit received from performance is produced and consumed simultaneously, or if the produced performance improves an asset controlled by the customer. In addition, control is considered to be transferred over time when delivering products with a highly customised design, if it is assessed that the product is not suitable as such or with minor modifications for another customer and if Cargotec has a contractual right to a payment regarding the produced output. In other situations, revenue is recognised at the point in time when the control of the product is transferred to the customer. The timing of the transfer is primarily determined based on the transfer of risks and rewards. Depending on the type of product, 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 the significant risks and rewards have been transferred to the buyer and the company no longer has the authority or control over the goods. When these products are sold without delivery or installation, the revenue is recognised when the product is handed over or otherwise made available to the customer. If standard products are sold with 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 project can be reliably estimated. The stage of completion is determined by reference to the individual contract costs incurred to date as a percentage of the total estimated contract costs (cost-to-cost method) or by reference to the amount of service work performed from the expected total amount of service work to be performed (milestone method). The percentage of completion related to long-term and small-value service contracts is not assessed 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. When the services are delivered evenly over time, such as with software maintenance and support services and extended warranties, or require an undefined number of acts, the revenue is recognised on a straight-line basis over the contract period. If the outcome of a contract cannot be reliably estimated, the project costs are recognised in the statement of income during the period in which they are incurred and the revenue only to the extent that the corresponding costs are expected to be recovered. Expected contract losses are recognised as expenses immediately. Revenue from short-term service orders is recognised when the service has been rendered.

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

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 asset and liability balances are determined separately for each customer contract.

Estimates and assumptions requiring management judgement

Revenue recognition

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

Revenue related to long-term service contracts and separately identified construction contracts is recognised on an over time basis in accordance with the percentage of completion. Application of the percentage of completion method is allowed if the delivered machine is estimated 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 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 2020, approximately 18.5 (2019: 13.7) percent of sales was recognised on an over time basis.

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

1 Jan–31 Dec 2019 MEUR	Kalmar	Hiab	MacGregor	Internal sales	Cargotec total
Equipment sales	1,090.0	1,006.8	356.6	0.0	2,453.4
Service sales	464.0	343.2	254.9	-0.5	1,061.6
Software sales	168.5	-	-	-0.1	168.4
Total sales	**1,722.6**	**1,350.0**	**611.5**	**-0.7**	**3,683.4**
Recognised at a point in time	1,405.0	1,339.1	435.1	-0.6	3,178.5
Recognised over time	317.6	10.9	176.4	-0.1	504.8

Contract assets and liabilities

Contract assets MEUR	2020	2019
Contract assets 1 Jan	117.4	78.1
Translation differences	-5.0	1.4
Transfers to receivables	-343.8	-123.3
Companies acquired and sold	-	2.5
Change in provision for doubtful accounts and impairments +/-	0.1	0.0
Progress, cost estimate and price adjustments	332.2	158.8
Assets held for sale*	-6.8	-
Contract assets 31 Dec	**93.9**	**117.4**
Contract assets not expected to be invoiced within the next 12 months	0.3	0.5

* 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.

Contract liabilities

MEUR	2020	2019
Contract liabilities 1 Jan	306.3	190.3
Translation differences	-9.5	1.1
Revenue recognised from contract liability on 1 Jan	-193.0	-124.1
Companies acquired and sold	0.1	61.1
Cash received/paid less revenue recognized	102.5	177.9
Liabilities directly associated with assets held for sale*	-23.8	-
Contract liabilities 31 Dec	**182.7**	**306.3**
Contract liabilities not expected to be recognised as revenue within the next 12 months	0.3	22.5
Adjustment to sales recognized during previous years	-2.6	0.1

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

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 1,824.3 (31 Dec 2019: 2,088.6) million, of which 84% (80%) 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 2020	1 Jan–31 Dec 2019
Gain on disposal of intangible assets and property, plant and equipment	1.6	1.0
Customer finance related other income	26.8	27.2
Rental income	2.8	2.3
Income due to order cancellations	-	0.0
Other income	16.8	3.0
Total	**48.0**	**33.5**

Other operating expenses

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Loss on disposal of intangible assets and property, plant and equipment	0.2	0.1
Customer finance related other expenses	26.6	27.0
Expenses due to order cancellations	0.0	-
Business combinations related expenses	4.4	2.9
Other expenses	4.4	3.8
Total	**35.7**	**33.8**

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR 19.9 (2019: -3.9) million, of which EUR 23.9 (-6.8) million in sales and EUR -4.0 (2.9) 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 (2019: no effect).

In addition, operating profit includes EUR -3.4 (2019: 0.7) million of exchange rate differences arising from unhedged sales and purchases, and from hedges of sales and purchases for which hedge accounting is not applied.

Audit fees

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Annual audit	3.0	2.9
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	0.5	-
Tax advice	0.6	0.6
Other services	1.0	0.6
Total	**5.1**	**4.0**

The table above presents fees to PricewaterhouseCoopers globally during the year. Non-audit fees for PricewaterhouseCoopers Oy were EUR 1.5 (2019: 0.4) million during year 2020, including fees for services under the Finnish Auditing Act, chapter 1, section 1(1), point 2, EUR 0.5 (0.0) million, tax related services EUR 0.1 (0.0) million, and for other services EUR 0.9 (0.4) million.

2.4 Restructuring costs and other items affecting comparability

1 Jan–31 Dec 2020 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Restructuring costs					
Employment termination costs	6.2	14.6	16.3	0.3	37.5
Impairments of owned non-current assets	-	4.1	11.0	-	15.1
Impairments of inventories	1.5	-0.2	4.0	-	5.3
Restructuring-related disposals of businesses*	43.9	0.0	-0.2	-	43.7
Other restructuring costs**	2.6	10.7	12.0	4.1	29.4
Restructuring costs, total	**54.3**	**29.1**	**43.1**	**4.4**	**131.0**
Other items affecting comparability					
Insurance benefits	-	-	-5.0	-	-5.0
Expenses related to business disposals, acquisitions and integration	-	-	5.7	0.6	6.3
Merger plan with Konecranes Oyj	0.3	-	-	6.6	6.9
Other costs****	-	-	-	-6.0	-6.0
Other items affecting comparability, total	**0.3**	**-**	**0.7**	**1.3**	**2.3**
Restructuring costs and other items affecting comparability, total	**54.6**	**29.1**	**43.8**	**5.7**	**133.3**

1 Jan–31 Dec 2019 MEUR	Kalmar	Hiab	MacGregor	Other	Total
Restructuring costs					
Employment termination costs	5.3	7.9	9.4	0.0	22.7
Impairments of owned non-current assets	0.0	-	5.9	-	5.9
Impairments of inventories	-	-0.5	20.7	-	20.1
Restructuring-related disposals of businesses*	0.3	-	0.0	-	0.4
Other restructuring costs**	1.7	3.5	16.1	9.7	31.0
Restructuring costs, total	**7.4**	**10.9**	**52.1**	**9.7**	**80.1**
Other items affecting comparability					
Expenses related to business disposals, acquisitions and integration	-	-	3.0	1.3	4.3
Other items affecting comparability, total	**-**	**-**	**3.0**	**1.3**	**4.3**
Restructuring costs and other items affecting comparability, total	**7.4**	**10.9**	**55.1**	**10.9**	**84.4**

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

** Other restructuring costs includes 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 on-going group wide reorganisation of support functions.

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

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

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.

In May 2017, Cargotec announced it would target EUR 50 million annual cost savings by reducing indirect purchasing spend, streamlining processes and centralising administrative operations to Cargotec Business Services centre. Cargotec Business Services started its activities during autumn 2017 in Sofia, Bulgaria, and expanded the operations during 2018-2020. Costs that relate to this on-going group wide reorganisation of support functions are reported as employment termination costs and other restructuring costs. The realised savings cumulative since the beginning of the programme amount to approximately EUR 57 million. Around EUR 16 million savings were achieved during 2020.

During 2020 Cargotec's all businesses improved productivity by structural measures and number of employees decreased permanently with some 1000 employees.

Kalmar's restructuring costs in 2020 include a loss of EUR 35.6 million from the sale of the joint venture ownership in Rainbow-Cargotec Industries Co., Ltd (RCI) and integration costs from simultaneously acquired operations. Addtionally, restructuring costs include costs from discontinuing the operations of Kalmar's multi-assembly unit in India.

Hiab's restructuring costs in 2020 include an impairment loss of EUR 4.0 million on the joint venture ownership in Sinotruk Hiab (Shandong) Equipment Co., Ltd.

MacGregor continued during 2019 and 2020 to streamline its operations to adjust to the challenging market situation. Restructuring costs booked relate mainly to the integration of the marine- and offshore businesses of TTS Group ASA, acquired in the end of July 2019, and winding down certain products in MacGregor's offshore product portfolio due to offshore market's fundamental transition from the traditional oil and gas centric business towards more renewable energy sources. From the offshore product portfolio related write downs EUR 20.7 million was booked to inventory in 2019.

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. These items are reported in the statement of income either in administration expenses, other operating income or other operating expenses.

2.5 Financing income and expenses

Financing income

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Interest income on financial assets measured at amortised cost	2.8	3.8
Other financing income	0.0	0.1
Exchange rate differences, net	-	0.1
Total	**2.8**	**4.0**

Financing expenses

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Interest expenses on financial liabilities measured at amortised cost	18.3	17.6
Interest expenses on leases	7.4	8.1
Arrangement and commitment fees relating to interest-bearing loans	2.5	1.5
Forward contracts interest component	4.4	9.7
Other financing expenses	4.0	1.3
Exchange rate differences, net	2.1	-
Total	**38.7**	**38.1**

Other financing expenses includes EUR 2.4 (2019: 0.2) million of impairment losses related to loan receivables.

Exchange rate differences included in financing income and expenses

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Exchange rate differences on interest-bearing receivables and loans	16.4	-2.4
Exchange rate differences on derivative instruments	-18.5	2.5
Total	**-2.1**	**0.1**

2.6 Earnings per share

Accounting principle

Earnings per share

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

	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Net income attributable to the equity holders of the parent, MEUR	8.1	89.4
Weighted average number of shares during financial period, ('000)*	64,408	64,358
Earnings per share, EUR	**0.13**	**1.39**

	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Net income attributable to the equity holders of the parent, MEUR		8.1	89.4
Weighted average number of shares during financial period, ('000)*		64,408	64,358
Effect of share-based incentive programmes, ('000)	3.2	101	120
Diluted weighted average number of shares during financial period, ('000)		64,508	64,477
Diluted earnings per share, EUR		**0.13**	**1.39**

* Due to the lock-up period in the share-based incentive programme 2017-2020 the average number of shares used in the earnings per share calculation differs from the average amount of outstanding shares.

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

The outbreak of COVID-19 was declared as a pandemic by the World Health Organisation on 11 March 2020. The pandemic has had a huge impact on societies, financial markets and businesses around the world and it has treated countries and industries very differently. The economic crisis caused by the pandemic has had a significant impact on Cargotec also and it is expected that in many aspects the effects of the crisis will only become apparent with a delay. As the full impact of the crisis is not yet visible and there are several possible development paths from the current situation, it is still difficult to assess the overall impact of the crisis.

During the first quarter of 2020, the pandemic situation led to the closure of Cargotec's assembly units in Spain, Ireland, Italy and Malaysia. The crisis had similar effects on Cargotec's subcontractors and suppliers. During the first quarter, Cargotec initiated adjustment measures to reduce the negative impact of the pandemic on earnings, which resulted in monthly cost savings of approximately EUR 10 million. Travel restrictions and delivery difficulties hampered business in the first quarter, but the impacts did not yet significantly affect the reported figures.

In the second quarter, the effects of the pandemic were reflected in both demand and Cargotec's delivery capability. Orders received improved every month after a weak April. Cargotec's assembly units could be restarted by June, and also challenges related to supply chains decreased. With the decrease in sales, the amount of customer receivables decreased, and at the same time the relative share of overdue trade receivables increased due to the economic situation.

In the third quarter, the situation did not change significantly. The pandemic showed signs of acceleration in many countries after the summer, but this did not have the same negative impact on business as in the spring. However, business volumes remained lower, reflecting the prevailing economic uncertainty, the slowdown in global economic growth and other indirect effects. At the same time, Cargotec shifted the focus of cost savings from temporary to more permanent savings.

In the fourth quarter, the pandemic situation remained difficult in many countries, but coronavirus vaccines have been launched and vaccinations are underway. Business volumes started to improve, with order intake in the fourth quarter at the level of the comparison period. Recorded sales revenues also developed in a positive direction, although they remained significantly below the level of the comparison period.

The loan loss provision related to customer receivables was EUR 19 (December 31, 2019: 19) million at the time of review. The share of overdue trade receivables decreased compared to the previous quarter, and there was no significant change in realized credit losses. Inventories decreased significantly during the financial year. The total amount of obsolescence of inventories also started to decrease in the fourth quarter and was EUR 105 (December 31, 2019: 98) million at the end of the year.

Cargotec prepared for a possible financial market imbalance by raising a total of EUR 250 million in loans from its partner banks during the second quarter. The loans have a term of two to three years and include a financing condition limiting the company's capital structure, according to which Cargotec's gearing in accordance with IFRS 16 may not exceed 125 percent. Additional information on the liquidity position is presented in Note 8.1, Financial risk management.

For the near future, the immediate financial impact of the crisis on Cargotec's business will depend above all on the success of pandemic management in different countries. If the current situation persists, the indirect economic effects of the crisis are expected to intensify.

In the prevailing operating environment, Cargotec seeks to prepare for the identified and probable effects of the crisis. These effects have also been taken into account in the reported figures based on actual or forecasts, and the forecasts used in the current situation are significantly based on management's estimates.

Due to the current uncertainty related to the financial operating environment, Cargotec reported the key results of its annual goodwill impairment testing in connection with the financial reporting for the third quarter of 2020 and for MacGregor, the impairment test has been renewed on December 31, 2020.

MacGregor goodwill impairment testing

MacGregor's goodwill has been tested for impairment in 2020 on a quarterly basis. In the first quarter of the year the value of the recoverable amount exceeding the carrying value of assets was at its lowest at EUR 7 million after which it increased to EUR 127 million by the end of the year. The value is very sensitive to changes in WACC as well as forecasts, so the risk for impairment is still significant although it has decreased.

The recoverable amount of the MacGregor segment was determined based on value in use and the test showed a slight improvement over third quarter testing. The improvement was mainly due to lower WACC and changes in the balance sheet. The used WACC before taxes was 9.2% (December 31, 2019: 7.4% after taxes).

Based on the performed impairment tests, no impairment loss has been recognised. MacGregor's recoverable amount is still on a low level in comparison to the assets being tested. MacGregor segment's goodwill on the reporting date was EUR 481.9 (31 Dec 2019: 493.6) million.

As part of MacGregor's impairment testing, sensitivity analyses have been performed for the key assumptions based on three different scenarios. The changes tested in the analyses are a 2 percentage point increase in the discount rate in the first scenario, 10 percent decrease in turnover and 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 2020	127.0	Impairment*	Impairment**	Impairment
31 Dec 2019	170.0	Impairment*	Impairment**	Impairment

* Threshold for impairment was WACC before taxes +1.3 percentage points (31 Dec 2019: WACC after taxes +1.2 percentage points).

** Threshold for impairment was estimation period sales -10 percent and operating profit -0.5 percentage points (31 Dec 2019: estimation period sales -10 percent and operating profit -0.8 percentage points).

Due to the current minor excess value of MacGregor's recoverable amount compared to the book value of assets, the amount to be written off would be significant if the scenarios considered in the sensitivity analysis realize; EUR 51 (31 Dec 2019: 29) million in the first scenario, EUR 168 (133) million in the second, and EUR 282 (274) million in the third.

Goodwill impairment testing of Kalmar and Hiab

As part of the annual goodwill impairment testing that was performed in the third quarter, the recoverable amounts of the Kalmar and Hiab segments were determined based on value in use. The pre-tax WACC used in the testing was 9.9% (2019: 10.4%) for Kalmar and 9.3% (9.6%) for Hiab. Based on the testing, no impairment was recorded in the goodwill of either segment, nor did any of the sensitivity analyses indicate an impairment. Sensitivity analyses were performed based on the same principles as the sensitivity analyses performed for MacGregor described above.

3. EMPLOYEE BENEFITS

3.1 Personnel expenses

MEUR	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Wages and salaries		612.4	622.8
Equity-settled share-based payments	3.2	2.8	3.4
Cash-settled share-based payments	3.2	2.0	3.0
Pension costs	3.4	59.7	58.0
Other statutory employer costs		90.1	93.6
Total		**767.0**	**780.7**

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

3.2 Share-based payments

Accounting principle

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

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

Share-based incentive programme 2020–2024

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

	2020
First year earnings criteria	Comparable operating profit, Navis' sales, cloud transformation
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0-24.400 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	5,4
Initial number of participants	151
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	147
Number of class B shares granted	359,590
Number of class B shares forfeited in 2020	7,980
Number of class B shares subject to vesting conditions on 31 Dec 2020	351,610

Share-based bridge incentive programme 2020–2023

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

	2020
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0-7,521 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	5,7
Initial number of participants	66
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	66
Number of class B shares granted	98,289
Number of class B shares forfeited in 2020	0
Number of class B shares subject to vesting conditions on 31 Dec 2020	98,289

Share-based incentive programme 2017–2020

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

	2019	2018	2017
First year earnings criteria	Service business gross profit, Navis' sales	Service business gross profit, Navis' sales	Service business gross profit, return on capital employed, Navis' sales
Second year earnings criteria	Comparable operating profit, Navis' sales and cloud transformation	Comparable operating profit, Navis' sales	Return on capital employed, Navis' sales
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–23,100 shares and cash for taxes	0–15,040 shares and cash for taxes	0–18,600 shares and cash for taxes
Expected total cost of the programme on grant date, MEUR	9.7	7.8	8.5
Initial number of participants	146	146	100
Participants fullfilling the minimum earnings criteria on 31 Dec 2019	144	126	63
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	128	118	Ended
Number of class B shares granted	291,250	184,880	183,200
Number of class B shares forfeited in 2019 and earlier	2,300	83,805	158,689
Number of class B shares forfeited in 2020	135,271	55,810	Ended
Number of class B shares subject to vesting conditions on 31 Dec 2019	288,950	96,075	24,511
Number of class B shares subject to vesting conditions on 31 Dec 2020	153,679	40,265	Ended

Matching share programme 2019–2022

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

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

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	3.0
Number of participants on 31 Dec 2019	3.0
Number of participants on 31 Dec 2020	5.0
Number of class B shares granted	9,029.0
Number of class B shares forfeited in 2019	0.0
Number of class B shares forfeited in 2020	0.0
Number of class B shares subject to vesting conditions on 31 Dec 2019	6,516.0
Number of class B shares subject to vesting conditions on 31 Dec 2020	9,029.0

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 vesting criteria in the 2019 programme are the fulfilment of a two-year service condition. 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.

	2019
Earnings criteria	Service condition
Expected total cost of the programme on grant date, MEUR	0.1
Initial number of participants	2.0
Number of participants on 31 Dec 2020	2.0
Number of class B shares granted	2,482.0
Number of class B shares forfeited in 2020	0.0
Number of class B shares subject to vesting conditions on 31 Dec 2020	2,482.0

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

	Recognised as cost during the period		Recognised as provision on 31 Dec	
MEUR	2020	2019	2020	2019
Share-based incentive programme 2020–2024	2.6	-	1.5	-
Share-based bridge incentive programme 2020–2023	0.6	-	0.4	-
Share-based incentive programme 2017–2020	-0.4	3.7	0.8	2.4
Share-based incentive programme 2014–2016	-	0.3	-	-
Matching share programme 2019–2022	1.9	2.4	1.4	1.1
Restricted shares incentive programmes 2020–2024	0.0	-	0.0	-
Restricted shares incentive programme 2019	0.3	0.1	0.3	0.1
Restricted shares incentive programmes 2016–2018	-	0.4	-	-
Total	**5.0**	**6.9**	**4.4**	**3.6**

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 2020	1 Jan–31 Dec 2019
Wages, salaries and other short-term employee benefits	7.5	5.5
Share-based payments	2.8	3.7
Post-employment benefits	0.3	-
Total	**10.7**	**9.1**

The composition of Cargotec's Leadership Team has changed during 2019. The remuneration of the new Leadership Team members is included in the key management compensation information from the appointment date.

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

	The CEO		Other members of the Leadership Team	
Number of class B shares	2020	2019	2020	2019
Share-based incentive programme 2018, earning period 2018–2019	2,938	-	9,876	-
Share-based incentive programme 2017, earning period 2017–2018	-	2,325	-	4,873
Share-based incentive programme 2016, earning period 2016–2018	-	9,162	-	9,643
Matching share programme 2019–2020, first installment	8,256	-	20,640	-
Restricted shares incentive programme 2018, earning period 2018	-	-	-	9,050
Total	**11,194**	**11,487**	**30,516**	**23,566**

At the end of 2020, the CEO and members of the Leadership Team are participants to the share-based incentive programme 2019 and 2020. Additionally, the CEO and eight other members of the Leadership team are participants to the share-based bridge incentive programme 2020, the CEO and five other members of the Leadership Team to the matching share programme 2019-2022 and one member of the Leadership Team to restricted shares incentive programme 2019.

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

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

The CEO is entitled to a supplemental defined contribution pension benefit. According to the renewed pension agreement in 2020, the CEO is entitled to retire at the age of 65. If the CEO's service ends before the retirement age of 65 determined in the pension agreement, the CEO is entitled to begin taking the supplemental pension at the age of 62. No supplemental pension contributions have been paid in 2020 or 2019. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 0.2 (2019: 0.1) million was recorded in year 2020. Other Finnish members of the Leadership Team are entitled to a statutory pension. Their retirement age is determined in line with the statutory pension scheme in Finland. MacGregor Business Area President has a supplemental defined contribution pension plan, following the local market practice. The members of the Leadership Team have a period of notice of 6 months and are entitled to compensation for termination of employment, corresponding to 6 to 12 months' salary.

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's top management on 31 December 2020 or 31 December 2019, except the above mentioned EUR 1.5 million pledge given as security for the CEO's pension agreement promise.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Mika Vehviläinen	CEO*	1,637.7	1,539.8
Ilkka Herlin	Chairman of the Board	115.4	105.2
Tapio Hakakari	Vice Chairman of the Board	81.9	75.2
Kimmo Alkio	Member of the Board (until 19 March 2019)	-	3.0
Jorma Eloranta	Member of the Board (until 27 June 2020	5.0	60.1
Peter Immonen	Member of the Board	67.0	58.1
Teresa Kemppi-Vasama	Member of the Board	65.0	54.0
Johanna Lamminen	Member of the Board	59.0	54.0
Kaisa Olkkonen	Member of the Board	68.0	59.0
Teuvo Salminen	Member of the Board	82.7	74.0
Heikki Soljama	Member of the Board	58.0	53.0

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

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. These bonds are denominated in the currency in which the benefits will be paid and have 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	2020	2019
Present value of unfunded obligations	108.4	100.2
Present value of funded obligations	40.0	42.0
Fair value of benefit plan assets	38.1	36.1
Net liability	**110.4**	**106.0**
Net liability on balance sheet	115.5	110.4
Net asset on balance sheet	5.2	4.4
Expense related to defined contribution plans	51.5	51.0
Expense related to defined benefit plans and other post-employment benefits	8.1	7.0
Expense in the statement of income	**59.6**	**58.0**
Remeasurement of defined pension benefits and other post-employment benefits	-1.2	-13.9
Remeasurement in the statement of comprehensive income	**-1.2**	**-13.9**

Expected contributions to defined benefit plan assets during the next reporting period is EUR 4.8 (31 Dec 2019: EUR 2.0) million. The weighted average duration of the defined benefit obligations was 16.6 (16.2) years.

Reconciliation of the net defined benefit obligation

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

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2019	123.9	-33.3	90.6
Current service cost	5.0	-	5.0
Interest expense (+) / income (-)	2.9	-0.9	2.0
Past service cost	0.0	-	0.0
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	-1.8	-1.8
Actuarial gain (-) / loss (+) from change in demographic assumptions	-0.5	-	-0.5
Actuarial gain (-) / loss (+) from change in financial assumptions	14.9	-	14.9
Experience adjustment gain (-) / loss (+)	1.4	-	1.4
Foreign exchange rate gains (-) / losses (+)	0.2	-1.0	-0.9
Contributions by employer	-	-2.2	-2.2
Contributions by plan participants	0.2	0.0	0.2
Benefits paid	-6.1	3.1	-3.1
Settlements	-0.1	0.0	-0.1
Companies acquired and sold	0.4	-	0.4
31 Dec 2019	**142.1**	**-36.1**	**106.0**

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2020	104.5	18.6	5.5	19.7	148.4
2019	97.5	18.3	6.3	20.0	142.1
Fair value of plan assets:					
2020	6.6	23.3	3.7	4.5	38.1
2019	6.1	22.2	3.9	3.9	36.1

Allocation of plan assets

MEUR	2020	2019
Debt instruments	1.4	3.2
Investment funds	4.2	9.0
Qualifying insurance policies	4.8	2.4
Equity instruments	3.4	3.1
Other assets	24.4	18.4
Total plan assets	**38.1**	**36.1**

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

Defined benefit plans: applied actuarial assumptions

%	Sweden	United Kingdom	Norway	Other countries*
Discount rate 2020 (2019)	1.2 (1.5)	1.2 (1.9)	1.5 (1.8)	2.0 (1.6)
Expected rate of salary increases 2020 (2019)	1.8 (2.0)	2.8 (2.8)	2.0 (2.3)	3.1 (2.2)
Expected pension growth rate 2020 (2019)	1.5 (2.0)	3.5 (3.4)	1.5 (1.3)	1.9 (1.8)

* 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	2020	2019*
0.5%-point increase in the principal assumption		
Discount rate	-11.5	-10.7
Expected rate of salary increases	4.5	4.5
Expected pension growth rate	8.5	7.8
0.5%-point decrease in the principal assumption		
Discount rate	13.1	12.2
Expected rate of salary increases	-3.9	-3.9
Expected pension growth rate	-7.7	-7.1
Change in the life expectancy		
Effect of 1 year increase in the life expectancy	6.0	5.3
Effect of 1 year decrease in the life expectancy	-5.9	-5.2

* The figures for the comparison year 2019 have been corrected

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 89 (31 Dec 2019: 88) percent of the net defined benefit liability recognised on the balance sheet.

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

4. INCOME TAXES

Accounting principle

Income taxes

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

Estimates and assumptions requiring management judgement

Income taxes

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

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

4.1 Income tax reconciliation

Taxes in statement of income

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Current year tax expense	28.8	45.4
Change in current year's deferred tax assets and liabilities	-2.8	8.9
Tax expense for previous years	0.5	2.2
Total	**26.4**	**56.5**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Income before taxes	34.5	145.9
Tax calculated at Finnish tax rate (20%)	6.9	29.2
Effect of different tax rates in foreign subsidiaries	4.4	4.1
Tax expense for previous years	0.5	2.2
Tax-exempt income and non-deductible expenses	9.3	3.7
Realisability of deferred tax assets	6.7	18.0
Effect of changes in tax rates	-2.3	-1.1
Other	0.9	0.4
Total taxes in statement of income	**26.4**	**56.5**
Effective tax rate, %	76.6	38.7

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2020			1 Jan–31 Dec 2019		
MEUR	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Cash flow hedges	15.3	-1.8	13.5	6.5	-2.1	4.4
Translation differences	-77.9	-	-77.9	11.1	-	11.1
Actuarial gains (+) / losses (-) from defined benefit plans	-1.2	0.3	-0.9	-13.9	2.8	-11.0
Designated share investments measured at fair value	5.5	-	5.5	-	-	-
Total other comprehensive income	**-58.3**	**-1.5**	**-59.8**	**3.7**	**0.7**	**4.5**

4.2 Deferred tax assets and liabilities

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

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

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

2019 MEUR	1 Jan	Recognised in statement of income	Recognised in other comprehensive income	Companies acquired and sold	Translation differences	Assets held for sale**	31 Dec
Deferred tax assets							
Intangible and tangible assets	70.2	2.6	-	0.6	0.2	-	73.5
Inventories	20.2	0.3	-	-	0.1	-	20.6
Provisions and accruals	21.2	3.4	-	-	0.2	-	24.8
Tax losses and credits carried forward	50.1	-8.9	-	-	0.2	-	41.4
Other temporary differences	19.2	-2.4	0.8	0.3	0.0	-	18.1
Deferred tax assets total	180.8	-5.0	0.8	0.9	0.8	-	178.3
Offset against deferred tax liabilities*	-41.0	-6.0	-	-	-0.1	-	-47.1
Deferred tax assets, net	**139.8**	**-11.0**	**0.8**	**0.9**	**0.7**	**-**	**131.2**
Deferred tax liabilities							
Intangible and tangible assets	57.9	6.7	-	6.9	0.5	-	72.1
Other temporary differences	11.2	0.6	0.1	2.0	0.1	-	14.0
Deferred tax liabilities total	69.1	7.4	0.1	8.9	0.7	-	86.2
Offset against deferred tax assets*	-41.0	-6.0	-	-	-0.1	-	-47.1
Deferred tax liabilities, net	**28.1**	**1.3**	**0.1**	**8.9**	**0.6**	**-**	**39.1**
Deferred taxes, net asset	**111.6**	**-12.3**	**0.7**	**-8.0**	**0.1**	**-**	**92.2**

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

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

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

On 31 December 2020, Cargotec had EUR 339.9 (31 Dec 2019: 316.5) 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 12.5 (31 Dec 2019: 19.0) million will expire during the next five years and EUR 327.5 (31 Dec 2019: 297.4) 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 2020, Cargotec had reduced income tax assets recorded by net amount of EUR 15.4 (31 Dec 2019: 15.9) million to reflect uncertainty related to income taxes. The matter mainly relates to the non-acceptance of tax deductions for which Cargotec may appeal and claim a tax refund.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that the earnings will be distributed in the foreseeable future. On 31 December 2020, Cargotec had EUR 165.4 (31 Dec 2019: 450.1) 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 2020	31 Dec 2019
Inventories	5.2	579.7	713.0
Operative derivative assets		32.2	17.9
Accounts receivable	5.3	535.0	670.9
Other operative non-interest-bearing assets		235.2	260.0
Working capital assets		**1,382.1**	**1,661.7**
Provisions	5.5	-113.1	-121.3
Advances received	2.2	-182.7	-306.3
Operative derivative liabilities		-17.7	-18.5
Accounts payable	5.4	-353.0	-438.7
Pension obligations	3.4	-115.5	-110.4
Other operative non-interest-bearing liabilities		-493.0	-508.1
Working capital liabilities		**-1,274.9**	**-1,503.4**
Net working capital in the balance sheet		**107.1**	**158.3**
Net working capital of assets held for sale and associated liabilities held for sale*	7.4	-3.7	-
Total		**103.4**	**158.3**

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

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

5.2 Inventories

Accounting principle

Inventories

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

Estimates and assumptions requiring management judgement

Inventories

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

MEUR	31 Dec 2020	31 Dec 2019
Raw materials and supplies	219.2	265.8
Work in progress	165.9	205.8
Finished goods	166.2	196.7
Advance payments paid for inventories	28.3	44.8
Total	**579.7**	**713.0**

The value of inventories has been reduced to the net realizable value by an obsolescence provision of EUR 105.5 (31 Dec 2019: 97.9) million at the end of period.

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

5.3 Accounts receivable and other non-interest-bearing receivables

Accounting principle

Accounts receivable

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

MEUR	Note	31 Dec 2020	31 Dec 2019
Non-current			
Non-current non-interest-bearing assets	8.2	17.2	10.3
Current			
Accounts receivable	8.2	535.0	670.9
Unbilled receivables from customer contracts	8.2	93.9	117.4
VAT receivable		70.4	80.0
Deferred interests	8.2	0.1	0.1
Other deferred assets		54.4	55.9
Total current		**753.9**	**924.3**
Total accounts receivable and other non-interest-bearing receivables		**771.2**	**934.6**

Expected credit losses from trade receivables and contract assets

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

		Expected credit losses			
31 Dec 2019 MEUR	**Gross value**	**Based on historical risk assessment**	**Based on forward-looking risk assessment**	**Average rate of allowance**	**Net value on balance sheet**
Unbilled receivables and accounts receivable not due	613.8	-0.4	-0.3	0%	613.1
1–90 days overdue	126.5	-0.9	-0.6	-1%	125.0
91–360 days overdue	45.5	-4.6	-1.3	-13%	39.6
Over 360 days overdue	21.6	-6.4	-4.6	-51%	10.5
Total	**807.3**	**-12.3**	**-6.7**	**-2%**	**788.3**

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

	Credit loss allowance	
MEUR	2020	2019
Allowance 1 Jan	19.0	23.1
Translation differences	-0.2	0.1
Companies acquired and sold	0.0	0.7
Increase of allowance	13.8	13.2
Use of allowance	-2.4	-7.5
Reversed allowance	-10.3	-10.5
Assets held for sale*	-0.7	-
Other changes	0.0	0.0
Balance 31 Dec	**19.3**	**19.0**

* 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.

Credit losses recognised in the statement of income

	Credit loss allowance	
MEUR	2020	2019
Movement in the loss allowance during the period	3.5	2.7
Directly recognised credit losses	1.2	2.5
Total	**4.8**	**5.2**

5.4 Accounts payable and other non-interest-bearing liabilities

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

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

Cost accruals regarding construction contracts relate to customer projects, in which revenue is recognized over time based on the stage of completion under the milestone method. In these projects, the amount of revenue to be recognized 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 recognized from the project to be kept from one stage of completion to another at the level of the expected project margin.

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

MEUR	Note	31 Dec 2020	31 Dec 2019
Non-current			
Buy-back obligations from customer finance arrangements	8.2	58.5	60.4
Other non-interest-bearing liabilities	8.2	4.1	5.6
Total non-current		**62.6**	**66.0**
Current			
Accounts payable	8.2	353.0	438.7
Accrued salaries, wages and employment costs		118.5	121.7
Late cost reservations		102.1	77.6
Cost accruals related to construction contracts		41.0	49.9
Prepaid rents from customer finance arrangements		63.5	61.5
VAT liabilities		24.9	26.7
Accrued interests	8.2	6.6	9.4
Liabilities related to business combinations	8.2	2.6	7.6
Other accrued expenses		85.4	106.8
Total current		**797.5**	**899.8**
Total accounts payable and other non-interest-bearing liabilities		**860.2**	**965.9**

Comparison figures in 2019 has been regrouped.

5.5 Provisions

Accounting principle

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

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

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

A provision is recognised for an onerous contract when the unavoidable costs required to fulfil the commitment exceed the gain to be received from the contract.

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

Estimates and assumptions requiring management judgement

Provisions
The amount of provision to be recorded is the best estimate of the cost required to settle the obligation at the reporting date. The estimate of the financial impact of the past event requires management judgement, which is based on similar events occurred in the past, and where applicable, external experts' opinion. Provisions are reviewed on a regular basis, and adjusted to reflect the current best estimate when necessary. The actual costs may differ from the estimated costs.

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

2019 MEUR	Product warranties	Claims	Restruc-turing	Onerous contracts	Others	Total
Provisions 1 Jan	70.9	3.7	10.9	9.9	2.0	97.4
Translation differences	0.2	0.1	0.0	0.0	0.0	0.3
Increases	22.9	3.2	19.8	2.9	4.0	52.8
Companies acquired and sold	10.0	3.9	-	10.6	1.1	25.6
Provisions used	-18.6	-0.7	-10.0	-7.9	-2.1	-39.3
Reversals of provisions	-10.8	-2.3	-0.4	-1.5	-0.6	-15.6
Provisions 31 Dec	**74.6**	**7.9**	**20.4**	**14.0**	**4.4**	**121.3**

MEUR	31 Dec 2020	31 Dec 2019
Non-current provisions	7.2	7.0
Current provisions	105.9	114.3
Total	**113.1**	**121.3**

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

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

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

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

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

6. INTANGIBLE AND TANGIBLE ASSETS

6.1 Goodwill

Accounting principle

Goodwill

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

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

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

Estimates and assumptions requiring management judgement

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

MEUR	2020	2019
Book value 1 Jan	1,058.5	970.9
Translation differences	-21.1	2.5
Companies acquired	8.0	85.1
Companies sold	-	-
Assets held for sale*	-73.6	-
Other changes	0.0	-
Book value 31 Dec	**971.9**	**1,058.5**

* 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.

Impairment testing of goodwill

MEUR	31 Dec 2020	31 Dec 2019
Kalmar	267.6	338.0
Hiab	222.4	226.9
MacGregor	481.9	493.6
Total	**971.9**	**1,058.5**

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 in 2020 based on the value-in-use calculations. In 2019, the value-in-use calculation of MacGregor indicated impairment of goodwill, and, therefore, the recoverable amount of MacGregor was additionally determined based on the fair value less costs to sell. In both models, the recoverable amount is determined from future cash flow projections that 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. The main difference between the models is that the fair value model reflects assumptions that market participants would apply in pricing the asset, and, therefore, for example the planned efficiency improvements can be taken into account at an earlier phase than in the model based on value-in-use to the extent it can be assumed that similar benefits from efficiency improvements would be available to a market participant. In addition, the value-in-use model is based on pre-tax cash flows whereas the fair value less cost to sell model is based on post-tax cash flows. Cash flow forecasts cover five years, of which the ending year is used to derive the terminal value. The value of the ending year of the forecast period is determined by extrapolating it based on the average development over the past years and the esimated development over the forecasted period, by taking into account the cyclical nature of the CGU's business. Cash flows beyond the forecast horizon have been projected using a growth rate that is based on an estimate of the long-term growth rate of the industries, taking into account the OECD long-term growth projections but capped by the level of risk-free rate used in the calculations. Long-term growth rates have been 1.4 (2019: 1.8) percent for Kalmar, 0.5 (0.8) percent for Hiab, and 1.4 (1.6) percent for MacGregor.

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

The discount rate used in the impairment testing is the weighted average cost of capital (WACC) determined for each segment that reflects the total cost of equity and debt, and the market risks related to the segment. Components of WACC are a risk-free interest rate based on average of government bond yields weighted by the sales of cash generating unit in respective countries, market risk premium, comparable peer industry beta, gearing and credit spread. In the impairment testing based on value-in-use, the WACC is determined on a pre-tax basis whereas and in the impairment testing based on fair value less cost to sell, the WACC is determined on a post-tax basis. The discount rate used in the impairment testing has been determined in the same way as last year. The discount rate (WACC) used for Kalmar was 9.9 (2019: 10.4) percent, for Hiab 9.3 (9.6) percent and for MacGregor 9.2 (7.4) percent. The discount rates determined for Kalmar and Hiab have declined from previous year mainly because of the decrease in the government bond yields. The discount rate for MacGregor was determined in 2020 before taxes and in 2019 after taxes because of the different models applied in determining the recoverable amount, as described above.

As a result of the impairment tests performed no impairment loss has been recognised in 2020 nor 2019.

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 2020 and 2019 indicated no risk of impairment for the Hiab and Kalmar segments. The results of MacGregor segment's sensitivity analysis are presented in the table below.

MacGregor goodwill sensitivity analysis

		Sensitivity analysis scenarios and results		
	Recoverable amount in excess of book value of assets, MEUR	WACC +2 percentage points	Sales -10 percent and operating profit -2 percentage points	Sales -10 percent, operating profit -2 percetage points and WACC + 2 percentage points
31.12.2020	127.0	Impairment*	Impairment**	Impairment
31.12.2019	170.0	Impairment*	Impairment**	Impairment

* Threshold for impairment was WACC before taxes + 1,3 percentage points (31.12.2019: WACC after taxes + 1,2 percentage points)

** Threshold for impairment was estimation period sales -10 percent and operating profit -0,5 percentage points (31.12.2019: estimation period sales -10 percent and operating profit -0,8 percentage points)

Due to the current minor excess value of MacGregor's recoverable amount compared to the book value of assets, the amount to be written off would be significant if the scenarios considered in the sensitivity analysis realize; EUR 51 (31 Dec 2019: 29) million in the first scenario, EUR 168 (31 Dec 2019: 133) million in the second, and EUR 282 (31 Dec 2019: 274) million in the third.

MacGregor's goodwill has been tested for impairment in 2020 on a quarterly basis. In the first quarter of the year the value of the recoverable amount exceeding the carrying value of assets was at its lowest at EUR 7 million after which it increased to EUR 127 million by the end of the year. The value is very sensitive to changes in WACC as well as forecasts, so the risk for impairment is still significant although it has decreased.

6.2 Other intangible assets

Accounting principles

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

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

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

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

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

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

* Includes EUR 1.3 million of intangible assets under construction.

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

2019 MEUR	Developed technology	Acquired technology	Customer relation-ships and trademarks	Others*	Total
Acquisition cost 1 Jan	122.2	91.2	284.1	11.6	509.0
Translation differences	-0.2	0.5	2.2	0.5	3.1
Additions	0.0	0.4	-	4.0	4.4
Disposals	-7.2	-0.9	0.0	0.7	-7.4
Reclassifications	12.1	13.8	-10.2	-7.2	8.6
Companies acquired and sold	14.0	12.8	21.0	0.0	47.8
Acquisition cost 31 Dec	**140.9**	**117.8**	**297.1**	**9.7**	**565.6**
Accumulated amortisation and impairment 1 Jan	-74.0	-66.6	-84.6	-5.3	-230.4
Translation differences	0.0	-0.3	-0.9	-0.5	-1.6
Amortisation during the financial period	-10.9	-7.1	-14.8	-0.1	-32.9
Impairment charges	-4.8	0.0	-	-0.9	-5.6
Disposals	7.2	0.8	0.0	-0.7	7.3
Reclassifications	1.2	-1.8	-	0.0	-0.6
Companies acquired and sold	-5.6	0.0	0.0	-	-5.6
Accumulated amortisation and impairment 31 Dec	**-86.9**	**-75.0**	**-100.2**	**-7.4**	**-269.5**
Book value 31 Dec	54.0	42.8	196.9	2.3	296.1

* Includes EUR 2.1 million of intangible assets under construction.

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 2020, the book value of the intangible assets with indefinite useful life amounted to EUR 36.9 (31 Dec 2019: 40.6) 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.

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

* Includes EUR 2.7 million of assets under construction and EUR 0.2 million of advance payments.

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

2019 MEUR	Owned assets Land and buildings	Machinery and equipment	Equipment leased to others	Others*	Right-of-use assets Land and buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	214.9	297.3	165.4	5.5	154.1	38.7	875.9
Translation differences	2.0	0.8	1.1	0.0	0.7	0.3	4.9
Additions	2.5	20.1	38.8	9.0	12.9	12.5	95.7
Disposals	-9.6	-5.3	-27.3	-1.2	-3.9	-2.5	-49.8
Reclassifications	2.9	5.3	13.5	-8.9	-0.2	0.2	12.9
Companies acquired and sold	4.8	13.1	-	-	6.5	2.5	26.9
Acquisition cost 31 Dec	**217.6**	**331.3**	**191.5**	**4.3**	**170.1**	**51.7**	**966.5**
Accumulated depreciation and impairment 1 Jan	-91.2	-236.4	-64.7	0.0	-3.7	-7.3	-403.3
Translation differences	-0.7	-0.4	-0.4	0.0	-0.1	0.0	-1.7
Depreciation during the financial period	-6.3	-18.4	-25.0	-	-27.3	-15.3	-92.3
Impairment charges	-0.4	0.1	-	-	-2.7	0.0	-3.1
Disposals	4.9	4.4	15.8	0.0	1.9	1.8	28.7
Reclassifications	0.0	0.0	6.3	-	0.0	0.0	6.3
Companies acquired and sold	-0.7	-10.8	-	-	-	0.0	-11.5
Accumulated depreciation and impairment 31 Dec	**-94.5**	**-261.5**	**-68.0**	**0.0**	**-32.0**	**-20.8**	**-476.7**
Book value 31 Dec	123.1	69.8	123.5	4.3	138.1	30.9	489.7

* Includes EUR 4.1 million of assets under construction and EUR 0.2 million of advance payments.

6.4 Depreciation, amortisation and impairment charges

Accounting principle

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

An impairment loss is recognised in the statement of income when the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount. The impairment loss can only be reversed to the extent that the carrying value of an asset is returned to a level where it would have been without the recognised impairment loss. Impairment losses recognised for goodwill cannot be subsequently reversed.

Estimates and assumptions requiring management judgement

Impairment testing
Intangible assets and property, plant and equipment are tested for impairment every time there is any indication of impairment. In assessing impairment, both external and internal sources of information are considered. External sources include a significant decline in market value that is not the result of the passage of time, normal use of the assets or increase in interest rate. Internal sources of information include evidence of obsolescence of, or physical damage to, an asset. If the carrying amount of an asset exceeds the amount that is recoverable from its use or sale, an impairment loss is recognized immediately so that the carrying amount corresponds to the recoverable amount.

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Cost of goods sold	62.5	64.4
Sales and marketing	19.4	17.7
Research and development	14.0	10.5
Administration	30.2	32.9
Restructuring	17.9	8.1
Other	0.0	0.2
Total	**144.0**	**133.8**

Depreciation, amortisation and impairment charges by asset type are disclosed in notes 6.1, Goodwill, 6.2, Other intangible assets, and 6.3, Property, plant and equipment.

7. GROUP STRUCTURE

Accounting principles

Consolidation principles

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

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their acquisition date fair values. The share of non-controlling interest in the acquiree is recognised on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. The difference, if any, between the consideration transferred and the fair value of net assets obtained is recognised as goodwill. Subsidiaries acquired during the financial period are included in the consolidated financial statements from the date the control is obtained, and divested subsidiaries until the date the control is lost. When control is lost, all assets and liabilities related to the disposed subsidiary are derecognised. Additionally, if relevant, the hedging result recognised in other comprehensive income by the disposed subsidiary and the translation differences related to the disposed subsidiary are reclassified to statement of income.

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

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

Investments in joint ventures in which Cargotec exercises joint control and has a right to net assets purely based on the ownership interest held, and associated companies over which Cargotec exercises significant influence, but has no control, are accounted for in the consolidated financial statements under the equity method. Investments in joint ventures and associated companies are initially recognised on the balance sheet at the acquisition cost, which includes goodwill and intangible assets identified on acquisition as well as the costs for acquiring or establishing the joint venture or associated company. Subsequently, the value of investment is adjusted in accordance with changes in the net assets of the investee in proportion to Cargotec's ownership, and in accordance with the amortizations of the intangible assets identified in the acquisition. Investment in a joint venture, or an associated company is derecognised when Cargotec no longer has a joint control, or significant influence over the investee.

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

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

Foreign currency transactions

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. Open foreign currency-denominated monetary receivables and liabilities at the end of the financial period, both intercompany and external, are translated using the exchange rate of the balance sheet date, and the resulting foreign exchange gains and losses are recognised in the statement of income except when hedge accounting is applied. Foreign exchange gains and losses related to normal business operations are treated as adjustments to sales or costs. Exchange rate differences on other hedges relating to business operations are recorded in other operating income and expenses.

Exchange rate gains and losses related to foreign currency hedges designated as hedges of sales and purchases under hedge accounting are first recognised in the statement of comprehensive income, and finally in the statement of income as adjustments to sales and purchases simultaneously with the related transactions. Exchange rate differences on other hedges relating to business operations are recorded in other operating income and expenses. Foreign exchange gains and losses associated with financing are included in financial income and expenses.

Foreign subsidiaries

The stand-alone financial statements of subsidiaries are reported using the currency that best reflects the operational environment of that subsidiary ("the functional currency"). In the consolidated financial statements, the statement of income and the cash flows of subsidiaries whose functional currency is other than the euro are translated into euros using the average exchange rate of the financial period, and the assets and liabilities on the balance sheets are translated into euros at the balance sheet date exchange rate. Translation differences caused by different exchange rates are recognised through the statement of comprehensive income in the cumulative translation differences in equity. Intercompany loan agreements may form a part of net investment if their settlement is neither planned nor probable in the foreseeable future, and thus the exchange rate gains and losses of these contracts are also recognised as translation differences in equity. When applying hedge accounting for a hedge of a net investment in a foreign operation, exchange rate differences on the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income, and any ineffective portion is recognised immediately in the statement of income.

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

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

Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction instead of normal use and a sale is considered highly probable. Non-current assets held for sale are measured immediately before reclassification in accordance with the normal measurement principles after which they are measured at the lower of carrying amount and fair value less cost to sell. Impairment losses or gains are recognised in the statement of income. Non-current assets held for sale are not depreciated or amortised.

Estimates and assumptions requiring management judgement

Business combination

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognised as goodwill according to the accounting principles. The measurement of fair value of the acquired net assets is based on market value of similar assets (property, plant and equipment), or an estimate of expected cash flows and returns (intangible assets). The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement and assumptions. The management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values. More information on the measurement of fair value of the assets acquired through business combinations is presented in note 7.1, Acquisitions and disposals.

Assessment of control, joint control and significant influence

Cargotec applies judgement in determining an appropriate method to account for its ownership in the investees. The investees consolidated as subsidiaries with less than 50 percent of the voting rights are listed in note 7.3, Subsidiaries. In these investments, it has been assessed that Cargotec has de facto control based on shareholder agreements. Note 7.2, Joint ventures and associated companies, presents Cargotec's investments that are accounted for as joint ventures and as associated companies. Cargotec's investments in joint arrangements are classified as joint ventures based on shared control, rights to net assets of the arrangement, and other relevant circumstances related to the arrangements. Cargotec's investments in associated companies include investments, in which Cargotec's voting rights are normally less than 20 percent. Accounting for the investment as an associated company is based on Cargotec's significant influence in the investee. In addition to the voting rights, the determination of the influence is affected by, for example, the ownership structure of the investee and Cargotec's representation in the board of directors, as well as Cargotec's significance as a customer.

7.1 Acquisitions and disposals

Acquisitions in 2020

On 26th of May Cargotec sold its 49% joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Simultaneously, certain operations and assets were acquired from the disposed joint venture, and approximately 160 RCI employees transferred from RCI to Kalmar. Via restructuring, Cargotec aims to simplify its operations related to global supply chains. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. The acquisition price paid on closing was EUR 3.9 million and an additional EUR 0.7 million will fall due within the next two years. The final balance sheet value of the acquired assets and deferred tax asset is EUR 1.5 million and the difference is recorded as goodwill, which is not tax deductible. Additional information about the sold ownership in RCI is disclosed in note 7.2, Joint ventures and associated companies.

Acquired net assets and goodwill, RCI MEUR	
Property, plant and equipment	0.2
Inventories	0.5
Deferred tax assets	0.8
Net assets	**1.5**
Purchase price, payable in cash	4.6
Total consideration	**4.6**
Goodwill	**3.1**
Purchase price, paid in cash	4.2
Cash flow impact	**4.2**

Navis, part of Kalmar, acquired on 20 March 2020 the business assets of Biarri Rail based in Australia at a consideration of EUR 8.2 million in a transaction that is accounted for as a business combination. The purchase consideration includes a deferred payment of EUR 0.6 million that falls due in 18 months from the acquisition. The main asset acquired, Biarri Rail software, for planning and scheduling freight railroads. The acquired business supports Navis in expanding to inland terminals. The acquired business is consolidated into Kalmar segment's result from 1 April 2020. Consolidation of the acquired business and measurement of assets and liabilities is presented as final on reporting date. Intangible assets related to technologies were identified in determining the fair values, and the acquisition generated goodwill that is not tax-deductible.

Acquired net assets and goodwill, Biarri Rail MEUR	
Intangible assets	3.9
Accounts payable and other non-interest-bearing liabilities	-0.2
Deferred tax liabilities	-1.2
Net assets	**2.5**
Purchase price, payable in cash	8.2
Total consideration	**8.2**
Goodwill	**5.7**
Purchase price, paid in cash	7.6
Cash flow impact	**7.6**

Kalmar acquired in October the sales and service business of MPO - Maquinás Portuárias, S.A. in Portugal for a consideration of EUR 0.4 million. The acquisition had no material impact on the reported figures.

Acquisitions in 2019

MacGregor acquired on 31 July 2019 the marine and offshore businesses of the Norwegian listed company TTS Group ASA ("TTS") at a consideration of EUR 57.9 million. The preliminary purchase price was paid to the seller on acquisition date, but the final purchase price is still being specified in accordance with the purchase price mechanism agreed in the purchase contract. At the time of reporting, there is a difference of opinion between the parties regarding the final purchase price. The companies reached an agreement on the final amount of the purchase price in January 2021. For more information on the agreement, see Note 9.5 Events after the balance sheet date. The acquisition strengthens MacGregor's product portfolio and market position in the main cargo and load handling markets, and related services. Additionally, significant synergy benefits are expected to be obtained from the transaction. The acquired entities are operating in more than 10 countries from which Sweden, Norway, China and Germany are the most significant ones. The acquired businesses consist of 19 fully owned subsidiaries and three 50% owned joint ventures in China. The integration of the joint ventures is subject to temporary restrictions set by the competition authorities. As a result of the acquisition, approximately 580 employees transferred to Cargotec. The result of TTS is consolidated into MacGregor segment from the beginning of August 2019 after which TTS contributed EUR 49.9 million and EUR -1.3 million to Cargotec's 2019 sales and operating profit respectively. Had TTS been acquired on 1 January 2019, it would have increased in 2019 Cargotec's sales by approximately EUR 119.8 million and decreased operating profit by approximately EUR 3.2 million. In total EUR 2.9 million of costs related to TTS acquisition have been included in the operating profit of MacGregor segment and in other operating expenses on Cargotec's statement of income in 2019. These costs are not included in MacGregor's comparable operating profit.

Consolidation of the acquired businesses is presented as final on reporting date. In the final valuation, customer relationships, trademarks and technology were identified as the acquired intangible assets. The goodwill recognised in the acquisition is primarily based on expected synergy benefits and personnel, and is not tax-deductible.

Acquired net assets and goodwill, TTS
MEUR

Intangible assets	44.1
Property, plant and equipment	15.5
Investments in associated companies and joint ventures	21.7
Inventories	60.3
Accounts receivable and other non-interest-bearing assets	26.8
Cash and cash equivalents	24.8
Deferred tax assets	0.3
Accounts payable and other non-interest-bearing liabilities	-106.6
Interest-bearing liabilities	-78.4
Deferred tax liabilities	-9.5
Net assets	**-1.2**
Purchase price, payable in cash	57.9
Total consideration	**57.9**
Goodwill	**59.1**
Purchase price, paid in cash	56.6
Cash and cash equivalents acquired, including overdrafts	44.7
Cash flow impact	**101.3**

Navis, part of Kalmar, acquired on 19 December 2019 the assets of Jade Logistics based in New Zealand at a consideration of EUR 4.3 million in a transaction that is accounted for as a business combination. The main asset acquired, Master Terminal, is a terminal operating system (TOS) that can be used in managing various types of cargo. With the acquired software Navis is better positioned to support terminals managing wide variety of cargo types beyond containers. The result of acquired business is consolidated into Kalmar segment from beginning of January 2020. Consolidation of the acquired business and fair values of the acquired assets and liabilities are presented as final on reporting date. In the final valuation, intangible assets related to technologies were identified, and the recognised goodwill is not tax deductible.

Navis acquired on 7 March 2019 the share capital of the US-based privately owned company Cetus Labs, Inc. ("Cetus") at the price of EUR 10.8 million of which EUR 3.5 million was paid on the date of acquisition. The remaining amount, which is conditional, is expected to be paid over the next three years. The main product of Cetus is a SaaS- and cloud-based terminal operating system (TOS), Octopi, designed for small container and mixed cargo terminals. The result of Cetus has been consolidated into Kalmar segment from the beginning of March. Cetus had no material impact on Cargotec's sales during 2019. Consolidation of the acquired business is presented as final on reporting date. In the final valuation, customer relationships, trademarks and technology were identified as the acquired intangible assets. The goodwill recognised in the acquisition is primarily based on personnel and expected synergy benefits, and is not tax-deductible.

Acquired net assets and goodwill, Jade Logistics and Cetus Labs
MEUR

Intangible assets	9.6
Property, plant and equipment	0.4
Accounts receivable and other non-interest-bearing assets	0.0
Cash and cash equivalents	0.2
Accounts payable and other non-interest-bearing liabilities	-0.5
Interest-bearing liabilities	-0.9
Deferred tax liabilities	-2.0
Net assets	**6.9**
Purchase price, payable in cash	15.1
Total consideration	**15.1**
Goodwill	**8.2**
Purchase price, paid in cash	7.7
Cash and cash equivalents acquired, including overdrafts	-0.2
Cash flow impact	**7.5**

Hiab acquired the sales and service business of ATS Aufbau und Transportsysteme GmbH in Germany on 2 May 2019 for a consideration of EUR 0.8 million. The acquisition had no material impact on the reported figures.

7.2 Joint ventures and associated companies

	Joint ventures		Associated companies		Total	
MEUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Book value 1 Jan	70.3	53.4	50.5	46.4	120.8	99.8
Translation differences	1.5	-1.4	2.1	-0.2	3.6	-1.6
Share of net income*	0.6	-3.6	4.6	4.2	5.3	0.6
Impairment	-4.2	0.1	6.0	-	1.8	0.1
Dividend income	-0.1	-	-	-	-0.1	-
Additions	-	21.8	-	-	-	21.8
Reclassification to financial assets	-	-	-31.8	-	-31.8	-
Disposals and liquidations	-43.0	-	-	-	-43.0	-
Book value 31 Dec	**25.2**	**70.3**	**31.5**	**50.5**	**56.7**	**120.8**

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

Equity-accounted investments in other entities

							Shareholding (%)	
31 Dec 2020 MEUR	**Country***	**Classification**	**Assets**	**Liabilities**	**Sales**	**Net income**	**Parent company**	**Group**
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	5.4	0.8	4.6	0.1	-	25.0
Rainbow-Cargotec Industries Co., Ltd**	China	Joint venture	-	-	38.6	-1.7	-	-
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	19.3	12.3	2.8	-2.2	50.0	50.0
CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd	China	Joint venture	1.0	0.4	0.5	-0.1	-	49.0
TTS Hua Hai Ships Equipment (Shanghai) Co., Ltd.	China	Joint venture	45.5	30.2	54.5	3.5	-	50.0
TTS Bohai Machinery (Dalian) Co., Ltd.	China	Joint venture	20.4	10.4	36.1	1.5	-	50.0
TTS SCM Marine and Offshore Machinery Co., Ltd.	China	Joint venture	18.6	13.4	13.4	1.1	-	50.0
Jiangsu Rainbow Heavy Industries Co., Ltd.**	China	Associated company	-	-	202.5	11.9	-	5.6
Bruks Siwertell Group AB	Sweden	Associated company	146.9	82.5	148.0	7.7	-	48.0
Other equity-accounted investments			6.7	2.8	4.9	0.2		

* The countries of incorporation and of primary operations are the same.
** Cargotec has consolidated the net result of these companies until 30 April 2020.

31 Dec 2019 MEUR	Country*	Classification	Assets	Liabilities	Sales	Net income	Shareholding (%) Parent company	Shareholding (%) Group
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	5.4	0.5	5.9	0.5	-	25.0
Rainbow-Cargotec Industries Co., Ltd	China	Joint venture	190.2	103.5	113.4	-4.8	49.0	49.0
Sinotruk Hiab (Shandong) Equipment Co., Ltd.	China	Joint venture	21.2	12.7	9.2	-3.5	50.0	50.0
CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd	China	Joint venture	0.8	0.1	0.1	-0.2	-	49.0
TTS Hua Hai Ships Equipment (Shanghai) Co., Ltd.**	China	Joint venture	38.7	26.3	61.0	3.1	-	50.0
TTS Bohai Machinery (Dalian) Co., Ltd.**	China	Joint venture	24.3	14.9	32.4	1.2	-	50.0
TTS SCM Marine and Offshore Machinery Co., Ltd.**	China	Joint venture	12.4	8.0	10.8	0.2	-	50.0
Jiangsu Rainbow Heavy Industries Co., Ltd.	China	Associated company	665.7	340.4	220.9	7.4	-	7.9
Bruks Siwertell Group AB	Sweden	Associated company	122.2	67.5	132.0	7.8	-	48.0
Other equity-accounted investments			7.0	3.1	7.4	0.1		

* The countries of incorporation and of primary operations are the same.
** The amounts presented in table include full year sales and net income of these entities. Cargotec has consolidated the net result of these companies from 1 August 2019.

On 26th of May 2020 Cargotec sold its 49 % joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Cargotec recognized a loss of EUR 35.6 million as a restructuring cost on disposal of the joint venture by derecognizing the joint venture ownership and recognizing a non-interest-bearing receivable of EUR 6.5 million as a consideration that is due after two years from the closing date. The gross value of the receivable is EUR 11.9 million and its carrying value on balance sheet includes an adjustment for both interest and expected credit loss. Certain functions and assets were acquired from the company sold in connection with the transaction, and approximately 160 RCI employees were transferred to Kalmar. Additional information about the acquired assets is presented in note 7.1 Acquisitions and disposals.

In connection with the RCI restructuring, Cargotec also reassessed the classification of its ownership in Jiangsu Rainbow Heavy Industries Co., Ltd. (RHI) and concluded that the preconditions for the associated company classification were no longer met. As a result, the RHI ownership was reclassified as a share investment accounted for as a financial asset. On reclassification, the associated company ownership on the balance sheet was derecognised and the new financial asset was recognised at fair value resulting in a profit of EUR 6.7 million which was booked in the income statement as other operating income affecting comparability. Due to the value of the RHI ownership and market volatility of the RHI share, Cargotec has elected to apply the possibility to recognise the subsequent fair value changes related to RHI ownership directly in other comprehensive income.

In April 2020, Hiab performed an impairment assessment for its holding in the Sinotruk Hiab (Shandong) Equipment Co., Ltd. joint venture. Due to the company's business outlook and financial situation, the joint venture ownership was fully written down, resulting in a loss of EUR 4.0 million. Cargotec has issued guarantees on behalf of Sinotruk in the amount of EUR 3.7 (December 31, 2019: 3.8) million, of which EUR 2.5 million has been recognized as a liability at the time of reporting. Hiab is evaluating options for discontinuing the joint venture.

MacGregor owns a joint venture CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd. together with Nanjing Luzhou Machine Co., Ltd. (LMC), owned by China State Shipbuilding Corporation (CSSC). LMC owns 51 percent and MacGregor 49 percent of the joint venture specialised in marine air compressor technology.

As part of the acquistion of TTS on 31 July 2019 (additional information in note 7.1 Acquisitions and disposals), Cargotec obtained 50 percent ownership in entities: TTS Hua Hai Ships Equipment (Shanghai) Co., Ltd., TTS Bohai Machinery (Dalian) Co., Ltd., and TTS SCM Marine and Offshore Machinery Co., Ltd. The companies manufacture hatch covers, winches and cranes for merchant and offshore use - mainly for the Chinese market. Cargotec consolidates the ownerships as joint ventures based on the joint control and right to proportionate share of net assets in these companies in accordance with the ownership. As a precondition for the TTS acquisition, Chinese competition authorities set temporary remedies between Cargotec and the acquired joint ventures that relate to cooperation and pricing of certain products. The remedies have an impact on the economic benefit obtained from the companies but not on the use of joint control in them. Acquired joint ventures have been measured at fair value at the time of acquisition and based on the valuation of EUR 21.7 million, customer relationships of EUR 5.4 million and goodwill of EUR 5.1 million were subsumed in the fair value.

Cargotec owns together with JCE Invest AB the company Bruks Siwertell Group to which Cargotec sold the share capital of Siwertell AB that belonged to Kalmar segment, and JCE Invest transferred its subsidiary Bruks Holding AB. Both companies are specialised in bulk cargo handling equipment. Cargotec obtained 48 percent ownership in Bruks Siwertell Group that is classified as an associated company based on Cargotec's significant influence in the company. In addition, Cargotec recognised as part of the transaction, an interest-bearing loan receivable of EUR 33 million with a maximum term of ten years that the associated company repays annually based on its result. Additional information about this loan is given in the note 8.2 Financial instruments by measurement category.

Investments in the entity Jiangsu Rainbow Heavy Industries Co., Ltd. (until April 2020), Rainbow-Cargotec Industries Co., Ltd (until April 2020), and Bruks Siwertell Group AB are classified as material investments due to their size.

Summarised financial information about material joint ventures and associated companies

Summarised balance sheets at 31 Dec	Rainbow-Cargotec Industries Co., Ltd		Jiangsu Rainbow Heavy Industries Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2020	2019	2020	2019	2020	2019
Non-current assets	-	82.3	-	307.8	69.5	63.0
Cash and cash equivalents	-	10.2	-	102.8	20.8	13.1
Other current assets	-	97.8	-	255.1	56.6	46.1
Total assets	**-**	**190.2**	**-**	**665.7**	**146.9**	**122.2**
Non-current financial liabilities	-	6.13	-	12.1	21.8	26.3
Other non-current liabilities	-	0.0	-	87.6	15.7	11.5
Current financial liabilities	-	-	-	20.5	0.0	0.0
Other current liabilities*	-	97.4	-	220.2	45.0	29.7
Total liabilities	**-**	**103.5**	**-**	**340.4**	**82.5**	**67.5**
Net assets	**-**	**86.7**	**-**	**325.3**	**64.5**	**54.7**

* Accounts payable are included in other current liabilities.

Summarised statements of income	Rainbow-Cargotec Industries Co., Ltd***		Jiangsu Rainbow Heavy Industries Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2020	2019	2020	2019	2020	2019
Sales	38.6	113.4	202.5	220.9	148.0	132.0
Depreciation, amortisation and impairments*	1.2	3.4	*	*	2.7	2.6
Financing income*	-	-	*	*	0.4	0.3
Financing expenses*	0.1	0.2	*	*	2.6	1.7
Income before taxes	-2.0	-5.6	17.9	9.4	10.1	9.8
Income taxes	-0.3	-0.8	6.0	1.9	2.4	2.0
Net income for the period**	**-1.7**	**-4.8**	**11.9**	**7.4**	**7.7**	**7.8**
Dividends received	**-**	**-**	**-**	**-**	**-**	**-**

* Information not required for associated companies.
** Entities have no items recognised via other comprehensive income.
*** Cargotec has consolidated the net result of these companies until 30 April 2020.

Reconciliation of summarised information

	Rainbow-Cargotec Industries Co., Ltd*		Jiangsu Rainbow Heavy Industries Co., Ltd.*		Bruks Siwertell Group AB	
MEUR	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Net assets 1 Jan	86.7	90.8	325.3	317.6	54.7	47.8
Net income for the period	-1.7	-4.8	11.9	7.4	7.7	7.8
Additions/disposals	-	-	119.3	-1.9	-	-
Dividends	-	-	-	-	-	-
Translation differences	1.7	0.7	10.4	2.2	2.1	-0.8
Termination of equity accounting on 30 April 2020	-86.7	-	-466.9	-	-	-
Net assets 31 Dec	**0.0**	**86.7**	**0.0**	**325.3**	**64.5**	**54.7**
Cargotec's share of net assets	-	42.5	-	25.6	30.9	26.3
Goodwill	-	0.0	-	-0.8	0.2	-0.8
Book value 31 Dec	**-**	**42.5**	**-**	**24.8**	**31.1**	**25.4**

* Cargotec sold its ownership in Rainbow-Cargotec Industries Co., Ltd and reclassified its share ownership in Jiangsu Rainbow Heavy Industries Co., Limited as a financial asset, as disclosed in note 8.2. Financial instruments by measurement catergory. Jiangsu Rainbow Heavy Industries Co., Limited is listed on the Shenzhen Stock Exchange in China and the fair value of Cargotec's 5.6 percent holding on December 31, 2020 was EUR 37.3 (December 31, 2019: 28.7) million.

7.3 Subsidiaries

31 Dec 2020	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Australia Pty Ltd	Australia		100
Cargotec Automation Solutions Australia Pty Ltd	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
MacGregor Australia Pty Ltd	Australia		100
Inver Port Services Pty. Ltd.	Australia		100
Hiab Austria GmbH	Austria		100
Kalmar Austria GmbH	Austria		100
Cargotec Belgium NV	Belgium	100	100
MacGregor Belgium NV	Belgium		100
Cargotec Brazil Ltda	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Hiab Brasil Guindastes e Servicos Ltda	Brazil		100
Cargotec Bulgaria EOOD	Bulgaria		100
Waltco Lift Inc.	Canada		100
Hiab Chile S.A.	Chile		100
Cargotec Asia Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
Cargotec (Shanghai) Trading Company Limited	China		100
China Crane Investment Holdings Limited	China		100
Hiab Load Handling Equipment (Shanghai) Co., Ltd	China		100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China		100
MacGREGOR (CHN) Ltd	China		100
MacGregor (HKG) Limited	China		100
MacGREGOR (Shanghai) Trading Co., Ltd.	China		100
MacGregor (Tianjin) Co., Ltd	China		100
TTS Marine Equipment (Dalian) Co., Ltd	China		100
TTS Marine Shanghai Co. Ltd.	China		100
Kalmar Colombia S.A.S.	Colombia		100
MacGregor Croatia d.o.o.	Croatia		100

31 Dec 2020	Country	Shareholding (%) Parent company	Shareholding (%) Group
HATLAPA (Eastmed) Limited	Cyprus		70
HATLAPA Filtration Technology Ltd.	Cyprus		51
ISMS Holdings Limited	Cyprus		100
MacGregor Cyprus Limited	Cyprus		100
MacGregor Denmark A/S	Denmark		100
Zepro Danmark A/S	Denmark		100
MacGREGOR BLRT Baltic OÜ	Estonia		51
Cargotec Finland Oy	Finland		100
Cargotec 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
SRMP - Société Réunionaise de Maintenance Portuaire	France		51
Kalmar Germany GmbH	Germany		100
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
MacGregor Germany GmbH et Co. KG	Germany		100
Hiab Germany GmbH	Germany		100
TTS NMF GmbH	Germany		100
TTS Marine GmbH	Germany		100
MacGregor Greece Ltd	Greece		100
TTS Greece Ltd.	Greece		100
Cargotec India Private Limited	India		100
MacGregor Marine India Private Limited	India		100
PT Kalmar Pacific Indonesia	Indonesia		100
Cargotec Engineering Ireland Ltd	Ireland		100
Hiab Italia S.r.l.	Italy		100
Kalmar Italia S.r.l.	Italy		100

31 Dec 2020	Country	Shareholding (%) Parent company	Shareholding (%) Group
MacGregor Italy S.r.l.	Italy		100
Effer S.p.A.	Italy		100
TTS Marine S.r.l.	Italy		100
Cargotec Japan Ltd	Japan		100
MacGregor Japan Ltd	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		100
MacGregor Malaysia Sdn. Bhd.	Malaysia		100
Kalmar Mexico Equipos S.A. de C.V.	Mexico		100
Kalmar Maghreb S.A.	Morocco		100
Cargotec Holding Netherlands B.V.	Netherlands	100	100
Kalmar Netherlands B.V.	Netherlands		100
MacGregor Netherlands Holding B.V.	Netherlands		100
MacGregor Netherlands B.V.	Netherlands		100*
Hiab Benelux B.V.	Netherlands		100
Navis Software New Zealand Limited	New Zealand		100
Hiab Norway AS	Norway		100
Kalmar Norway AS	Norway	100	100
MacGregor Norway AS	Norway	50	100
Cargotec Services Panama, S.A.	Panama		100
Cargotec Panama, S.A.	Panama		100
Cargotec Poland Sp. z.o.o.	Poland		100
MacGregor Poland Sp. z.o.o.	Poland		100
Kalmar Portugal, S.A.	Portugal		100
MacGregor Doha WLL	Qatar		49*
Cargotec RUS LLC	Russia		100
Hiab RUS LLC	Russia		100
Rapp Marine Mechanical Design doo Kragujevac	Serbia		100
Cargotec CHS Pte. Ltd.	Singapore		100
HATLAPA Asia Pacific Pte Ltd	Singapore		100
ISMS Services Pte. Ltd.	Singapore		100

31 Dec 2020	Country	Shareholding (%) Parent company	Shareholding (%) Group
MacGregor Pte Ltd	Singapore	100	100
TTS Singapore Pte. Ltd.	Singapore	100	100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Hiab (Pty) Ltd	South Africa		100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Korea Limited	South Korea		100
MacGregor Korea Co., Ltd.	South Korea		100
Kalmar Spain Cargo Handling Solutions S.A.	Spain		100
Hiab Cranes, S.L. Unipersonal	Spain		100
Hiab Iberia, S.L. Unipersonal	Spain		100
Cargotec Holding Sweden AB	Sweden		100
Cargotec Patenter AB	Sweden		100
Cargotec Patenter HB	Sweden		100
Cargotec Sweden AB	Sweden	100	100
Hiab AB	Sweden		100
Koffert Sverige AB	Sweden		100
MacGregor Sweden AB	Sweden		100
Zeteco AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
TTS Marine AB	Sweden		100
Cargotec (Thailand) Co., Ltd.	Thailand		100
Kalmar Turkey Yuk Tasima Sistemleri Anonim Şirketi	Turkey		100
Cargotec Ukraine, LLC	Ukraine		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*

31 Dec 2020	Country	Shareholding (%) Parent company	Shareholding (%) Group
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
Cargotec Holding, Inc.	USA	100	100
Hiab USA Inc.	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Inc.	USA		100
MacGregor USA Inc.	USA		100
Navis LLC	USA		100
Rapp Marine U.S. Inc.	USA		100
MacGregor Viet Nam Co., Ltd	Vietnam		100

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

7.4 Assets held for sale

In February 2020, Cargotec announced its decision to launch a process to evaluate strategic options for Kalmar's Navis business. Navis software solutions for terminal operators, carriers, and ship owners are used to optimize global container flows, and the main product of Navis, the N4 terminal operating system is used by 340 customers in more than 80 countries. The strategic evaluation process was interrupted by the coronavirus pandemic, but resumed in October. On 3 December the company announced that, based on the number of preliminary indicative bids and price levels received as part of the evaluation process, Navis sales were considered a better option than the other solutions presented. Cargotec's Board of Directors thus decided to start the actual sales process of the Navis software business. The preliminary indicative offers received are not binding and the possible sale of the Navis business as well as the terms of the transaction will only become clear once the sale procedure is completed. Cargotec's goal is to complete the sales process in the first half of 2021.

As a result, Cargotec has classified Navis as a disposal group held for sale, according to which the balance sheet items related to Navis are presented in the consolidated balance sheet as a disposal group on a separate line but in the statement of income, Navis is not separated. The table below provides additional information on the assets held for sale and related liabilities. The reclassification had no effect on the reported values of balance sheet items.

Assets held for sale and liabilities directly associated with assets held for sale

MEUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Goodwill**	6.1	73.6	-
Other intangible assets	6.2	65.2	-
Property, plant and equipment	6.3	7.6	-
Loans receivable and other interest-bearing assets*	8.2	0.4	-
Deferred tax assets	4.2	2.1	-
Other non-interest-bearing assets	5.3, 8.2	0.7	-
Total non-current assets		**149.7**	**0.0**
Current assets			
Loans receivable and other interest-bearing assets*	8.2	0.2	-
Income tax receivables		0.7	-
Accounts receivable and other non-interest-bearing assets	2.2, 5.3, 8.2	34.7	-
Cash and cash equivalents*	8.2, 8.3	0.4	-
Total current assets		**36.0**	**0.0**
Assets held for sale		**185.7**	**0.0**

* Included in interest-bearing net debt.
** The amount of goodwill allocated as held for sale is based on an estimate on reporting date.

MEUR	Note	31 Dec 2020	31 Dec 2019
LIABILITIES			
Non-current liabilities			
Interest-bearing liabilities*	8.2, 8.4, 9.1	5.5	-
Deferred tax liabilities	4.2	18.9	-
Pension obligations	3.4	1.2	-
Other non-interest-bearing liabilities	5.4, 8.2	3.5	0.0
Total non-current liabilities		**29.1**	**0.0**
Current liabilities			
Current portion of interest-bearing liabilities*	8.2, 8.4, 9.1	2.2	-
Advances received	2.2	23.8	-
Accounts payable and other non-interest-bearing liabilities	5.4, 8.2	15.4	-
Total current liabilities		**41.4**	**0.0**
Liabilities directly associated with the assets held for sale		**70.5**	**0.0**

* Included in interest-bearing net debt.

8. CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

Accounting principles

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 income statement. In addition, the effective portion of fair value changes related to derivatives under hedge accounting is measured in accordance with this category throughout the hedge relationship.

Financial assets measured at fair value through profit or loss are those financial assets that do not belong to the previous classes, including equity investments, derivative instruments to which no hedge accounting is applied, and financial assets held for trading, or from which the expected contractual cash flows on initial recognition are not solely based on interest and repayment of principal. The transaction costs and subsequent fair value changes of financial assets recognised at fair value through profit or loss are recognised directly in the statement of income.

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

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire or are transferred so that the material risks and rewards related to the ownership of the asset are transferred to another party.

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities recognised at fair value through profit or loss include derivative instruments unless hedge accounting is applied. The transaction costs and subsequent fair value changes of financial liabilities recognised at fair value through profit or loss are recognised directly in the statement of income. Fair value changes related to derivatives under hedge accounting are recognised in the statement of comprehensive income and, subsequently, recycled to the statement of income when hedge accounting is ceased.

Financial liabilities recognised at amortised cost include mainly interest-bearing liabilities and accounts payable. Financial liabilities recognised at amortised cost are initially recognised at fair value less transaction costs, and subsequently, at amortised cost using the effective interest method.

Bought and sold derivative instruments are recognised on the trade date while transactions with the other financial liabilities are recognised on the settlement date.

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

Offsetting financial assets and liabilities

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

Derivative financial instruments and hedge accounting

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

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

Cash flow hedge accounting is mainly applied to hedges of operative cash flows. In addition, hedge accounting is applied to hedges of certain foreign currency denominated borrowings. To qualify for hedge accounting, the company documents the hedge relationship of the derivative instruments and the underlying items, group's risk management targets and the strategy of applying hedge accounting. When starting hedge accounting and at least in every interim and annual closing, the company documents and estimates the effectiveness of the hedge by measuring the ability of the hedging instrument to offset changes in fair value of the underlying cash flow. Because the critical terms of the hedging instrument are set to match with the hedged item as closely as possible, there is typically no inefficiency.

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

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

Profit distribution

Profit distribution includes dividends and donations decided by the Shareholders' Meeting. The distribution of profits proposed by the Board of Directors is not recognised in the financial statements until approved by Cargotec Corporation's shareholders at the Annual General Meeting.

Treasury shares

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

Estimates and assumptions requiring management judgement

Fair value of financial assets and liabilities

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

Cargotec recognises impairments on customer receivables at the end of the reporting period based on the expected credit losses. Expected credit loss is estimated based on systematic and continuous follow-up as part of the credit risk control that is based on both historical and forward-looking credit loss assessment. Additional information regarding the impairment of accounts receivable is disclosed in note 5.3, Accounts receivable and other non-interest-bearing receivables.

8.1 Financial risk management

Organisation of finance function and financial risk management

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

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

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

Currency risk

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

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

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

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

31 Dec 2020 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-31.2	32.6	-9.4	22.0	-14.5	-7.1	0.1
Hedges	103.9	-290.6	76.0	25.9	47.7	66.9	-0.4
Balance sheet exposure	**72.6**	**-258.1**	**66.6**	**47.9**	**33.2**	**59.8**	**-0.3**
Order book and purchases	-91.1	304.2	-64.5	-64.6	-43.0	-62.6	0.0
Net exposure	**-18.5**	**46.2**	**2.0**	**-16.7**	**-9.7**	**-2.8**	**-0.3**

31 Dec 2019 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-50.6	46.7	-13.0	22.0	-9.9	-3.1	7.5
Hedges	110.7	-366.2	122.8	12.9	53.2	68.4	-0.2
Balance sheet exposure	**60.1**	**-319.5**	**109.8**	**35.0**	**43.3**	**65.2**	**7.3**
Order book and purchases	-46.5	352.0	-122.1	-63.4	-40.2	-63.9	-17.1
Net exposure	**13.6**	**32.5**	**-12.3**	**-28.4**	**3.2**	**1.3**	**-9.8**

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 recognized the following currency pairs to be the most significant and estimated their impact on income before taxes and on other comprehensive income through sensitivity analysis. Sensitivity analysis assumes that cash is held at subsidiaries functional currency.

	Income before taxes		Other comprehensive income	
MEUR	**2020**	**2019**	**2020**	**2019**
USD appreciates 10% against the euro	-1.7	2.6	-16.4	-23.5
SEK appreciates 10% against the euro	4.6	0.6	0.2	7.5
USD depreciates 10% against the euro	1.7	-2.6	16.4	23.5
SEK depreciates 10% against the euro	-4.6	-0.6	-0.2	-7.5

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 to be not significant and hedging the translation risk has not been considered necessary.

31 Dec 2020 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	295.6	189.8	288.4	87.0	42.5
Translation risk	**295.6**	**189.8**	**288.4**	**87.0**	**42.5**

31 Dec 2019 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	330.6*	186.0	227.4	87.1	90.1
Translation risk	**330.6***	**186.0**	**227.4**	**87.1**	**90.1**

* Comparison figure has been restated

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 2020, Cargotec's consolidated interest-bearing debt totalled EUR 1,190.7 (31 Dec 2019: 1,224.3) million, of which EUR 497.9 (647.3) million were fixed rate corporate bonds, and EUR 173.9 (187.8) million were finance lease liabilities. The rest, EUR 519.0 (389.1) million, consisted of fixed and floating rate loans, short term loans, bank overdrafts and other interest-bearing liabilities. On 31 December 2020, the average interest duration of interest-bearing debt, was 25 (27) months. Interest-bearing liability figures presented above include EUR 7.7 million of lease liabilities, which are classified as associated liabilities for assets held for sale.

The EUR 508,5 (31 Dec 2019: 450.7) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 21.1 (29.0) million and customer finance related finance lease receivables EUR 2.2 (1.5) million. The average interest duration of the interest bearing assets was less than than one month (less than one month). Investment portfolio figures presented above include EUR 0.4 million cash and EUR 0.6 million finance lease receivables, which are classified as assets held for sale.

Based on the sensitivity analysis, a one percentage point increase/decrease in the interest rates would have decreased/ increased net interest cost by EUR 0.7 (31 Dec 2019: decreased/ increased by 0.6) 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 2.4 (31 Dec 2019: increased/decreased by EUR 3.5) 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 2020 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	507.5	-	-	-	-	507.5
Non-current loans from financial institutions	-337.0	-	-	-37.4	-24.9	-399.4
Corporate bonds	-	-	-149.8	-	-348.1	-497.9
Lease liabilities	-18.0	-18.0	-27.8	-20.6	-81.7	-166.2
Current interest-bearing liabilities and other interest-bearing liabilities**	-119.5	-	-	-	-	-119.5
Net in balance sheet	**32.9**	**-18.0**	**-177.6**	**-58.0**	**-454.7**	**-675.5**
Assets held for sale and associated liabilities held for sale***	-0.1	-1.1	-2.3	-1.7	-1.5	-6.7
Net	**32.8**	**-19.1**	**-179.9**	**-59.7**	**-456.2**	**-682.2**

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

31 Dec 2019 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	424.4	26.3	-	-	-	450.7
Non-current loans from financial institutions	-245.9	-	-	-	-62.3	-308.2
Corporate bonds	-150.0	-	-	-149.7	-347.7	-647.3
Lease liabilities	-20.1	-20.1	-31.0	-23.3	-93.4	-187.8
Current interest-bearing liabilities and other interest-bearing liabilities**	-80.2	-0.7	-	-	-	-80.9
Net	**-71.7**	**5.5**	**-31.0**	**-173.0**	**-503.4**	**-773.6**

* 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. The business units are responsible for identifying these risks and determining the required hedging measures. These risks are managed by thorough supplier selection process and long-term relationship with strategic suppliers.

Liquidity and funding risks

The objective of liquidity management is to maintain an optimal amount of liquidity to fund the business operations of 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 2020, the liquidity reserves, including cash and cash equivalents and long-term undrawn credit facilities, totalled EUR 785.2 (31 Dec 2019: 720.2) million. Short-term liquidity requirement covers the repayments of short- and long-term debt within the next 12 months, as well as the strategic liquidity requirement, as determined by the Treasury Committee, which covers the operative funding demand within the following 12 months. On 31 December 2020, repayments of short- and long-term interest-bearing liabilities due within the following 12 months totalled EUR 157.8 (271.0) million, of which EUR 38.3 (40.1) million are leasing liabilities. Above figures include EUR 2.2 million Interest-bearing liabilities and EUR 0.4 million cash and cash equivalents, which are classified as assets held for sale or associated liabilities for assets held for sale.

On 31 December 2020, Cargotec held undrawn EUR 300.0 (31 Dec 2019: 300.0) million long-term revolving credit facility, which will mature in June 2024. According to the facility agreement, Cargotec has a right to withdraw funds on three business days' notice on agreed terms. Additionally, to fulfil short-term cash management requirements, Cargotec holds available short-term bank overdraft facilities of EUR 115.6 (137.3) million and a EUR 150.0 (150.0) million domestic Commercial Paper facility which on 31 December 2020 was unused (unused). Cargotec's total liquidity position includes EUR 80.9 (76.1) 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.

MEUR	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	484.8	420.2
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities during next 12 months	-155.6	-271.0
Total liquidity in balance sheet	**629.2**	**449.2**
Assets held for sale and associated liabilities held for sale*	-1.8	-
Total liquidity	**627.4**	**449.2**

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

The objective of funding risk management is to avoid an untenably large proportion of loans or credit facilities maturing at a time when refunding is not economically or contractually feasible. The risk is minimised by balancing the repayment schedules of loans and credit facilities, as well as retaining flexible credit facility agreements. Cargotec's bilateral bank loan agreements and syndicated revolving credit facility include a covenant restricting the corporate capital structure. According to the covenant, the relation between net debt and equity (gearing) must be retained below 125 percent. In the loan agreements, which are made prior to 1.1.2019, gearing in the covenant restricting the capital structure is based on calculation methodology, which was applied prior to IFRS 16. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

In connection with the Cargotec and Konecranes announced merger, companies obtained necessary financial commitments for the financing of completion of the merger. On 31 December 2020, Cargotec held undrawn term loan facility with total amount of EUR 300 million. The EUR 300 million facility for Cargotec is available starting from the effective date of the merger until two business days thereof and has a maturity date falling two years from the earlier of 30 June 2022 or the effective date of the merger subject to the extension option of twelve months, provided that certain customary conditions precedent have been fulfilled.

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

Maturities of financial liabilities

31 Dec 2020 MEUR	2021	2022	2023	2024	2025	Later	Total
Derivatives							
Currency forward contracts, outflow	-2,448.6	-1.3	-	-	-	-	-2,449.8
Currency forward contracts, inflow	2,442.3	1.3	-	-	-	-	2,443.6
Derivatives, net	**-6.3**	**0.1**	**-**	**-**	**-**	**-**	**-6.2**
Interest-bearing liabilities							
Repayments of loans from financial institutions	-119.5	-199.8	-174.7	-	-24.9	-	-519.0
Repayments of corporate bonds	-	-149.8	-	-99.7	-99.5	-148.9	-497.9
Repayments of lease liabilities	-36.1	-27.8	-20.6	-15.1	-11.0	-55.6	-166.2
Total interest charges	-23.6	-15.0	-12.2	-8.2	-5.6	-8.1	-72.7
Accounts payable and other non-interest bearing liabilities	-362.2	-21.5	-14.6	-13.2	-9.7	-3.6	-424.9
Total in balance sheet	**-547.8**	**-413.8**	**-222.0**	**-136.2**	**-150.8**	**-216.2**	**-1,686.9**
Assets held for sale and associated liabilities held for sale*	-5.1	-6.0	-1.7	-0.4	-0.4	-0.9	-14.5
Total	**-552.9**	**-419.8**	**-223.8**	**-136.6**	**-151.2**	**-217.1**	**-1,701.4**

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

31 Dec 2019 MEUR	2020	2021	2022	2023	2024	Later	Total
Derivatives							
Currency forward contracts, outflow	-2,652.7	-	-	-	-	-	-2,652.7
Currency forward contracts, inflow	2,648.2	-	-	-	-	-	2,648.2
Derivatives, net	**-4.5**	**-**	**-**	**-**	**-**	**-**	**-4.5**
Interest-bearing liabilities							
Repayments of loans from financial institutions	-80.9	-142.0	-16.6	-124.7	-	-24.9	-389.1
Repayments of corporate bonds	-150.0	-	-149.7	-	-99.6	-248.1	-647.3
Repayments of lease liabilities	-40.1	-31.0	-23.3	-18.0	-13.5	-61.9	-187.8
Total interest charges	-20.9	-17.0	-13.1	-11.2	-7.6	-15.4	-85.2
Accounts payable and other non-interest bearing liabilities	-457.8	-24.4	-16.1	-9.7	-7.9	-5.8	-521.7
Total	**-754.3**	**-214.4**	**-218.7**	**-163.6**	**-128.6**	**-356.1**	**-1,835.8**

Corporate bonds have maturities ranging from 2022 to 2026 and loans from financial institutions have maturities ranging from 2021 to 2025.

Credit and counterparty risks

The business units are responsible for managing the operational credit risks. Because of the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risk related to sales contracts is mitigated by using payment terms that are based on advance payments, bank guarantees or other guarantees, and by monitoring the creditworthiness of customers. Credit risks related to large contracts are shared with financial institutions, insurance companies or export guarantee institutions, when feasible. More information on accounts receivable is presented in note 5.3, Accounts receivable and other non-interest-bearing receivables.

The Treasury Committee sets financial counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and, if needed, may reject a counterparty with immediate effect. Only large financial institutions with a high credit rating are accepted as counterparties. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee.

Cargotec's total credit risk exposure on 31 December 2020 including credit risk related to both on-balance sheet and off-balance sheet items amounted to EUR 1,291.5 (31 Dec 2019: 1,374.9) million. From the total exposure, EUR 9.0 (1.6) million relates to financial assets measured at fair value through profit or loss. Credit risk exposure includes EUR 33.1 million, which is classified as assets held for sale.

Credit risk position

2020		Credit risk			
MEUR	Note	Low	Increased	High	Total
On-balance sheet credit risk from customer contracts					
Accounts receivable	5.3	499.1	26.8	9.1	535.0
Unbilled receivables	5.3	93.9	-	-	93.9
Total		**593.0**	**26.8**	**9.1**	**628.9**
On-balance sheet credit risk from other financial assets					
Loans receivable and other interest-bearing assets	8.2	20.1	2.6	-	22.7
Derivative assets (risk after ISDA netting)	8.5	2.2	-	-	2.2
Other non-interest-bearing receivables	5.3	10.5	-	6.9	17.3
Cash and cash equivalents	8.3	484.8	-	-	484.8
Total		**517.5**	**2.6**	**6.9**	**527.0**
Off-balance sheet credit risk from contracts with customers					
Customer financing	9.2	18.1	-	-	18.1
Operating lease receivables	9.1	84.3	-	-	84.3
Total		**102.4**	**-**	**-**	**102.4**
Total credit risk exposure in balance sheet		**1,213.0**	**29.4**	**16.0**	**1,258.4**
Assets held for sale*	7.4	27.0	5.3	0.7	33.1
Total credit risk exposure		**1,240.0**	**34.8**	**16.7**	**1,291.5**

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

2019		Credit risk			
MEUR	Note	Low	Increased	High	Total
On-balance sheet credit risk from customer contracts					
Accounts receivable	5.3	620.8	39.6	10.5	670.9
Unbilled receivables	5.3	117.4	-	-	117.4
Total		**738.2**	**39.6**	**10.5**	**788.3**
On-balance sheet credit risk from other financial assets					
Loans receivable and other interest-bearing assets	8.2	26.8	3.5	0.2	30.5
Derivative assets (risk after ISDA netting)	8.5	1.6	-	-	1.6
Other non-interest-bearing receivables	5.3	10.3	-	-	10.3
Cash and cash equivalents	8.3	420.2	-	-	420.2
Total		**458.9**	**3.5**	**0.2**	**462.6**
Off-balance sheet credit risk from contracts with customers					
Customer financing	9.2	23.3	-		23.3
Operating lease receivables	9.1	100.7	-		100.7
Total		**124.0**	**-**	**-**	**124.0**
Total credit risk exposure		**1,321.1**	**43.1**	**10.7**	**1,374.9**

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 7.1 (31 Dec 2019: 5.4) million of which EUR 4.8 (5.2) million relates to credit losses from customer receivables disclosed in note 5.3, Accounts receivable and other non-interest-bearing receivables.

Cargotec holds no significant amounts of external loan receivables except for the EUR 19.6 (31 Dec 2019: 26.3) million vendor note from the associated company Bruks Siwertell Group. Additional information about the vendor note is disclosed in note 7.1, Acquisitions and disposals, and note 7.2, Joint ventures and associated companies.

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 2.2 (31 Dec 2019: 1.6) million for Cargotec and EUR 8.2 (4.9) million for the counterparties.

The maximum credit risk relating to cash and cash equivalents corresponds to their carrying amount. According to management assessment, no significant credit losses are anticipated on the investments of liquidity reserves. The off-balance sheet customer finance and operating lease receivables are collateralised, and, therefore, the related credit risk is considered to be low.

Operational risks of the treasury function

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

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

Capital structure management

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

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

MEUR	31 Dec 2020	31 Dec 2019
Interest-bearing liabilities	1,183.1	1224.3
Lease liabilities included in interest-bearing liabilities	166.2	187.8
Loans receivable and other interest-bearing assets	-22.7	-30.5
Cash and cash equivalents	-484.8	-420.2
Interest-bearing net debt in balance sheet	**675.5**	**773.6**
Interest-bearing net debt of assets and related liabilities held for sale*	6.7	-
Interest-bearing net debt	**682.2**	**773.6**
Equity	1,301.4	1,427.3
Gearing	**52.4%**	**54.2%**

MEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Operating profit	70.4	180.0
Depreciation, amortisation and impairment	144.0	133.8
EBITDA	**214.4**	**313.8**
Interest-bearing net debt / EBITDA	**3.2**	**2.5**

* 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.

8.2 Financial instruments by measurement category

31 Dec 2020 MEUR	Note	Measured at cost or amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total
Share investments		-	37.3	0.3	37.5
Loans receivable and other interest-bearing assets		22.7	-	-	22.7
Derivative assets	8.5	-	5.7	7.6	13.3
Accounts receivable and other non-interest-bearing receivables	5.3	639.4	-	6.9	646.3
Cash and cash equivalents	8.3	484.8	-	-	484.8
Total financial assets in the balance sheet		**1,147.0**	**43.0**	**14.7**	**1,204.7**
Financial assets including in assets held for sale*	7.4	33.1	-	-	33.1
Total financial assets		**1,180.1**	**43.0**	**14.7**	**1,237.8**
Interest-bearing liabilities	8.4	1,183.1	-	-	1,183.1
Derivative liabilities	8.5	-	2.3	17.1	19.4
Accounts payable and other non-interest-bearing liabilities	5.4	424.9	-	-	424.9
Total financial liabilities in the balance sheet		**1,607.9**	**2.3**	**17.1**	**1,627.3**
Financial liabilities including in liabilities directly associated with assets held for sale*	7.4	9.0	-	4.8	13.8
Total financial liabilities		**1,616.9**	**2.3**	**21.9**	**1,641.1**

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

31 Dec 2019 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		-	-	0.3	0.3
Loans receivable and other interest-bearing assets		30.5	-	-	30.5
Derivative assets	8.5	-	2.6	5.8	8.5
Accounts receivable and other non-interest-bearing receivables	5.3	798.7	-	-	798.7
Cash and cash equivalents	8.3	420.2	-	-	420.2
Total financial assets		**1,249.4**	**2.6**	**6.1**	**1,258.1**
Interest-bearing liabilities	8.4	1,224.3	-	-	1,224.3
Derivative liabilities	8.5	-	2.1	9.6	11.8
Accounts payable and other non-interest-bearing liabilities	5.4	516.5	-	5.3	521.7
Total financial liabilities		**1,740.8**	**2.1**	**14.9**	**1,757.8**

Financial assets and liabilities measured at fair value through profit and loss include currency forwards, a vendor loan receivable related to the sale of RCI ownership and a conditional consideration related to a business combination. Financial assets and liabilities measured at fair value through other comprehensive income include forward exchange contracts subject to hedge accounting and an equity investment in Jiangsu Rainbow Heavy Industries Co., Ltd (RHI), which is separately classified in this category. Fair value changes related to derivatives for which hedge accounting is applied are accumulated in other comprehensive income during hedge accounting and recycled to statement of income when hedge accounting related to sales transaction ceases, and to value of inventory when hedge accounting related to purchase transaction ceases. The recurring measurement of derivative instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables based on which these measurements are categorised in the fair value hierarchy as level 2 fair values. RHI's share is listed on the Shenzhen Stock Exchange in China, as a result of which the valuation presented is classified as Level 1 of the fair value hierarchy. The fair values of other instruments measured at fair value through profit or loss are partly based on non-market based variables, and, therefore, these measurements are categorised in the fair value hierarchy as level 3 fair values. Other items are recognised on balance sheet at amortised cost and information about their fair values is presented under each respective note to the extent that the difference between the book value and fair value is significant.

Loans receivable and other interest-bearing assets mainly consist of receivables from sales of businesses. The largest of these receivables is a EUR 19.6 million vendor loan related to the sale of Siwertell AB in 2018. The loan accrues annual 3.75% interest until the end of 2020, and 4.25% as a minimum afterwards. Loan repayments are tied to the annual result of Bruks Siwertell Group, and its maximum length is 10 years. The carrying value of the Loans receivable and other interest-bearing asset includes credit loss-related write-downs of EUR 0.7 (31 Dec 2019: 0.9) million.

8.3 Cash and cash equivalents

MEUR	Note	31 Dec 2020	31 Dec 2019
Cash at bank and on hand		473.6	408.1
Short-term deposits		11.2	12.1
Cash and cash equivalents in the balance sheet		**484.8**	**420.2**
Cash and cash equivalents classified as assets held for sale*	7.4	0.4	-
Cash and cash equivalents in total		**485.2**	**420.2**

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

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2020	31 Dec 2019
Cash and cash equivalents	484.8	420.2
Bank overdrafts used	-2.5	-10.4
Cash and cash equivalents in the statement of cash flows	**482.3**	**409.8**

8.4 Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	Note	31 Dec 2020	31 Dec 2019
Non-current			
Loans from financial institutions		399.4	308.2
Corporate bonds		497.9	497.4
Lease liabilities	9.1	130.1	147.7
Total in the balance sheet		**1,027.4**	**953.3**
Current			
Loans from financial institutions		117.0	69.8
Corporate bonds		-	150.0
Lease liabilities	9.1	36.1	40.1
Other interest-bearing liabilities		-	0.7
Bank overdrafts used		2.5	10.4
Total in the balance sheet		**155.6**	**271.0**
Total interest-bearing liabilities in the balance sheet		**1,183.1**	**1,224.3**
Interest-bearing liabilities including in liabilities directly associated with assets held for sale *	7.4	7.7	-
Total		**1,190.7**	**1,224.3**

* More 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.

On 31 December 2020, the average interest rate of long-term loans, corporate bonds and leasing liabilities was 1.8 (31 Dec 2019: 1.8) percent. The average interest rate of short-term loans was 1.8 (3.2) percent. Average interest rate figures include assets held for sale and liabilities directly associated with assets held for sale.

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

Corporate bonds

			Fair value, MEUR		Book value, MEUR	
Loan period	Coupon rate, %	Nominal value	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
2014–2020	Fixed 3.38	150.0 MEUR	-	151.2	-	150.0
2017–2022	Fixed 1.75	150.0 MEUR	151.6	153.5	149.8	149.7
2017–2024	Fixed 2.38	100.0 MEUR	102.6	104.2	99.7	99.6
2019–2025	Fixed 1.25	100.0 MEUR	98.4	98.0	99.5	99.4
2019–2026	Fixed 1.63	150.0 MEUR	147.1	144.6	148.9	148.7

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 2020		998.4	215.4	10.4	1,224.3
Cash flows		-1.8	-52.2	-7.6	-61.7
New and changed lease agreements		-	35.0	-	35.0
Companies acquired and sold	7.1	-	0.1	-	0.1
Companies acquired and sold and held for sale		-	-7.7	-	-7.7
Translation differences		-0.2	-7.3	-0.3	-7.7
Effective yield adjustment		0.9	-	-	0.9
Interest-bearing liabilities in the balance sheet, 31 Dec 2020		**997.3**	**183.3**	**2.5**	**1,183.1**
Changes in interest-bearing liabilities including in liabilities directly associated with assets held for sale*	7.4	-	7.7	-	7.7
Total interest-bearing liabilities, 31 Dec 2020		**997.3**	**191.0**	**2.5**	**1,190.7**
1 Jan 2019		866.9	210.2	30.8	1,107.9
Cash flows		129.8	-31.7	-90.4	7.7
New and changed lease agreements		-	26.7	-	26.7
Companies acquired and sold	7.1	0.4	9.3	69.5	79.2
Translation differences		0.7	0.9	0.5	2.1
Effective yield adjustment		0.6	-	-	0.6
Interest-bearing liabilities, 31 Dec 2019		**998.4**	**215.4**	**10.4**	**1,224.3**

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

8.5 Derivatives

31 Dec 2020 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Currency forwards, cash flow hedge accounting	1.3	0.1	0.0	0.1
Total	**1.3**	**0.1**	**0.0**	**0.1**
Current				
Currency forwards, cash flow hedge accounting	1,217.7	5.7	2.3	3.4
Currency forwards, other	1,228.5	7.6	17.1	-9.5
Total	**2,446.2**	**13.3**	**19.4**	**-6.1**
Total derivatives	**2,447.5**	**13.3**	**19.4**	**-6.1**

31 Dec 2019 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Currency forwards, cash flow hedge accounting				
Total	**-**	**-**	**-**	**-**
Current				
Currency forwards, cash flow hedge accounting	1,618.7	2.6	2.1	0.5
Currency forwards, other	1,030.8	5.8	9.6	-3.8
Total	**2,649.5**	**8.5**	**11.8**	**-3.3**
Total derivatives	**2,649.5**	**8.5**	**11.8**	**-3.3**

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

8.6 Equity

Total equity consists of share capital, share premium account, translation differences, fair value reserves, reserve for invested non-restricted equity, retained earnings and non-controlling interest. Share premium account includes the amount exceeding the accounting par value of shares received by the company in connection with share subscriptions if the stock options had been decided on under the old Limited Liability Companies Act (29 Sep 1978/734). Translation differences includes translation differences caused by translation of foreign subsidiaries' financial statements into euro, exchange rate gains and losses from the intercompany loan agreements that form part of a net investment. Fair value reserve includes hedge accounted component of fair value changes of derivatives under hedge accounting. Reserve for invested non-restricted equity includes transactions with treasury shares and share subscriptions with stock options. Retained earnings include net income for the period and previous periods. Paid dividends and donations approved by the Annual General Meeting are deducted from retained earnings. Additionally, retained earnings include actuarial gains and losses from defined benefit plans, gains and losses on designated share investments measured at fair value, and the cost of equity-settled share-based payments.

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 2020	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2020	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2020	-	-224,840	-224,840
Number of shares outstanding 31 Dec 2020	**9,526,089**	**54,957,239**	**64,483,328**
Number of shares 1 Jan 2019	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2019	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2019	-	-304,328	-304,328
Number of shares outstanding 31 Dec 2019	**9,526,089**	**54,877,751**	**64,403,840**

Dividend distribution

After 31 December 2020, the following dividends were proposed by the Board of Directors to be paid: EUR 1.07 per each class A share and EUR 1.08 per outstanding class B share, a total of EUR 69,546,733.35.

9. OTHER NOTES

9.1 Leases

Accounting principles

Leases, Cargotec as lessee

Cargotec leases property, plant and equipment in most of the countries it operates in under contracts that meet the definition of a lease. Short-term lease agreements, with contractual and expected lease periods not exceeding 12 months, are accounted for as off-balance sheet leases if there is no purchase option. Also long-term lease agreements in which the underlying leased asset is of low value are accounted for as off-balance sheet leases. Expenses related to these leases are recognised in the statement of income as incurred over the lease period.

Lease agreements which do not qualify for the short-term or low-value exemption are recognised on the balance sheet as lease liabilities and right-of-use assets at the commencement of the lease period. Lease liabilities are initially measured at present value by determining the expected reasonably certain lease payments and discounting them with an incremental borrowing rate that is determined separately for the main lease types in each relevant currency. Rent components not directly related to the leased asset are excluded from the lease value on the balance sheet. If a lease has no maturity date, the lease liability is determined based on the enforceable lease period considering the termination rights of both contractual parties. Lease payments are allocated to repayments of lease liabilities and finance charges so that a constant interest rate on the outstanding balance is obtained. Lease liability is included in the interest-bearing liabilities on the statement of financial position, and is measured at amortised cost. Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted by lease advances paid or incentives received, initial direct costs, and estimated dismantling, removal and restoration costs at the end of the lease period, if relevant. Right-of-use assets are included in the property, plant and equipment on the statement of financial position, and they are depreciated over the lease period on a straight-line basis unless the asset is expected to be fully consumed before the end of the lease term or purchased, in which case the depreciation period is determined based on the expected useful life of the asset. An off-balance sheet lease commitment becoming onerous leads to a recognition of a separate loss provision, whereas an on-balance sheet lease becoming onerous leads to an impairment of the related right-of-use asset.

Lease modifications are accounted for either as new lease contracts or as changes in the existing lease contracts depending on the type of the modification. Modifications accounted for as changes in the existing leases, and changes in the estimates applied in lease accounting, such as those related to the use of an option to prolong a lease or to purchase a leased asset, trigger a remeasurement of the lease liability and the right-of-use asset at an updated discount rate. Contractual rent changes tied to indexes also trigger a remeasurement of the lease liability and the right-of-use asset but without a change in the applied discount rate.

Leases, Cargotec as lessor

Cargotec rents out equipment under contracts that meet the definition of a lease, and are accounted for either as operating or finance leases. In an operating lease the risks and rewards incidental to ownership of an asset remain with the lessor. The leased asset is recognised on the balance sheet according to the nature of the asset. Income from operating leases is recognised on a straight-line basis over the lease term. The depreciation of the leased asset is determined by considering the normal depreciation policy of similar assets in own use and the planned use after the lease period.

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

Estimates and assumptions requiring management judgement

Leases

Measurement of the on-balance sheet leases partly requires a use of judgment, in particular, when determining the capitalized 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 capitalized 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 9.3 (31 December 2019: 9.7) 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 2.6 (31 December 2019: 3.1) years. Cargotec lease agreements typically do not include variable rent elements except for the rent escalation clauses tied to inflation-related indexes. The weighted average discount rate applied to determine the present value of lease liability on reporting date is 4.2 (31 December 2019: 4.2) percent.

Cargotec as lessee

MEUR	Note	31 Dec 2020	31 Dec 2019
Off-balance sheet leases			
Lease payments related to off-balance sheet leases			
Less than one year		0.6	1.2
One to two years		0.1	0.7
Two to three years		0.0	0.4
Three to four years		0.0	0.0
Four to five years		0.0	0.0
Over five years		-	0.0
Total		**0.7**	**2.4**
Off-balance sheet lease commitments on reporting date			
Lease payments related to short-term leases		0.2	0.3
Lease payments related to low-value leases		0.5	2.0
Total		**0.7**	**2.4**
On-balance sheet leases			
Lease payments related to on-balance sheet leases			
Less than one year		44.2	46.5
One to two years		35.0	36.1
Two to three years		26.2	27.4
Three to four years		18.7	21.2
Four to five years		13.9	16.1
Over five years		62.7	72.3
Total*		**200.8**	**219.7**
Present value of lease payments related to on-balance sheet leases	8.4		
Less than one year		38.3	40.1
One to two years		30.1	31.0
Two to three years		22.3	23.3
Three to four years		15.4	18.0
Four to five years		11.4	13.5
Over five years		56.4	61.9
Total*		**173.9**	**187.8**

MEUR	Note	31 Dec 2020	31 Dec 2019
Future interest expense related to on-balance sheet leases*		26.9	31.9
Right-of-use assets	6.3		
Land and buildings		119.0	138.1
Machinery and equipment		25.2	30.9
Total on balance sheet		**144.3**	**169.0**
Assets held for sale	7.4	5.5	-
Total		**149.8**	**169.0**
Leases in the statement of income			
Depreciation related to right-of-use assets	6.3	43.3	42.6
Interest expense on lease liabilities	2.5	7.4	8.1
Early termination gain (-) / loss (+)		1.5	1.9
Impairment related to right-of-use assets	6.3	4.5	2.7
Rent expense from off-balance sheet leases:		1.8	2.9
Portion related to short-term leases	9.2	0.7	1.3
Portion related to low-value leases	9.2	1.1	1.6
Total		**58.5**	**58.2**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		1.8	2.9
Lease payments related to on-balance sheet leases		51.5	53.6
Total*		**53.2**	**56.6**

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

Cargotec as lessor

MEUR	Note	31 Dec 2020	31 Dec 2019
Off-balance sheet leases			
Operating lease receivables			
Less than one year		28.5	33.5
One to two years		16.6	16.5
Two to three years		27.7	33.6
Three to four years		7.5	11.0
Four to five years		2.6	2.9
Over five years		1.4	3.3
Total		**84.3**	**100.7**
Property, plant and equipment related to off-balance sheet leases	6.3		
Land and buildings		2.2	1.1
Machinery and equipment		119.6	123.5
Total		**121.8**	**124.6**
On-balance sheet leases			
Finance lease receivables			
Less than one year		0.7	0.5
One to two years		0.6	0.5
Two to three years		0.5	0.4
Three to four years		0.3	0.2
Four to five years		0.3	-
Over five years		0.0	-
Total*		**2.3**	**1.5**
Present value of finance lease receivables			
Less than one year		0.6	0.5
One to two years		0.6	0.5
Two to three years		0.4	0.4
Three to four years		0.3	0.2
Four to five years		0.3	-
Over five years		0.0	-
Total*		**2.2**	**1.5**

MEUR	Note	31 Dec 2020	31 Dec 2019
Future interest income related to finance lease receivables*		0.1	0.1
Finance lease receivables			
Land and buildings		1.9	0.9
Machinery and equipment		0.3	0.5
Total*		**2.2**	**1.5**
Leases in the statement of income			
Rent income related to operating leases		32.2	30.7
Selling profit or loss related to finance leases		1.3	0.3
Interest income related to finance leases		0.0	0.1
Total		**33.5**	**31.1**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		34.6	42.4
Lease payments related to on-balance sheet leases		1.3	1.5
Total*		**35.9**	**43.9**

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

Cargotec's operating lease receivables mainly relate to container handling and industrial application equipment leased out under contracts with varying duration and conditions. The operating lease receivables also include future rent income from premises owned or subleased by Cargotec.

Rental income recognised in sales from operating leases was EUR 29.4 (2019: 28.5) million and rental income recognised in other operating income from operating leases was EUR 2.8 (2.3) million.

9.2 Commitments

Accounting principle

Guarantees and contingent liabilities
Cargotec grants and receives guarantees as part of its normal business and financing arrangements. The guarantees are normally granted on behalf of Cargotec companies and, therefore, do not give rise to additional credit risk. If and when guarantees are granted on behalf of external parties, the level of credit risk is estimated and recognised as a financial liability at fair value. The received external guarantees are hedging the credit risk related to Cargotec's projects. Received guarantees typically hedge the credit risk related to Cargotec's contractual right to receive a payment regarding the work performed. Therefore, guarantees received in the beginning of a project are typically not recognised initially as financial assets and, subsequently, if a default occurs, only to the extent that Cargotec has a right to reimbursement for an amount higher than the related assets on the balance sheet.

A contingent liability is disclosed in Cargotec's notes when there is a possible obligation that arises from past events and whose existence is confirmed by one or more doubtful future events. A Contingent liability is also disclosed in notes as in present obligation which is not recognised as a provision or liability in the balance sheet, since it is not probable that payment will be required or the amount of the obligation cannot be measured reliably.

MEUR	31 Dec 2020	31 Dec 2019
Guarantees given on behalf of associated companies and joint ventures	1.3	41.8
Guarantees given on behalf of others	0.4	0.4
Customer financing	18.1	23.3
Off-balance sheet leases	0.7	2.4
Other contingent liabilities	2.5	4.9
Total	**23.0**	**72.8**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 31 December 2020 was EUR 398.8 (31 Dec 2019: 512.5) million.

Certain products are sold under customer finance arrangements in which some level of risk is typically retained by Cargotec. When the level of retained risk is low and, therefore, not reflected on the balance sheet, it is reported in full as a contingent liability under commitments. No significant liabilities are expected to arise from the commitments related to customer financing.

Off-balance sheet leases include from 1 Jan 2019 the lease commitments related to short-term leases, low-value leases, and leases that have not yet commenced. The aggregate off-balance sheet lease expenses totalled EUR 1.8 (2019: 2.9) million. Information regarding leases is disclosed in note 9.1, Leases.

In addition, Cargotec has commitments related to its investments in joint ventures. These commitments are disclosed in note 7.2, Joint ventures and associated companies.

Contingent liabilities

Cargotec received in October 2016 a USD 13 million verdict in a local jury trial in Hempstead, USA. The verdict was related to business acquisition negotiations Cargotec USA had in 2010 and 2011. The negotiations were closed without results. The claim was based on Cargotec having breached confidentiality obligations related to the negotiations. In December 2018, Cargotec won its appeal to dispute the verdict of damages, which the opponent appealed to the Supreme Court of Texas. On 9 October 2020, Cargotec announced that on 2 October, the Supreme Court of Texas denied Cargotec's opponent's Petition for Review, hence the judicial process has been completed. The decision has no impact on Cargotec's financials.

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

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 2020 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	0.6	5.8	6.5
Purchase of products and services	8.1	35.8	43.9

1 Jan–31 Dec 2019 MEUR	Associated companies	Joint ventures*	Total
Sale of products and services	0.1	9.3	9.4
Purchase of products and services	25.2	47.6	72.9

* The figures for the comparison year 2019 have been adjusted.

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

Balances with associated companies and joint ventures

31 Dec 2020 MEUR	Associated companies	Joint ventures	Total
Loans receivable	20.3	-	20.3
Accounts receivable	0.1	2.0	2.0
Accounts payable	-	1.0	1.0

31 Dec 2019 MEUR	Associated companies	Joint ventures*	Total
Loans receivable	27.4	-	27.4
Accounts receivable	0.0	8.3	8.4
Accounts payable	0.7	6.4	7.0

* The figures for the comparison year 2019 have been adjusted.

Dividends received from associated companies and joint ventures

1 Jan–31 Dec 2020 MEUR	Associated companies	Joint ventures	Total
Dividends received	-	0.1	0.1

1 Jan–31 Dec 2019 MEUR	Associated companies	Joint ventures	Total
Dividends received	-	-	-

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 signed a merger agreement and a merger plan to merge the companies, and the Extraordinary General Meetings of both companies held on December 18, 2020, approved the merger of Cargotec and Konecranes. The implementation of the merger still requires, among other things, obtaining the necessary approvals from the competition authorities. The planned implementation date of the merger is January 1, 2022. The planned implementation date may change, and the actual date may be earlier or later than the above. Until the completion of the merger, both companies will continue their business as before as separate and independent companies.

The proposed merger will create a global leader in sustainable material flows with a number of valuable customer-centric brands and complementary offerings in industry, factories, ports, terminals, road transport and sea freight handling.

Upon completion, the combination will be carried out as an absorption-type merger in which Konecranes shareholders receive as a merger consideration 2.0834 new Cargotec class B shares and 0.3611 new Cargotec class A shares for each Konecranes share held upon completion of the merger and after the share split described below. To enable the consideration of the merger, Cargotec will carry out a free share issue (share splitting) in which each Cargotec shareholder will be issued free of charge new Cargotec shares in proportion to their holdings. For each existing Cargotec A class share, two new Cargotec class A shares will be issued and for each Cargotec class B share, two new Cargotec class B shares will be issued. As a result of the transaction, the shareholders of Cargotec and Konecranes will each own about half of the new company.

In accordance with IFRS, the merger will be accounted for as a business combination in which Cargotec is the acquirer into which Konecranes will merge. The assets and liabilities of Konecranes on the merger date will be measured at fair value in the purchase price allocation and consolidated into Cargotec from then on.

The value of the acquisition depends on the market price of Cargotec's class A and B shares at the time of the merger. At the reporting date, 31 December 2020, the value of the shares to be paid to Konecranes shareholders in the merger based on the market price of Cargotec's class B share and the outstanding shares of Konecranes amounted to approximately EUR 2,180.8 million.

9.5 Events after the balance sheet date

Cargotec announced on 12 January 2021 about concluding a settlement with Nekkar ASA on TTS marine and offshore businesses' purchase price.

After completing the acquisition of the marine and offshore businesses of TTS Group ASA (now Nekkar ASA) on 31 July 2019, and challenging the calculation of the purchase price, MacGregor has concluded a settlement agreement with Nekkar. The settlement agreement provides for a total payment of NOK 94 million (EUR 9.1 million) to be made by Nekkar to MacGregor in full and final settlement of the disputed purchase price. The payment is net of NOK 8 million (EUR 0.8 million) previously withheld by MacGregor related to the fulfillment of Nekkar tax obligations in China following completion of the acquisition. The settlement amount will have an approximately EUR 7 million positive impact on MacGregor's first quarter 2021 operating profit.

KEY FIGURES

Key financial figures

Consolidated statement of income		2020	2019	2018	2017	2016
Sales	MEUR	3,263	3,683	3,304	3,250	3,514
Sales to outside of Finland	MEUR	3,184	3,607	3,229	3,175	3,451
Operating profit	MEUR	70	180	190	222	198
% of sales	%	2.2%	4.9%	5.8%	6.8%	5.6%
Comparable operating profit	MEUR	204	264	242	259	250
% of sales	%	6.2%	7.2%	7.3%	8.0%	7.1%
Income before taxes	MEUR	34	146	161	189	169
% of sales	%	1.1%	4.0%	4.9%	5.8%	4.8%
Net income for the financial period	MEUR	8	89	108	133	125
% of sales	%	0.2%	2.4%	3.3%	4.1%	3.6%
Depreciation, amortisation and impairment	MEUR	144	134	77	72	85
Wages and salaries	MEUR	617	629	567	570	571

Consolidated balance sheet and investments		2020	2019	2018	2017	2016
Equity	MEUR	1,301	1,427	1,429	1,425	1,397
Total assets	MEUR	3,888	4,227	3,684	3,569	3,736
Interest-bearing net debt	MEUR	682	774	625	472	503
Net working capital	MEUR	103	158	271	115	57
Capital expenditure in intangible assets and property, plant and equipment	MEUR	59	61	46	47	40
Capital expenditure in customer financing	MEUR	26	39	34	37	40
Capital expenditure, total % of sales	%	2.6%	2.7%	2.4%	2.6%	2.3%

Other key figures		2020	2019	2018	2017	2016
Return on equity (ROE)	%	0.6%	6.3%	7.6%	9.4%	9.1%
Return on capital employed (ROCE)[1]	%	2.8%	7.3%	8.4%	10.2%	9.1%
Equity to asset ratio[2]	%	35.3%	36.4%	40.9%	42.2%	39.6%
Gearing[3]	%	52.4%	54.2%	43.8%	33.1%	36.0%
Interest-bearing net debt / EBITDA[3]		3.2	2.5	2.3	1.6	1.8
Orders received	MEUR	3,121	3,714	3,756	3,190	3,283
Order book	MEUR	1,824	2,089	1,995	1,566	1,783
Cash flow from operations before financing items and taxes	MEUR	296	361	126	253	373
Research and development costs	MEUR	105	102	89	92	91
% of sales	%	3.2%	2.8%	2.7%	2.8%	2.6%
of which capitalised	MEUR	-	0.2	0.5	0.5	2.4
Average number of employees		12,066	12,470	11,589	11,128	11,193
Number of employees 31 Dec		11,552	12,587	11,987	11,251	11,184

[1] Cargotec has refined the treatment of the interest rate component of currecfy forward contracts in the calculation of retur on capital employed in 2019. As a result, the capital employed increased 0.4 percentage points in 2018, 0.5 percentage points in 2017 and 0.3 percentage points in 2016 compared to the figures published in these accounting periods.

[2] Liabilities to customers for long-term projects and prepayments for maintenance contracts and software business have been reclassified in the financial year ended 31 December 2018 from the balance sheet account “Accounts payable and other non-interest-bearing liabilities” to the line “Advances received”. As a result, the equity ratio increased by 0.8 percentage points in 2017 and by 0.5 percentage points in 2016.

[3] In 2015–2018 included the cross-currency hedging of US Private Placement corporate bond. The bond maturated in February 2019.

From the beginning of 2019, Cargotec applies the new accounting standard IFRS 16, Leases, and the new interpretation IFRIC 23, Uncertainty over Income Tax Treatments. The data for the comparison periods has not been restated and therefore it is not completely comparable.

From the beginning of 2018, Cargotec applies the new IFRS 15 Revenue Recognition and IFRS 9 Financial Instruments accounting standards as well as the amendments to the IFRS 2 Share-based payment standard. IFRS 15 was adopted retrospectively and the figures for the financial year ended 31 December 2017 have been adjusted accordingly. IFRS 9 standard and amendments to IFRS 2 standard was adopted non-retrospectively and the figures for the periods prior to 1 January 2018 have not been restated, and therefore these are not completely comparable.

Share-related key figures

		2020	2019	2018	2017	2016
Earnings per share	EUR	0.13	1.39	1.66	2.05	1.95
Diluted earnings per share	EUR	0.13	1.39	1.65	2.05	1.94
Equity per share	EUR	20.14	22.12	22.16	22.06	21.65
Dividend per class B share	EUR	1.08 [4]	1.20	1.10	1.05	0.95
Dividend per class A share	EUR	1.07 [4]	1.19	1.09	1.04	0.94
Total dividends	MEUR	70 [4]	77	71	68	61
Dividend per earnings, class B share	%	855.3% [4]	86.4%	66.4%	51.1%	48.7%
Dividend per earnings, class A share	%	847.4% [4]	85.9%	65.9%	50.8%	48.3%
Effective dividend yield, class B share	%	3.2% [4]	4.0%	4.1%	2.2%	2.2%
Price per earnings, class B share		267.8	21.8	16.1	23.0	22.0
Development of share price, class B share						
Average share price	EUR	24.77	31.09	41.28	49.85	34.31
Highest share price	EUR	37.14	38.48	51.30	59.25	43.35
Lowest share price	EUR	15.15	24.12	26.46	40.26	24.30
Closing price at the end of period	EUR	33.82	30.24	26.72	47.20	42.89
Market capitalisation 31 Dec[1]	MEUR	2,182	1,950	1,720	3,047	2,762
Market capitalisation of class B shares 31 Dec[2]	MEUR	1,859	1,660	1,464	2,595	2,355
Trading volume, number of class B shares traded	(000)	53,902	28,772	33,506	33,407	42,653
Trading volume, number of class B shares traded	%	93.2%	53.0%	60.1%	60.0%	73.9%
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)	54,937	54,850	55,020	54,965	55,076
Number of class B shares 31 Dec[2]	(000)	54,957	54,878	54,802	54,974	54,917
Diluted weighted average number of class B shares[2]	(000)	54,982	54,951	55,163	55,227	55,246

Trading information is based on Nasdaq Helsinki Ltd statistics.

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

Calculation of key figures

IFRS key figures

Earnings per share (EUR)	=	Net income attributable to the equity holders of the parent / Average number of outstanding shares during financial year
Diluted earnings per share (EUR)	=	Net income attributable to the equity holders of the parent / Average number of diluted outstanding shares during financial year

Alternative performance measures

According to the ESMA Guidelines on Alternative Performance Measures, an Alternative Performance Measure (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. IFRS key figures, Cargotec uses the following alternative performance measures:

Key figure		Definition	Reason for use	Reconciliation
Operating profit (MEUR and % of sales)	=	Sales - cost of goods sold + other operating income - selling and marketing expenses - research and development expenses - administration expenses - restructuring costs - other operating expenses + share of associated companies' and joint ventures' net income	Operating profit is used to measure business profitability. It describes the profitability of the business before taking into account financial items and taxes.	Statement of income
Comparable operating profit (MEUR and % of sales)	=	Operating profit excluding items significantly affecting comparability	Comparable operating profit is used to monitor and forecast profit development and set related targets. It is calculated by excluding items significantly affecting comparability from operating profit, which makes it easier to compare the profitability of the business at different time periods.	Note 2.1, Segment information
Items significantly affecting comparability (MEUR)		Items significantly affecting comparability include, in addition to restructuring costs, mainly capital gains and losses, gains and losses related to acquisitions and disposals, impairments and reversals of impairments of assets, insurance benefits, and expenses related to legal proceedings.	Factor used to calculate Comparable operating profit.	Note 2.4, Restructuring costs and other items affecting comparability
Cash flow from operations before financing items and taxes	=	Net income for the financial year + depreciation, amortisation and impairment + financing items + taxes + other adjustments + changes in net working capital	Represents cash flow from operations after income from sales less operating expenses. Measures the company's ability to meet its financial commitments, including interest payments, taxes, investments, and equity and debt payments. Used to monitor and forecast business performance.	Statement of cash flows

Key figure			Definition	Reason for use	Reconciliation
Interest-bearing net debt / EBITDA, last 12 months	=		$\frac{\text{Interest-bearing net debt}}{\text{EBITDA, last 12 months}}$	Used to measure corporate capital structure and financial capacity.	Note 8.1, Financial risk management
Interest-bearing net debt (MEUR)	=		Interest-bearing liabilities (non-current interest-bearing liabilities + current portion of interest-bearing liabilities + current other interest-bearing liabilities) - interest-bearing receivables (non-current and current loans receivable and other interest-bearing assets) - cash and cash equivalents +/- foreign currency hedge of corporate bonds	Interest-bearing net debt represents Cargotec's indebtedness. Used to monitor capital structure and as a factor to calculate Interest-bearing net debt / EBITDA and Gearing.	Note 8.1, Financial risk management
EBITDA (MEUR), last 12 months	=		Operating profit + depreciation, amortisation and impairment, last 12 months	Factor used to calculate Interest-bearing net debt / EBITDA.	Note 8.1, Financial risk management
Net working capital (MEUR)	=		Inventories + operative derivative assets + accounts receivable + other operative non-interest-bearing assets - provisions - advances received - operative derivative liabilities - accounts payable - pension obligations - other operative non-interest-bearing liabilities	Net working capital is used to follow the amount of capital needed for the business to operate. It does not include financing items, taxes nor non-current assets. Used as a factor to calculate Operative capital employed.	Note 5.1, Net working capital
Operative capital employed (MEUR)	=		Goodwill + other intangible assets + property, plant and equipment + investments in associated companies and joint ventures + share investments + working capital receivables - working capital liabilities	Operative capital employed refers to the amount of capital needed for the business to operate and generate profits. It does not include taxes or financing items. Used to measure the efficiency with which the capital is used.	Note 2.1, Segment information
Investments	=		Additions to intangible assets and property, plant and equipment including owned assets and right-of-use assets, excluding assets acquired through business combinations	Investments refer to money used to acquire long-term assets. Used as a factor in cash flow calculation.	Note 6.2 Other intangible assets; note 6.3 Property, plant and equipment
Orders received, comparable foreign exchange rates (MEUR)	=		Orders received calculated using average euro rates of the comparison periods in the translation of non-euro subsidiaries.	Used to enhance comparability of orders received from period to period.	-
Sales, comparable foreign exchange rates (MEUR)	=		Sales calculated using average euro rates of the comparison periods in the translation of non-euro subsidiaries.	Used to enhance comparability of sales from period to period.	-
Return on equity (ROE) (%), last 12 months	=	100 x	$\frac{\text{Net income for the financial year, last 12 months}}{\text{Total equity (average for the last 12 months)}}$	Represents the rate of return that shareholders receive on their investments.	Net income for financial year: Income statement; Total equity: Balance sheet
Return on capital employed (ROCE) (%), last 12 months	=	100 x	$\frac{\text{'Income before taxes + financing expenses, last 12 months}}{\text{Total assets - non-interest-bearing debt (average for the last 12 months)}}$	Represents relative profitability or the rate of return that has been received on capital employed requiring interest or other return.	Income before taxes and financing expenses: Income statement; 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 - advances received	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

Equity / share (EUR)	=		Total equity attributable to the equity holders of the parent / Number of outstanding shares at the end of the financial year
Dividend / share (EUR)	=		Dividend for the financial year / Number of outstanding shares at the end of the financial year
Dividend / earnings (%)	=	100 x	Dividend for the financial year / share / Earnings per share
Effective dividend yield (%)	=	100 x	Dividend / share / Closing price for the class B share at the end of the financial year
Price / earnings (P/E)	=		Closing price for the class B share at the end of the financial year / Earnings per share
Average share price (EUR)	=		EUR amount traded during financial year for the class B share / Number of class B shares traded during the financial year
Market capitalisation at the end of the financial year	=		Number of class B shares outstanding at the end of the financial year x closing price for the class B share at the end of the financial year + Number of class A shares outstanding at the end of the financial year x closing day average price for the class B share
Trading volume	=		Number of class B shares traded during the financial year
Trading volume (%)	=	100 x	Number of class B shares traded during the financial year / Average weighted number of class B shares during the financial year

Key exchange rates for euro

Closing rate	31 Dec 2020	31 Dec 2019
SEK	10.034	10.447
USD	1.227	1.123

Average rate	1–12/2020	1–12/2019
SEK	10.479	10.557
USD	1.145	1.121

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 2020	1 Jan–31 Dec 2019
Sales		**192,154,994.22**	**206,553,782.71**
Administration expenses	3, 4, 5	-194,454,454.30	-208,303,955.65
Other operating income		103,831.00	125,352.81
Operating loss		**-2,195,629.08**	**-1,624,820.13**
Financing income and expenses	6	-84,112,929.59	-240,915,470.37
Loss before appropriations and taxes		**-86,308,558.67**	**-242,540,290.50**
Group contributions		5,345,000.00	9,300,000.00
Income taxes	7	-1,252,837.92	-738,510.07
Loss / Profit for the period		**-82,216,396.59**	**-233,978,800.57**

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

The income statement for 2019 has been adjusted, for more information see Note 18. Adjustment to the 2019 income statement and balance sheet.

Parent company balance sheet

EUR	Note	31 Dec 2020	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets	8	27,722,857.86	33,564,605.74
Tangible assets	9	52,812.14	82,597.63
Investments			
Investments in subsidiaries	10	2,590,176,987.06	2,692,616,765.72
Investments in joint ventures	10	-	36,691,395.61
Other investments	10	3,788,468.03	3,788,468.03
Total non-current assets		**2,621,741,125.09**	**2,766,743,832.73**
Current assets			
Long-term receivables	11, 13	88,858,182.80	67,399,153.00
Short-term receivables	12, 13	772,222,832.81	809,727,755.99
Cash and cash equivalents		361,769,271.65	287,301,391.10
Total current assets		**1,222,850,287.26**	**1,164,428,300.09**
Total assets		**3,844,591,412.35**	**3,931,172,132.82**

EUR	Note	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Share capital		64,304,880.00	64,304,880.00
Share premium account		97,992,301.08	97,992,301.08
Reserve for invested non-restricted equity		73,898,537.60	72,533,210.32
Retained earnings		761,326,759.09	1,072,587,391.68
Loss / Profit for the period		-82,216,396.59	-233,978,800.57
Total equity	14	**915,306,081.18**	**1,073,438,982.51**
Provisions		**29,688.80**	**50,553.21**
Liabilities			
Non-current liabilities	13, 15	897,336,497.28	805,590,509.11
Current liabilities	13, 16	2,031,919,145.09	2,052,092,087.99
Total liabilities		**2,929,255,642.37**	**2,857,682,597.10**
Total equity and liabilities		**3,844,591,412.35**	**3,931,172,132.82**

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

The balance sheet for 2019 has been adjusted, more information in Note 18. Adjustment to the 2019 income statement and balance sheet.

Parent company cash flow statement

TEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Operating loss	-2,196	-1,625
Adjustments to the operating loss for the period	6,824	5,980
Change in working capital:		
Change in non-interest-bearing receivables	-3,913	2,991
Change in non-interest-bearing payables	6,097	-6,674
Interest paid	-23,809	-28,073
Interest received	7,982	12,380
Dividends received	9,800	106,521
Income taxes paid	-522	18
Other financing income and expenses	33,340	36,499
Cash flow from operating activities	**33,604**	**128,017**
Investments to tangible and intangible assets	-943	-3,359
Investments to subsidiaries and other companies	-143,344	-3,415
Proceeds from sales of group companies	163,373	627,999
Cash flow from investing activities	**19,086**	**621,225**
Received and paid group contributions	9,300	28,000
Acquisition of treasury shares	-	-2,198
Proceeds from sale of treasury shares	931	2,633
Increase in loans receivable	-239,479	-427,669
Disbursement of loans receivable	275,328	177,776
Proceeds from short-term borrowings	578,936	724,717
Repayments of short-term borrowings	-524,718	-1,173,295
Proceeds from long-term borrowings	249,538	298,096
Repayments of long-term borrowings	-250,778	-167,053
Profit distribution	-77,281	-70,686
Cash flow from financing activities	**21,777**	**-609,679**
Change in cash and cash equivalents	74,468	139,562
Cash and cash equivalents 1 Jan	287,301	147,739
Cash and cash equivalents 31 Dec	**361,769**	**287,301**

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

Notes to the parent company financial statements

1. Accounting principles for the parent company financial statements

Basis of preparation

Cargotec Corporation's (1927402-8) financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

Foreign currency transactions

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

Revenue recognition

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

Income taxes

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

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

Intangible and tangible assets, amortisation and depreciation

Intangible and tangible assets are stated at original acquisition cost less accumulated amortisation and depreciation, and impairment. Amortisation and depreciation are recognised on a straight-line basis in accordance with a predetermined plan based on the estimated useful economic life of assets. The amortisation and depreciation periods based on expected useful economic lives are as follows:

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

Investments

Investments in the group companies and joint ventures are measured at acquisition cost less accumulated impairment. Other investments, for which fair value cannot be measured reliably due to non-existent public markets or 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 less transaction costs. Subsequently, loans payable are measured at amortised cost in accordance with the effective interest rate method. Transaction costs and interests are recognised as finance expense in the income statement by applying the effective interest rate.

Derivative instruments

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

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

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

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

Equity

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

Statutory provisions

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

2. Financial risk management

The parent company manages the financial risks of the group and operates under the same policies and instructions as the group.

Currency risk

The parent company's treasury function operates as an internal bank for the group's subsidiaries. The parent company's currency exposure originates mainly from foreign currency funding given to subsidiaries and foreign currency loans taken by the parent company. In addition, the currency position includes internal forward agreements with the subsidiaries and external forward agreements. Foreign exchange differences arising from these transactions are booked in the statement of income in the financial items. Furthermore, the parent company invoices the group companies for the services provided. Foreign exchange differences from these invoices are booked in the parent company's operational profit.

The parent company's open currency exposure on 31 December 2020 was, in absolute terms, EUR 10.7 (31 Dec 2019: 12.0) million.

Interest rate risk

The parent company's interest rate risk originates from external loans and internal loans and deposits. The pricing of intercompany transactions is based on transfer pricing rules, and internal interest income and expenses are eliminated on group level. As a result, interest rate risk is not measured separately on parent company level, and the information presented in the consolidated financial statements regarding interest risk and its management is the same for the parent company.

Liquidity and funding risk

The majority of the group's derivatives, loans and cash equivalents belong to the parent company. The maturity structure of these financial liabilities is not separately followed on parent company level, because the information presented in the consolidated financial statements provides a fair view of the liquidity and funding risk. Only account payables and account receivables vary significantly between the parent company and the group.

Credit and counterparty risk

The parent company's accounts receivable and loan receivables originate mainly from the other group companies, and the parent company is therefore not exposed to a counterparty risk.

External loan receivables on 31 December 2020 were EUR 0.2 (31 Dec 2019: 0.4) million, and cash and equivalents EUR 361.8 (31 Dec 2019: 287.3) million. The parent company's cash and equivalents are held in banks that have a solid credit rating and are approved by the Treasury

Committee. More information about the credit risk related to derivatives is disclosed in the note 8.1 in the consolidated financial statements.

Operational risks of the treasury function

The treasury function operates as part of the parent company, and applies the same risk management goals as the group.

3. Personnel expenses

TEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Wages and salaries	18,793	21,243
Pension costs	2,686	2,312
Other statutory employer costs	891	701
Total	**22,370**	**24,256**

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

Average number of employees

	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
White-collar	186	173

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 602,142 (2019: 595,600).

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 2018 and matching share programme 2019-2020 first installment (2019: share-based incentive programme 2016 and 2017), totalled EUR 1,637,694 (1,539,787). The CEO is entitled to a supplemental defined contribution pension benefit. According to the renewed pension agreement in 2020, the CEO is entitled to retire at the age of 65. If the CEO's service ends before the retirement age of 65 determined in the pension agreement, the CEO is entitled to begin taking the supplemental pension at the age of 62. No supplemental pension contributions have been paid in 2020 or 2019. Additionally, the CEO is entitled to a statutory pension, for which a pension cost of EUR 185,894 (118,989) was recorded in year 2020.

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 2020	1 Jan–31 Dec 2019
Planned depreciation and amortisation		
Intangible rights	6,748	5,779
Other capitalised expenditure	38	932
Machinery and equipment	30	41
Total	**6,816**	**6,752**

5. Audit fees

TEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Annual audit	621	678
Services under the Finnish Auditing Act, chapter 1, section 1(1), point 2	545	-
Tax advice	387	287
Other services	624	97
Total	**2,177**	**1,062**

6. Financing income and expenses

TEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Interest income		
From group companies	6,579	7,670
From third parties	696	803
Total	**7,275**	**8,473**
Other financing income		
From group companies	12,161	20,810
Dividends from group companies	9,789	106,521
Exchange rate differences	-	479
Total	**21,950**	**127,809**
Interest expenses		
To group companies	-5,216	-9,623
To third parties	-15,919	-15,226
Total	**-21,135**	**-24,849**
Other financing expenses		
To group companies	30,849	-28,165
To joint ventures*	-25,980	-
To third parties	-10,598	-12,062
Exchange rate differences	-106	-
Total	**-5,835**	**-40,227**
Reversals of impairments / impairments		
Reversals of impairments of investments in subsidiaries	54,315	8,570
Impairments of investments in subsidiaries	-136,470	-319,492
Impairments of investments in joint ventures	-4,213	-1,200
Total	**-86,368**	**-312,122**
Total financing income and expenses	**-84,113**	**-240,915**

* Rainbow-Cargotec Industries Co. loss on sale of shares

7. Income taxes

TEUR	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Current year tax expense	-2,814	-1,539
Change in deferred tax asset	1,562	800
Total	**-1,252**	**-739**

8. Intangible assets

TEUR	Intangible rights	Other capitalised expenditure	Fixed assets under construction	Total
Acquisition cost 1 Jan 2020	68,715	12,865	1,171	82,751
Additions	101	-	843	944
Disposals	-	-	-	-
Transfers between groups	2,014	-	-2,014	-
Acquisition cost 31 Dec 2020	**70,830**	**12,865**	**0**	**83,695**
Accumulated amortisation 1 Jan 2020	-36,811	-12,374	-	-49,185
Amortisation during the period	-6,748	-38	-	-6,786
Transfers between groups	-17	17	-	-
2020	**-43,576**	**-12,395**	**-**	**-55,971**
Book value 31 Dec 2020	**27,254**	**469**	**0**	**27,723**
Acquisition cost 1 Jan 2019	62,718	11,682	4,992	79,392
Additions	-	823	2,536	3,359
Disposals	-	-	-	-
Transfers between groups	5,997	360	-6,357	-
Acquisition cost 31 Dec 2019	**68,715**	**12,865**	**1,171**	**82,751**
Accumulated amortisation 1 Jan 2019	-31,032	-11,442	-	-42,474
Amortisation during the period	-5,779	-932	-	-6,711
Transfers between groups	-	-	-	-
2019	**-36,811**	**-12,374**	**-**	**-49,185**
Book value 31 Dec 2019	**31,904**	**490**	**1,171**	**33,565**

TEUR	2020	2019
Capitalised interest expense	44	77

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 2020	1,287	121	1,409
Additions	-	-	-
Acquisition cost on 31 Dec 2020	**1,287**	**121**	**1,409**
Accumulated depreciation on 1 Jan 2020	-1,229	-97	-1,326
Depreciation during the period	-30	-	-30
Accumulated depreciation on 31 Dec 2020	**-1,259**	**-97**	**-1,356**
Book value on 31 Dec 2020	**28**	**24**	**53**
Acquisition cost on 1 Jan 2019	1,287	121	1,409
Additions	-	-	-
Acquisition cost on 31 Dec 2019	**1,287**	**121**	**1,409**
Accumulated depreciation on 1 Jan 2019	-1,188	-97	-1,285
Depreciation during the period	-41	-	-41
Accumulated depreciation on 31 Dec 2019	**-1,229**	**-97**	**-1,326**
Book value on 31 Dec 2019	**58**	**24**	**83**

10. Investments

TEUR	2020	2019
Investments in subsidiaries		
Acquisition cost 1 Jan	3,707,458	4,331,748
Accumulated impairments 1 Jan	-1,014,841	-703,919
Additions	143,394	3,709
Reductions*	-163,679	-627,999
Reversals of impairments / impairments**	-82,155	-310,922
Book value 31 Dec	**2,590,177**	**2,692,617**

TEUR	2020	2019
Investments in joint ventures		
Acquisition cost 1 Jan	36,691	37,891
Reductions*	-32,478	-
Impairments	-4,213	-1,200
Book value 31 Dec	**0**	**36,691**

TEUR	2020	2019
Other investments		
Acquisition cost 1 Jan	3,788	3,788
Book value 31 Dec	**3,788**	**3,788**

* The reduction booked in 2019 is related to an equity refund received from a subsidiary.

** The impairments are mainly related to impairments on ownership of MacGregor companies due to the loss making business.

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 2020	31 Dec 2019
Loans receivable from group companies	78,040	65,040
Loans receivable from others	6,853	-
Deferred tax asset from third parties	3,921	2,359
Deferred assets	44	0
Total	**88,858**	**67,399**

12. Short-term receivables

TEUR	31 Dec 2020	31 Dec 2019
From group companies		
Loans receivable	698,538	716,602
Accounts receivable	22,568	22,229
Derivative assets	21,904	34,616
Deferred assets	6,317	21,091
Total	**749,327**	**794,538**
From third parties		
Loans receivable	242	430
Accounts receivable	1,231	63
Derivative assets	13,266	8,473
Deferred assets	8,157	6,224
Total	**22,896**	**15,190**
Total current receivables	**772,223**	**809,728**

Deferred assets

TEUR	31 Dec 2020	31 Dec 2019
Group contribution	5,345	9,300
Interest income	792	646
Periodizations	4,228	2,645
VAT receivable	2,297	1,789
Other accruals	1,812	12,935
Total	**14,474**	**27,315**

13. Derivatives

Fair values of derivative financial instruments

31 Dec 2020 TEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	21,904	35,121	-13,218
Other currency forward contracts	13,330	19,380	-6,050
Total	**35,234**	**54,502**	**-19,268**

31 Dec 2019 TEUR	Positive fair value	Negative fair value	Net fair value
Intra-group currency forward contracts	34,616	18,967	15,649
Other currency forward contracts	8,473	11,718	-3,245
Total	**43,089**	**30,685**	**12,404**

Nominal values of derivative financial instruments

TEUR	31 Dec 2020	31 Dec 2019
Intra-group currency forward contracts	1,880,209	2,304,818
Other currency forward contracts	2,447,540	2,640,109
Total	**4,327,749**	**4,944,927**

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

14. Equity

TEUR	2020	2019
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
Fair value reserves 1 Jan	-	-128
Cash flow hedges	-	160
Change in deferred taxes	-	-32
Fair value reserve 31 Dec	**-**	**-**
Total restricted equity	**162,297**	**162,297**
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	72,533	69,866
Acquisition of treasury shares	-	-1,119
Proceeds from sale of treasury shares	1,365	3,786
Reserve for invested non-restricted equity 31 Dec	**73,899**	**72,533**
Retained earnings 1 Jan	838,608	1,143,272
Profit distribution	-77,281	-70,686
Retained earnings 31 Dec	**761,327**	**1,072,586**
Loss / Profit for the period	-82,216	-233,979
Total non-restricted equity	**753,009**	**911,141**
Total equity	**915,306**	**1,073,438**
Distributable equity	**753,009**	**911,141**

15. Non-current liabilities

TEUR	31 Dec 2020	31 Dec 2019
Corporate bonds	497,918	497,390
Loans from financial institutions	399,418	308,200
Total non-current liabilities	**897,336**	**805,590**

Maturity after 5 years

TEUR	31 Dec 2020	31 Dec 2019
Loans from financial institutions	148,899	273,052
Total	**148,899**	**273,052**

Corporate bonds

				Book value, TEUR	
Loan period	**Interest**	**Coupon rate, %**	**Nominal value**	**31 Dec 2020**	**31 Dec 2019**
2014–2020	Fixed	3.38	150,000 TEUR	-	149,953
2017–2022	Fixed	1.75	150,000 TEUR	149,835	149,708
2017–2024	Fixed	2.38	100,000 TEUR	99,664	99,566
2019–2025	Fixed	1.25	100,000 TEUR	99,520	99,403
2019–2026	Fixed	1.63	150,000 TEUR	148,899	148,713

16. Current liabilities

TEUR	31 Dec 2020	31 Dec 2019
To group companies		
Loans from group companies	1,814,051	1,758,866
Accounts payable	1,546	1,947
Derivative liabilities	35,121	18,967
Accruals	22,313	28,432
Total	**1,873,031**	**1,808,213**
To third parties		
Corporate bonds	-	149,953
Loans from financial institutions	99,966	42,111
Bank overdrafts used	3	1,210
Accounts payable	14,800	10,106
Derivative liabilities	19,380	11,718
Accruals	24,739	28,781
Total	**158,889**	**243,879**
Total current liabilities	**2,031,919**	**2,052,092**

Accruals

TEUR	31 Dec 2020	31 Dec 2019
Accrued salaries, wages and employment costs	8,242	6,925
Accrued interests	6,545	9,218
Other accruals	32,265	41,070
Total	**47,052**	**57,213**

17. Commitments

TEUR	31 Dec 2020	31 Dec 2019
Security for guarantees		
Guarantees given on behalf of group companies	398,849	512,526
Guarantees given on behalf of associated companies and joint ventures	1,271	41,805
Guarantees given on behalf of others	400	400
Other contingent liabilities		
On its own half	1,500	-
Leasing commitments		
Maturity within the next financial period	1,168	1,168
Maturity after next financial period	3,686	4,601
Total	**406,874**	**560,500**

18. Adjustment to the 2019 income statement and balance sheet

Net sales and administrative expenses in 2019 have increased by EUR 11,445,000 due to the correction of the timing error in intra-group service charges.

Correspondingly, current receivables and liabilities have increased by EUR 11,445,000.

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 2016–2020, EUR

	2020	2019	2018	2017	2016
Earnings per share	0.13	1.39	1.66	2.05	1.95
Equity per share	20.14	22.12	22.16	22.06	21.65
Dividend per class B share	1.08 [1]	1.20	1.10	1.05	0.95
Dividend per class A share	1.07 [1]	1.19	1.09	1.04	0.94
Effective dividend yield, class B share, %	3.2% [1]	4.0%	4.1%	2.2%	2.2%
Price per earnings, class B share	267.8	21.8	16.1	23.0	22.0
Development of share price, class B share					
Average share price	24.77	31.09	41.28	49.85	34.31
Highest share price	37.14	38.48	51.30	59.25	43.35
Lowest share price	15.15	24.12	26.46	40.26	24.30
Closing price at the end of period	33.82	30.24	26.72	47.20	42.89

[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 15,039,308 at the end of 2020.

There were no changes in Cargotec Corporation's share capital in 2020. On 31 December 2020, share capital, fully paid and entered in the trade register, totalled EUR 64,304,880. There were 55,182,079 class B shares and 9,526,089 class A shares.

Dividend distribution

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

Dividend proposal

The Board of Directors proposes to the Annual General Meeting (AGM), that of the distributable profit, a dividend of EUR 1.07 for each class A shares and EUR 1.08 for each class B shares outstanding be paid for the financial year 2020.

Own shares and share issue

On 17 March 2020, the Board of Directors decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to the performance period 2018–2019 of Cargotec's share-based incentive programme launched in 2017 and first matching period of matching share programme.

In the share issue, 73,067 own class B shares held by the company were transferred without consideration to the key employees participating in the share based incentive programmes in accordance with the programme-specific terms and conditions. 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 Board of Directors of Cargotec Corporation decided on 27 May 2020 on a directed share issue related to the Board members annual remuneration. In the share issue, in total 6,421 own class B shares held by the company were transferred without consideration to the Board members. According to the decision made in the Annual General Meeting on 27 May 2020, 30 percent of the Board members' yearly remuneration will be paid in Cargotec's class B shares.

The decisions on the directed share issues were 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 September, Cargotec held a total of 224,840 own class B shares, accounting for 0.35 percent of the total number of shares and 0.15 percent of the total number of votes. At the end of September, the number of outstanding class B shares totalled 54,957,239.

Share price development and trading

In 2020, Cargotec's class B share price increased by 12 percent, from EUR 30.24 to EUR 33.82. Over the same period, the OMX Helsinki Benchmark Cap Index increased by 6 percent.

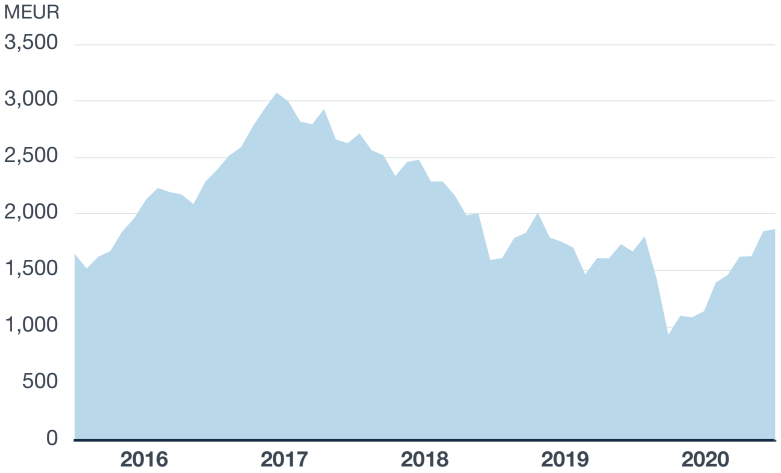
At the end of 2020, the total market value of class B shares, calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 1,859 (31 Dec 2019: 1,660) million, excluding own shares held by the company. Cargotec's year-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the year, was EUR 2,182 (1,950) million, excluding own shares held by the company.

The class B share closed at EUR 33.82 (30.24) on the last trading day of 2020 and the volume weighted average price for the financial period was EUR 24.77 (31.09) on Nasdaq Helsinki Ltd. The highest quotation for 2020 was EUR 37.14 (38.48) and the lowest EUR 15.15 (24.12). In 2020, a total of 55 (29) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1 369 (892) million. The average daily trading volume of class B shares was 219,123 (115,088) shares or EUR 5 (4) million.

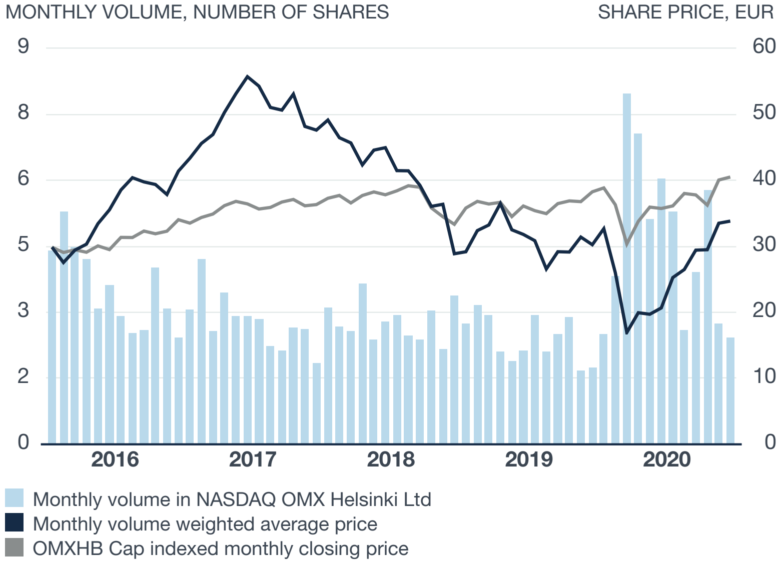
In addition, according to Fidessa, a total of 55 (40) million class B shares were traded in several alternative marketplaces in 2020, such as Cboe APA and Cboe BXE, corresponding to a turnover of EUR 1,441 (1,266) million.

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

MARKET CAPITALISATION, CLASS B SHARES



SHARE PRICE AND VOLUME



Shareholders

At the end of 2020, Cargotec had 37,576 (24,532) 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 16,309,801 (17,213,609) nominee-registered shares, representing 25.21 (26.60) percent of the total number of shares, which corresponds to 10.84 (11.44) percent of all votes.

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

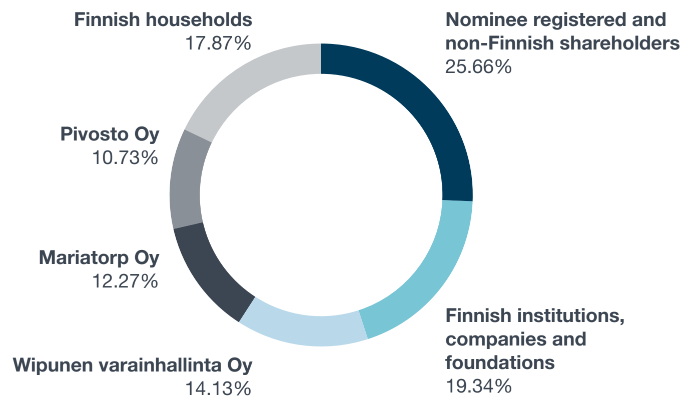
	Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1	Wipunen varainhallinta oy	2,940,067	6,200,000	9,140,067	14.13	3,560,067	23.67
2	Mariatorp Oy	2,940,067	5,000,000	7,940,067	12.27	3,440,067	22.87
3	Pivosto Oy	2,940,067	4,000,000	6,940,067	10.73	3,340,067	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		1,544,000	1,544,000	2.39	154,400	1.03
6	The State Pension Fund		800,000	800,000	1.24	80,000	0.53
7	Elo Mutual Pension Insurance Company		769,319	769,319	1.19	76,931	0.51
8	Varma Mutual Pension Insurance Company		640,496	640,496	0.99	64,049	0.43
9	Mandatum Life Insurance Company Ltd.		404,427	404,427	0.63	40,442	0.27
10	Herlin Heikki Juho Kustaa		400,000	400,000	0.62	40,000	0.27
11	Sigrid Jusélius Foundation		367,600	367,600	0.57	36,760	0.24
12	Veritas Pension Insurance Company Ltd.		324,616	324,616	0.50	32,461	0.22
13	Nurminen Hanna Kirsti		270,268	270,268	0.42	27,026	0.18
14	Nordea Pro Finland Fund		228,436	228,436	0.35	22,843	0.15
15	Cargotec Oyj		224,840	224,840	0.35	22,484	0.15
16	Nordea Nordic Small Cap Fund		213,337	213,337	0.33	21,333	0.14
17	OP-Finland Small Firms Fund		185,360	185,360	0.29	18,536	0.12
18	Blåberg Anna Karolina		182,745	182,745	0.28	18,274	0.12
19	Herlin Olli Ilkka Julius		175,000	175,000	0.27	17,500	0.12
20	Vakuutusosakeyhtiö Henki-Fennia		165,716	165,716	0.26	16,571	0.11
	Total	**9,526,089**	**23,328,614**	**32,854,703**	**50.77**	**11,858,944**	**78.85**
	Nominee registered			16,309,801			
	Other owners			15,543,664			
	Total number of shares issued on 31 Dec 2020			**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	21,884	58,24	956,863	1.48
101–500	11,383	30,29	2,798,552	4.32
501–1,000	2,244	5,97	1,715,125	2.65
1,001–10,000	1,883	5,01	4,869,543	7.53
10,001–100,000	150	0,40	4,182,510	6.46
100,001–1,000,000	24	0,06	6,614,013	10.22
over 1,000,000	7	0,02	43,341,430	66.98
Total	**37,575**	**100.00**	**64,478,036**	**99.64**
of which nominee registered			16,309,801	25.21
In the joint book-entry account			5,292	0.01
Number of outstanding shares on 31 Dec 2020			**64,483,328**	**99.65**
Own shares on 31 Dec 2020	1		224,840	0.35
Total number of shares on 31 Dec 2020			**64,708,168**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

BREAKDOWN BY SHAREHOLDER CATEGORY ON 31 DECEMBER 2020



Based on ownership records of the Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2020, 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 6,567,500 (6,559,411) class B shares, which correspond to 14.69 (14.68) percent of the total number of all shares and 23.92 (23.91) percent of all votes.

The CEO Mika Vehviläinen is covered by the share-based incentive programmes 2018, 2019, 2020, matching share programme 2019 and Restricted Share Unit Programme 2020.

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 2020
Remuneration statement 2020
CVs of Board members (Cargotec.com)
CVs of Executive Board members (Cargotec.com)

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 4. February 2021

Ilkka Herlin
Chairman of the Board

Tapio Hakakari
Vice Chairman of the Board

Teuvo Salminen
Member of the Board

Peter Immonen
Member of the Board

Teresa Kemppi-Vasama
Member of the Board

Johanna Lamminen
Member of the Board

Kaisa Olkkonen
Member of the Board

Heikki Soljama
Member of the Board

Mika Vehviläinen
CEO

Our Auditor's report has been issued today.

Helsinki, 4. February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Cargotec Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and 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 the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit and Risk Management Committee.

What we have audited

We have audited the financial statements of Cargotec Oyj (business identity code 1927402-8) for the year ended 31 December 2020. The financial statements comprise:

- the consolidated balance sheet, consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies
- the parent company balance sheet, parent company income statement, parent company cash flow statement and notes to the parent company financial statements.

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 the Financial Statements section of our report.

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

Independence

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.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.3 to the consolidated financial statements.

Our Audit Approach

Overview

Materiality

- We have applied an overall group materiality of € 12 million (previous year € 14 million).

Group scoping

- The group audit scope includes all significant operating companies, as well as a large number of smaller companies, covering the vast majority of the group's revenue, assets and liabilities.

Key audit matters

- Over time revenue recognition
- Valuation of goodwill
- Accounting for restructuring provisions and costs
- Valuation of inventory

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They 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.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 12 million (previous year € 14 million)
How we determined it	Net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it is the appropriate benchmark, which the users of the financial statements regularly use to evaluate the performance of the group.

How we tailored our group audit scope

The group audit scope was tailored to take into account the structure of the Group and the size, complexity and risk of individual subsidiaries. Using these criteria we selected companies and accounts into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

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.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Over time revenue recognition Refer to note 2.2 to the consolidated financial statements. The group has significant long-term construction contracts in Kalmar and MacGregor segments. These long-term construction contracts are recognised on an over time basis in accordance with the percentage of completion if the delivered machine or solution is estimated to have no alternative use for the company and at all times during the project the company has a right to payment regarding the work already performed. Percentage of completion is determined either by reference to costs incurred to date as a percentage of the estimated total costs of the project or by completion of a certain physical milestone. Over time revenue recognition includes management judgment in a form of estimates, which are subject to management experience and expectations of future events. The most important judgment relates to the estimated total costs of the project, which is influenced by various factors, related to both material and labour as well as specific contract related risks. Over time revenue recognition is a key audit matter in the audit due to the level of management judgement included in the estimates.	Our revenue testing included both testing of the company's controls, as well as substantive audit procedures for selected projects. Our testing of the company's controls, focused on the IT systems used by the group, as well as process level controls covering project forecasting and revenue recognition. Our substantive testing focused particularly on estimates applied by management in the accounting. Our procedures for the selected projects included, among other things, the following: • We ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement; • We agreed the total project revenue estimates to sales agreements, including amendments as appropriate; • We tested the accuracy of the cost estimate by taking a sample of cost components and traced those to supporting documentation; and • We recalculated the completion stage of the projects to ensure that the amount of revenue being recognised is correct by comparing actual costs per the company's accounting records to the estimated total costs of the projects. When physical milestone method was used, we obtained appropriate evidence based on the circumstances to support the stage of completion.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of Goodwill Refer to notes 2.7 and 6.1 to the consolidated financial statements. At 31 December 2020 the Group's goodwill balance amounted to € 971,9 million and is recognized in three reporting segments: Kalmar € 267,6 million, Hiab € 222,4 million and MacGregor € 481,9 million. The company tests goodwill for potential impairment at least annually and whenever there is an indication that the carrying value may be impaired by comparing the recoverable amount against the carrying value of the goodwill. Due to the current uncertainty related to the financial operating environment, MacGregor's goodwill has been tested for impairment in 2020 on a quarterly basis. The recoverable amounts of are determined using value in use model. These calculations are subject to significant management judgement in a form of estimates of future cash flows and discount rates. Valuation of goodwill is a key audit matter in the audit due to the significant size of the goodwill balance and the high level of management judgement involved.	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the goodwill impairment analysis through the following procedures: • We tested the methodology applied in the value in use calculations by comparing them to the requirements of IAS 36, Impairment of Assets, and we tested the mathematical accuracy of calculation; • We evaluated the process by which the future cash flow forecasts were drawn up, including comparing them to strategic plans approved by the Board of Directors; • We tested the key underlying assumptions, including sales and profitability forecasts, discount rates used and the implied growth rates beyond the forecasted period; • We compared the current year actual results to the forecasts included in the prior year impairment model to consider whether the forecasts included assumptions that, with hindsight, had been optimistic; • We assessed the appropriateness of the sensitivity analysis performed by the management; and • The discount rates applied within the impairment analysis were assessed by PwC business valuation specialist, including comparison of the components of the discount rate used by the company to generally accepted external sources of information as appropriate. • We also considered the appropriateness of the related disclosures provided in note 6.1 in the consolidated financial statements.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for restructuring provisions and costs Refer to notes 2.4 and 5.5 to the consolidated financial statements. Restructuring provision amounts to € 23,0 million at 2020 year-end, with an annual restructuring costs of € 131,0 million recognised in the profit and loss statement. The accounting for restructuring provisions and costs requires judgement to estimate the value and timing of net economic outflows and the extent to which the company is committed at the balance sheet date. The presentation in the financial statements also requires consideration of whether the amounts included in the charge are fair. Accounting for restructuring provisions and costs is a key audit matter in the audit due to level of management judgement included in the estimates.	Our audit procedures were designed to test that the costs incurred were accurately recorded, capturing both amounts paid during the financial year and amounts estimated and accrued. Our audit focused specifically on the following: • We assessed whether the restructurings costs have been recognised in the correct financial period, in accordance with IFRS; • We assessed the appropriateness of the provisions and the assumptions relating to asset impairments; and • We assessed whether the costs incurred were sufficiently distinct to warrant inclusion in the restructuring costs and in line with the group accounting policies.

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of inventories Refer to note 5.2 to the consolidated financial statements. Net inventories amount to € 579,7 million, including a provision of € 105,5 million at the end of 2020. Inventories are measured at the lower of cost or estimated net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs necessary to make the sale. Inventory provision is recorded to adjust the inventory to its net realisable value. When estimating the level of provision, management takes into account the nature, state, age structure and estimated demand for the inventory, as appropriate. We focused on inventories due to its size and the nature of the judgements made by management when assessing the level of provision required.	Our audit consisted testing of company's controls both for valuation and existence of inventories as well as substantive audit procedures. Our substantive procedures were focused on the following: • We participated in the physical inventory countings of the group companies selected in our audit scope to obtain audit evidence regarding existence and condition of the inventory. During the inventory counting we assessed the appropriateness of the counting procedures and performed independent test counts. Where inventory was held in the custody of third parties, we obtained appropriate confirmations and reconciled these to the inventory accounting; • We tested a sample of items from the inventory system to third party purchase invoices. We also obtained and tested management's calculations on the absorption of direct and indirect costs to make sure that those have been appropriately accounted for; • Where the provision was based on the aging structure of the inventory, we performed recalculations and ensured that the provision is in line with the Group's accounting policies. Where judgement was used by management, we ensured that it was reasonable and reflected the circumstances; and • Where provision was based on estimated demand of the inventory, we tested the supporting documentation and ensured that the provision is in line with Group's accounting policies. Where judgement was used by management, we ensured that it was reasonable and reflected the circumstances.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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 a 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 to 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 about 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 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 to 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

Appointment
We were first appointed as auditors by the annual general meeting on 1 June 2005. Our appointment represents a total period of uninterrupted engagement of 16 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 the 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
- 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 4 February 2021

PricewaterhouseCoopers Oy

Authorised Public Accountants

Markku Katajisto

Authorised Public Accountant (KHT)

INVESTOR RELATIONS AT CARGOTEC

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 it participates in annual general meeting arrangements.

Investor relations prepares content on current topics, such as videos, blogs and podcasts about interim reports or specific events. Both videos and podcasts can be found from Cargotec website's Investor section, videos from the IR video gallery in particular. Investor Relations leads the Capital Markets Day and other IR events arrangements for investors and analysts and gathers and analyses market information and investor feedback to be used by Cargotec's management and the Board of Directors.

Silent period

Cargotec follows a three-week silent period prior to publication of an interim report or financial statements. During this time, Cargotec spokespersons do not comment on the company's financial situation, market, or future outlook, hold any meetings with investors or analysts or attend any investor conferences.

Investor relations in 2020

Early in 2020, Cargotec's Investor Relations managed still to meet investors and analysts face-to-face. The IR team held roadshows in London, UK and in Oslo, Norway. In Copenhagen, Denmark the team participated in an investor conference, and it also held several investor calls and organised sell-side breakfasts in Helsinki, Finland and in London.

In February, **Stefan Lampa**, the head of Kalmar Mobile Solutions, met the investor community in Helsinki, Finland. In his presentation, Stefan talked about the market development and how he saw electrification, the robotics and automation to boost the business forward. The IR team prepared a video interview with Stefan, which has gathered hundreds of views in Cargotec's Youtube channel.

Coronavirus pandemic affected everyone globally during 2020. Safety and health of our employees, customers and partners remained the first priority in all Cargotec activities, and also Cargotec's Investor Relations adjusted its actions accordingly.

From early March onward, the IR team moved into using virtual meeting methods in all its investor and analyst meetings. Since then, the meeting participants have convened online and material has been shared virtually. While the coronavirus situation prevails, the IR team continues with high safety standards, following the regulatory travel and social restrictions.

All in all, the IR team held tens of virtual meetings in 2020. Meetings were hosted by IR team members and, on many of those meetings, also Cargotec's CEO Mika Vehviläinen or CFO Mikko Puolakka participated, presenting their insights to the audience about Cargotec as an investment opportunity.

The IR team produced 13 videos during 2020. The videos presented Cargotec's activities from many angles - from quarterly report presentations to business area introductions and strategy development insights. In total, the videos have collected about 6,000 views on Cargotec's Youtube channel (end-January 2021 situation).

The IR team also wrote 16 blog texts in 2020, which were published on company website www.cargotec.com. The blog topics ranged from interim report Q&A to coronavirus status updates and business area and strategy developments.

The IR section on the company website was in many ways the main hub of IR activities during 2020. All 2020-related material was collected there (not forgetting the vast material that covers the earlier years). This includes, among others, the IR presentation (updated monthly), quarterly report material (videos, webcasts, transcripts, presentations, reports, podcasts), AGM materials for which the team also created a vast majority of materials.

To further enrich the connection with the IR audience, the IR team initiated several web development activities during 2020. For the investor/analyst meeting participant it is now possible to send instant meeting feedback via a specific quick-to-fill web form and, for longer messages, a specific IR feedback form was also created. The solution enables Cargotec's IR to monitor the market sentiment and gather anonymous investor feedback.

Cargotec IR in social media

Cargotec's IR team has been actively using social media to engage and serve retail investors. Cargotec's social media channels regularly post content of interest to investors, which can also be followed through the hashtag #CargotecIR. Retail investors have also been offered the possibility to ask about Cargotec as an investment through three different campaigns on social media.

In addition to Cargotec's corporate social media accounts being active on social media, the IR team - Vice President Investor Relations **Hanna-Maria Heikkinen** and Director Investor Relations **Aki Vesikallio** in particular - has been personally active in creating dialogue and sharing content on social media. The intention of all of these actions has been to serve the needs of retail investors in their preferred channels.

Acknowledgements

In 2020, Cargotec Investor Relations received high scores in the IR Nordic Markets' annual REGI survey. Cargotec's IRO was rated second in Finland and in a 3-year average, outperforming the sector in the Nordic countries. In 2020, the survey evaluated 90 companies' IR activities.

Financial calendar 2021

4 February 2021	Financial statements review 2020
Week 8, 2021	Cargotec's Financial Statements 2020 and Annual Report 2020
23 March 2021	Annual General Meeting
28 April 2021	Interim report January–March 2021
28 July 2021	Half year financial report January–June 2021
28 October 2021	Interim report January–September 2021

The IR calendar is available on Cargotec website's Investor section.

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Business identity code
1927402–8

Follow us

Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec has committed to the United Nations Global Compact Business Ambition for 1.5°C. Cargotec's sales in 2020 totalled approximately EUR 3.3 billion and it employs around 11,500 people.
www.cargotec.com

Annual Report 2020

GRI Index 2020

The Annual Report 2020 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/2020.