ANNUAL REPORT 2023

CARGOTEC

CARGOTEC

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

1.5°C COMPANY

WE SUPPORT

UN GLOBAL COMPACT

CARGOTEC

Smarter cargo flow for a better everyday

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ABOUT THIS REPORT

Cargotec publishes its Annual Report 2023 in February 2024. The report consists of the annual review, financial review, corporate governance statement and remuneration report. The financial review includes the Board of Directors' report, the financial statements and the auditor's report.

In accordance with European Single Electronic Format (ESEF) reporting requirements, Cargotec publishes the Board of Directors' report and the consolidated financial statements as an XHTML file, which is the official ESEF version of Cargotec's financial review 2023. In line with the ESEF requirements, the primary financial statements have been labelled with XBRL tags and notes to the financial statements with XBRL block tags. Authorised Public Accountant Firm Ernst & Young Oy has provided an independent auditor's reasonable assurance report on Cargotec's ESEF consolidated financial statements. The assurance engagement has been conducted in accordance with International Standard on Assurance Engagements ISAE 3000. The XHTML file is available in Finnish.

The first sections of the Annual Report – Our business and Cargotec in a changing world – highlight Cargotec's strategy and performance in 2023, describing relevant aspects of the company's operations and impacts on the surrounding world, while recognising the interdependencies between them.

Together with the Annual Report, Cargotec also publishes its GRI Index for the year 2023. The independent limited assurance report is included in the GRI Index. All materials are available on the company website at www.cargotec.com.

OUR BUSINESS IN 2023

CARGOTEC IN BRIEF

Europe, Middle East and Africa (EMEA)

Share of sales
45%

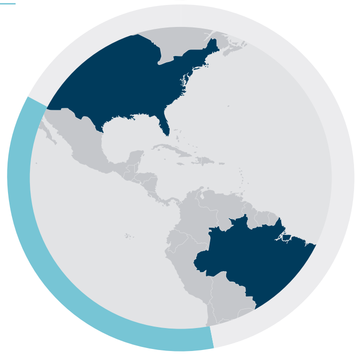
Personnel
7,767

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

Americas (AMER)

Share of sales
38%

Personnel
1,591



Assembly/R&D
- Brazil
- United States

Asia-Pacific (APAC)

Share of sales
17%

Personnel
2,033

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

Cargotec has operations in about 100 countries

Sales, MEUR
4,569

Comparable operating profit, MEUR
513

Total personnel
11,391

Services, share of total sales
30%

Eco portfolio sales*, MEUR
1,515

Eco portfolio, share of total sales*
33%

CO_2 emission change**
+6%

* According to updated criteria

** Compared to 2019 baseline

KALMAR

RECORD RESULTS: STRONG SALES OF ECO PORTFOLIO, NEW SUSTAINABLE SOLUTIONS LAUNCHED

Kalmar is the global leader in sustainable cargo handling for ports, terminals, distribution centres and heavy industry. With our extensive electric portfolio and global service network, we help our customers move towards safer, more eco-efficient, and productive operations. Together, we develop innovative solutions that shape the future of our industry, improving our customers' every move.

KALMAR, SHARE OF CARGOTEC SALES	SERVICES, SHARE OF KALMAR'S SALES	NUMBER OF PERSONNEL
45%	28%	4,907

Kalmar handed over its first fully electric reachstacker to Cabooter Group

Kalmar had a record year in 2023. Market demand stayed at a high level, with the exception of some weakness in the heaviest and lightest machine categories, where the order intake declined from the previous year. After exiting the heavy crane business, Kalmar's focus has shifted to smaller port equipment and other segments: distribution, heavy logistics, forestry, and metal.

In 2023, Kalmar's order intake levelled off at EUR 1,024 million, yet still above the pre-COVID level. As a result of the high order intake from the previous year, sales increased by 5 percent to EUR 2,050 million.

The year ended with record profitability with comparable operating profit amounting to EUR 279 million (13.6 percent), thanks to Kalmar's ability to take advantage of the post-COVID high cycle and strong demand, and successful operation in an inflationary environment.

Throughout the year, Kalmar launched several new sustainable solutions, and experienced growing interest in its eco portfolio, accelerating towards the end of the year. Kalmar introduced the Electric Straddle Carrier Charge Family which comprises battery technologies, charging solutions, and software to support operators of both manual and automated terminals with their transition towards decarbonised operations.

Kalmar acquired the product rights of the electric terminal tractor product line from Lonestar Specialty Vehicles (LSV) in the United States. As part of the transaction, LSV transferred the immaterial assets to Kalmar and acts as Kalmar's contract manufacturing partner for the acquired electric terminal tractor product range.

In 2023, Kalmar delivered its first electric reachstacker and heavy electric forklift, introduced at the end of 2021, to customers in Europe, and started the manufacturing of electric reachstackers at the Shanghai Plant, expanding the market reach to Asia. Furthermore, Kalmar completed a RoboTractor pilot project with a customer in Norway. Kalmar RoboTractor is part of the Robotic Portfolio, a future range of intelligent and autonomous mobile equipment solutions.

Besides the wide portfolio of sustainable solutions, services continue to be a significant competitive advantage for Kalmar. To enhance customer experience, Kalmar introduced new smart features in the MyParts eCommerce for spare parts, and, for the first time, reached a level where every second spare part sale was conducted online. Kalmar spare parts capture rate remained at 31 percent at the end of the year, while parts availability reached a record level of over 91 percent.

HIAB

STRONG SALES AND SERVICES, NEW SOLUTIONS LAUNCHED TO REDUCE CARBON EMISSIONS

Hiab is a leading provider of smart and sustainable load handling solutions. We are committed to delivering the best customer experience every day with the most engaged people and partners.

HIAB – SHARE OF CARGOTEC SALES	SERVICES, SHARE OF HIAB'S SALES	NUMBER OF PERSONNEL
39%	25%	3,877

Hiab supplied the UK customer Altrad with two new MULTILIFT Ultima 21Z hooklifts

Hiab's orders received in 2023 were EUR 1,466 million. Delayed customer decision making affected orders, stemming from high inflation and interest rates as well as extended truck chassis delivery times. This was particularly reflected in a decline in orders in the construction segment, which was, however, offset by good performance in the other segments.

Supported by a strong performance by the sales and service organisations, Hiab's sales developed positively, amounting to EUR 1,787 million in 2023. Service sales were EUR 452 million. Hiab's comparable operating profit improved to EUR 252 million, representing 14.1 percent of sales.

At the beginning of the year, the acquisition of Olsbergs, a manufacturer of hydraulic valves and remote control systems, was completed to strengthen Hiab's technology leadership and accelerate the development of loader cranes.

Following its strategy to adapt to the optimal route-to-market strategy for each market, Hiab announced changes to the sales and service coverage in Spain and mainland China. Dalian Shidao Industry Co. Ltd. signed an agreement to produce, sell, and service MULTILIFT hooklifts in mainland China. For Spain, Hiab signed an agreement with MYCSA to be responsible for the distribution of Hiab products in the country, starting in 2024.

In pursuit of Hiab's vision to be the number one partner in smart and sustainable load handling solutions, several new innovations were launched in 2023.

HiPerform™ is Hiab's suite of smart solutions and a result of investments and development in the digitalisation of the service offering. In 2023, HiPerform was complemented with the HiSkill™ training simulator. Powered by virtual reality, HiSkill enables crane operators to improve their skills without using an actual crane.

Most of Hiab's emissions in the production phase come from the use of steel — and a typical Hiab product consists of 70 percent steel. One way to address the issue is by reducing the amount of steel used. This also reduces the weight of new products, like the new EFFER loader cranes, which offer the performance of cranes one category larger. Hiab is also pioneering the use of recycled steel, made with an electric furnace which is powered by renewable electricity, in the MULTILIFT Ultima ZERO hooklifts.

Reducing emissions in the use phase is another priority for new product development, like Hiab's Solar Charger solution, solar panels on the roof that generate and store power, launched for ZEPRO and DEL tail lifts in 2023. As the only manufacturer in the world, Hiab has a complete electric range of truck mounted forklifts, in the MOFFETT eSeries. Providing the same performance as conventional forklifts, they are virtually silent and emission-free.

MACGREGOR

BACK TO PROFITABILITY IN 2023, STRONG ORDER BOOK GIVING A SOLID BASIS FOR THE FUTURE

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

MACGREGOR – SHARE OF CARGOTEC SALES	SERVICES, SHARE OF MACGREGOR SALES	NUMBER OF PERSONNEL
16%	48%	1,853

MacGregor delivered an efficient cargo solution to Hapag-Lloyd's "Berlin Express"

MacGregor's orders received in 2023 were EUR 816 million, and its sales amounted to EUR 733 million. Service sales were EUR 354 million. MacGregor's comparable operating profit was EUR 33 million, representing 4.5 percent of sales.

Despite increased uncertainty and regional weakness in the global economy, the conditions of shipping and offshore market remained firm. Merchant ship contracting increased in 2023, and investments are expected to continue to grow, especially on car carrier markets. Due to geopolitical tensions, the complexity of the business environment is increasing. Tightening climate regulations add to the complexity while also driving fleet investments and demand for climate-focused solutions.

MacGregor's turnaround progressed well and according to expectations throughout 2023. Sales of merchant solutions were solid and service sales increased by 17 percent. The profitability of these businesses would have been around 10 percent. The strong order book of EUR 988 million gives MacGregor a great basis for 2024.

Challenges with the offshore business continued due to some unprofitable projects stemming from past years. Offshore wind is expected to play a vital role in clean energy transition; however, development of offshore wind-related new technologies has been challenging and caused additional costs. MacGregor ran a restructuring programme within its offshore business throughout 2023. The actions taken decreased the risk level and losses significantly, but the offshore business remained loss-making in 2023.

MacGregor has continued to offer a wide portfolio of electric driven products such as cranes, RoRo equipment, walk-to-work gangways, hatch covers, and deck machinery. During 2023, for instance, the first all-electric Horizon walk-to-work gangways were taken into operation.

For the EU-funded MOSES and AEGIS projects, MacGregor has developed an autonomous container loading and discharging solution that comprises an automated onboard crane operating system and a new container supply chain software platform – the Voyage and Container Optimisation Platform. With the MOSES and AEGIS projects drawing to a close, MacGregor's solution was successfully tested at a facility in Örnsköldsvik, Sweden, in 2023.

MacGregor was awarded the Greensand concept study by INEOS Energy, and together with CAN Systems, MacGregor will prepare a concept study that provides a basis for choosing a solution for direct injection of liquid CO_2 in this Carbon Capture and Storage project.

MacGregor also introduced new products to its innovative and extensive product portfolio. The new introductions included the fully automatic twistlock ACV-1 and the self-unloader vibration feeder, "GravityVibe™".

HIGHLIGHTS OF THE YEAR

Cargotec

Casimir Lindholm started as Cargotec's President and CEO on 1 April 2023, following the retirement of Cargotec's former CEO Mika Vehviläinen.

Cargotec announced that it is planning **a separation of its core businesses Kalmar and Hiab**. The aim of the planned transaction is to create two focused, world-leading listed companies, thereby unlocking shareholder value and accelerating growth.

Cargotec's Board of Directors appointed **Sami Niiranen** as the new President of Kalmar. Niiranen starts at his position on 1 April 2024. As part of the planned separation of Kalmar by partial demerger, if the demerger is pursued, Sami Niiranen shall also be proposed as the President and CEO of the proposed standalone Kalmar.

Cargotec's core businesses Kalmar and Hiab

Cargotec and SSAB cooperate to reduce impact on climate in cargo and load handling solutions. The partnership went to the next level with **Kalmar and Hiab gradually starting to use SSAB Zero™ zero-emission recycled steel** in their products.

Following the launch of the Electric Straddle Carrier Charge Family, Kalmar will supply **eight fully electric Kalmar straddle carriers with high-energy batteries** to DP World London Gateway terminal. Additionally, Kalmar will deliver a total of **65 hybrid straddle carriers** to customers around the world.

Kalmar will supply **15 medium electric forklift trucks** to the British material handling equipment provider BJB Lift Trucks Ltd.

Kalmar handed over its **first fully electric reachstacker** to its long-term partner Cabooter Group in the Netherlands, and secured an order to supply the French multimodal terminal operator BTM and the Norwegian logistics service provider Wallenius Wilhelmsen with **two electric reachstackers**.

Kalmar continued to invest in deepening its terminal tractor range and acquired the **product rights to the electric terminal tractor product line** from Lonestar Specialty Vehicles in the United States.

In the US, Hiab received a **significant order from an existing customer for MOFFETT truck mounted forklifts**, and an order from a dealer for PRINCETON truck mounted forklifts.

Hiab signed an agreement to supply **400 new loader cranes** to Travis Perkins PLC, the largest distributor of building materials in the UK.

Hiab launched the **MULTILIFT Ultima ZERO hooklift made with low-emission recycled steel**. The new hooklift has a lower CO_2 footprint than comparable models.

The **introduction of HiPerform™ was announced**. HiPerform is a suite of smart solutions to maximise the Hiab equipment lifecycle value by optimising performance and productivity.

MacGregor

MacGregor's **turnaround progressed** well. The merchant ship segment and service businesses were profitable.

MacGregor received multiple orders for comprehensive packages of **RoRo and car deck equipment** for Pure Car and Truck Carriers (PCTC) during 2023. This includes a significant repeat order for five PCTC vessels.

MacGregor received a significant order for **general cargo cranes** for ten 84,500 dwt multipurpose vessels. The order includes a total of 40 cranes with a lifting capacity of 75 tonnes each.

A repeat order was confirmed to equip another offshore wind service vessel with MacGregor's distinctive **Horizon, all-electric walk-to-work gangway**.

PARTIAL DEMERGER

PROPOSED SEPARATION OF KALMAR AND HIAB COULD UNLOCK SHAREHOLDER VALUE

In April 2023, Cargotec announced that its Board of Directors has initiated an investigation to potentially separate Cargotec's core businesses Kalmar and Hiab into two standalone companies. On 1 February 2024, Cargotec's Board of Directors approved a demerger plan concerning the separation of Kalmar into an independent listed company. The planned completion date of the demerger is 30 June 2024.

The planned partial demerger would be a logical next step in Cargotec's previously announced aim to increase the independence of its businesses. Cargotec's Board of Directors estimated that the separation of Kalmar and Hiab could unlock shareholder value by allowing both businesses to pursue sustainable profitable growth opportunities independently.

The Board of Directors believes the planned transaction would increase the attractiveness of the companies and facilitate fair valuation of the businesses. The planned separation would, if implemented, improve governance, simplify the structures of the separate entities, and provide greater transparency and accountability. Thanks to a more tailored capital allocation strategy and flexible access to external capital, as two standalone companies Kalmar and Hiab could achieve faster organic and inorganic growth.

In 2023, the planning of the considered partial demerger progressed in line with the communicated timeline and objectives. To support the listing readiness preparations, the Board of Directors decided in August 2023 to establish a Demerger Committee to oversee the preparations for listing readiness and corporate governance matters for the potential standalone Kalmar. In November, the Board nominated Jaakko Eskola, the Chair of Cargotec's Board, as the Chair of the Demerger Committee. The Demerger Committee consists of Cargotec Board members Jaakko Eskola, Teresa Kemppi-Vasama, and Tapio Kolunsarka.

In November, Cargotec's Board of Directors appointed Sami Niiranen as the President of Kalmar. He shall also be proposed as the President and CEO of the proposed standalone Kalmar. One of Kalmar's key positions was filled already earlier during the year when Sakari Ahdekivi was appointed Kalmar's Chief Financial Officer.

On 1 February 2024, Cargotec announced that Cargotec's Board of Directors has approved a demerger plan concerning the separation of Kalmar into an independent listed company. The demerger is subject to approval by the Annual General Meeting of Cargotec to be held on 30 May 2024. The planned completion date of the demerger is 30 June 2024. The trading in the class B shares of Kalmar on Nasdaq Helsinki is expected to commence on or about 1 July 2024.

On the same day, Cargotec announced that Cargotec's Board intends to propose Jaakko Eskola as the Chair of the Kalmar Board of Directors and that Teresa Kemppi-Vasama and Tapio Kolunsarka be included among the members of the Kalmar Board of Directors. The composition of Kalmar's leadership team as 1 of April 2024 was also announced.

The demerger and listing prospectus, expected to be published by Cargotec in May 2024 before the AGM resolving on the demerger, will contain more detailed information on the demerger and Kalmar.

Cargotec's President and CEO Casimir Lindholm

CEO REVIEW

2023 - A MOMENTOUS YEAR

Several significant things took place at Cargotec in 2023. We announced the planning to potentially separate our core businesses Kalmar and Hiab into two standalone companies. MacGregor's turnaround progressed well. Our sales and profitability reached record-high levels. Orders received decreased from the comparison year's record levels to pre-COVID level.

The year 2023 was my first as Cargotec's President and CEO. Many significant events took place during the year.

The business environment in 2023 was complex as the world faced geopolitical tensions, high interest rates, and low consumer confidence. We continued to harvest on our high order book, collected in 2021 and 2022. This brought our 2023 sales up to a 12 percent increase to almost EUR 4.6 billion. Our service and eco portfolio sales reached all-time high levels as well. Driven by higher sales, successful management of inflationary pressures as well as MacGregor turnaround, our comparable operating profit improved by 62 percent to EUR 513 million, representing 11.2 percent of the consolidated sales.

At Kalmar, orders received decreased compared to the previous year. However, demand was stabilising towards the end of the year. Kalmar's sales increased by 5 percent to over EUR 2 billion. Thanks to higher sales, the successful management of inflationary pressures and component availability, as well as smaller losses related to the to-be-discontinued heavy cranes business, Kalmar's 2023 comparable operating profit increased by 48 percent to a record-high EUR 279 million.

Hiab's orders received were on a stable level throughout the year, decreasing by 19 percent from the record year 2022. Hiab's sales increased. With higher sales and effective management of inflationary pressures, Hiab reached a record-high full year comparable operating profit of EUR 252 million.

MacGregor's turnaround progressed well during 2023. Orders received decreased while the order book improved from the previous year, providing a good starting point for 2024. MacGregor sales improved to EUR 733 million and the yearly comparable operating profit was clearly positive at EUR 33 million; the best MacGregor result in nine years. However, there are still challenges related to a few offshore projects we have committed to in the past. We will continue with our actions to secure the turnaround of MacGregor's business.

Unlocking shareholder value with the separation of Kalmar and Hiab

In April 2023, we announced plans to potentially separate Cargotec's core businesses Kalmar and Hiab into two standalone companies. Cargotec's Board of Directors estimated that the separation could unlock shareholder value by allowing both businesses to pursue sustainable profitable growth opportunities independently.

The partial demerger would increase the attractiveness of Kalmar and Hiab

Casimir Lindholm
President and CEO, Cargotec

In 2023, the planning of the potential separation progressed well. During the year, we prepared the needed legal entity structure plans, IT system separation planning, and organisational designs, for example.

On 1 February 2024, Cargotec's Board approved a demerger plan concerning the separation of Kalmar into a new listed company. Subject to approval by the Cargotec's Annual General Meeting to be held on 30 May 2024, the planned completion date of the demerger is 30 June 2024.

As stated by the Board of Directors, the partial demerger would increase the attractiveness of Kalmar and Hiab and facilitate their fair valuation. Furthermore, the separation would improve governance and simplify the structures of the entities and provide greater transparency and accountability.

Determined work to promote sustainability

At Cargotec, our sustainability ambitions and efforts can most prominently be seen in our eco portfolio - a collection of solutions that highlights the equipment, services and software that help solve our customers' sustainability challenges.

During the year, our business areas further developed these solutions. As an example, Kalmar introduced the Electric Straddle Carrier Charge Family which comprises battery technologies, charging solutions and software to support terminal operators with their transition towards decarbonised operations. Hiab, with its MULTILIFT Ultima ZERO hooklifts, pioneered the use of recycled steel made with an electric furnace, which is powered by renewable electricity.

Customer interest in our eco portfolio offering has increased over the years, which can also be seen in our sales development: in 2023, eco portfolio sales increased by 18 percent and totalled EUR 1,515 million, representing 33 percent of consolidated sales.

During 2023, we focused particularly on preparing for the EU's Corporate Sustainability Reporting Directive. Preparedness is especially important considering Kalmar's listing as an independent company, as its sustainability reporting capabilities must be secured from the very first day.

Professional and committed personnel laid the foundation for a successful year

The year 2023 was special in many ways. During the year, it was a pleasure to note the dedication of our personnel towards customers, and professionalism in relation to work performance. With these capabilities, we reached a strong result for 2023.

Our annual employee engagement survey, Compass, provides valuable information on the work-related feelings and thoughts of our employees. The survey encourages employees to share their thoughts on a wide range of topics, such as work-life balance, well-being, social responsibility, leadership and team climate.

I was pleased to note that the 2023 Compass results showed our personnel being satisfied with their working conditions and the team climate. Similarly, the Integrity index (measuring employees' perception of sustainability, pride and hope, for example) sent a positive message, as the results improved compared to the previous year and exceeded our target. There is always room for improvement, but these are still positive indications about the spirit of our personnel.

New opportunities in 2024

New opportunities come before us in 2024. If the Cargotec Annual General Meeting in May approves the presented plan, Kalmar will be listed on the Helsinki stock exchange on or around 1 July 2024. Cargotec will then consist of Hiab and MacGregor which, as we have announced, will not be part of Cargotec's portfolio in the future. We will continue to look for a solution for MacGregor during 2024.

After Kalmar's listing, we will shift focus to prepare Hiab to operate as an independent listed company. As in Kalmar's case, this also will require efforts from the entire personnel. I firmly believe that also with Hiab, this will be realised effectively and within the agreed timeline.

I thank our customers, shareholders and the company Board for the trust they have shown in Cargotec, and Cargotec's personnel for their work efforts in 2023.

Casimir Lindholm
President and CEO, Cargotec

KEY FIGURES

In 2023, Cargotec's sales, profitability and cash flow reached record levels. Sales of services and eco portfolio were also record-high. Orders received decreased by 18 percent from the record year 2022. Due to increase in sales, CO_2 emissions in our value chain increased compared to the base year 2019. The Board proposes a record dividend.

Cargotec's orders received in 2023 amounted to EUR 3,987 million, decreasing by 18 percent compared to a record year of 2022. The order book at the end of the year amounted to EUR 2,812 million euros.

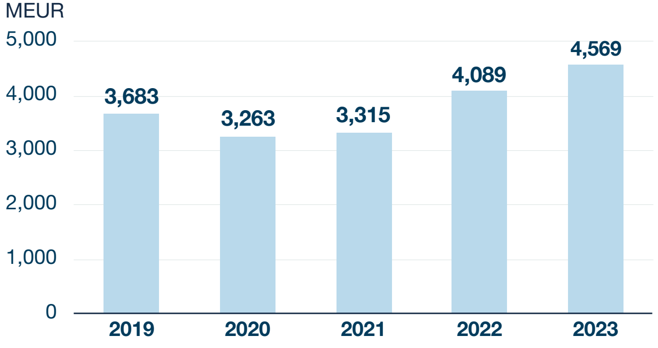
Sales increased by 12 percent to EUR 4,569 million. This was supported by good development in service and a record-high level in eco portfolio sales. The eco portfolio accounted for 33 percent of Cargotec's sales. Service sales totalled EUR 1,379 million, representing 30 percent of consolidated sales.

The comparable operating profit in 2023 increased by 62 percent to 513 million euros, resulting in a comparable operating profit margin of 11.2 percent.

Kalmar and Hiab reached record-high comparable operating profits of 279 million euros and 252 million euros respectively. In MacGregor, good performance in merchant and services, and restructuring of the offshore business, led to EUR 33 million in comparable operating profit in 2023. This was MacGregor's best result in nine years.

Also cash flow from operations before finance items and taxes was at a record-high level at 544 million euros.

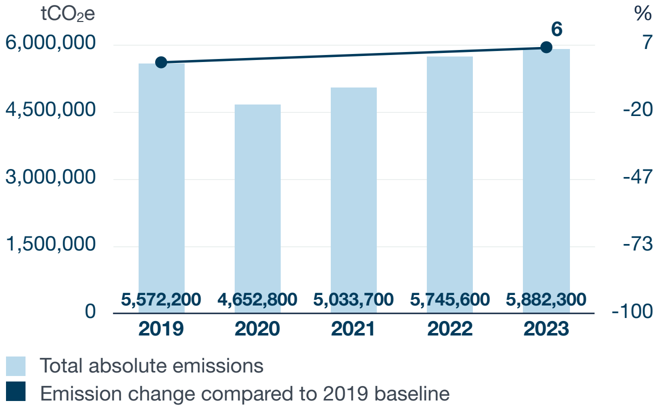
SALES



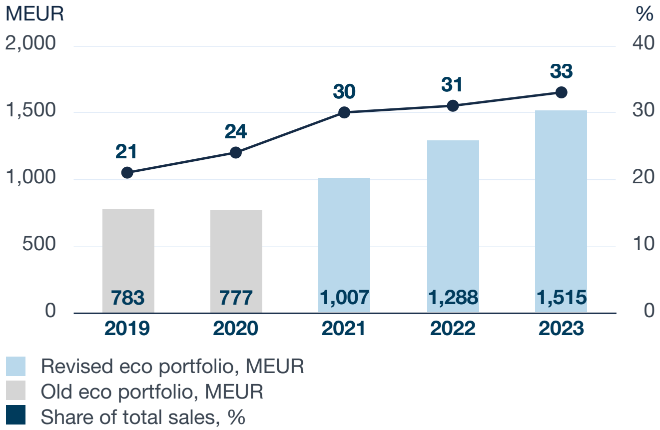
COMPARABLE OPERATING PROFIT*

*Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2023. The restated comparable operating profit will also include the impacts of the purchase price allocation, which amounted to EUR 16 million in 2022, EUR 16 million in 2021 and EUR 23 million in 2020. Year 2019 is comparable.

PROGRESS TOWARDS THE SCIENCE-BASED TARGET



ECO PORTFOLIO SALES



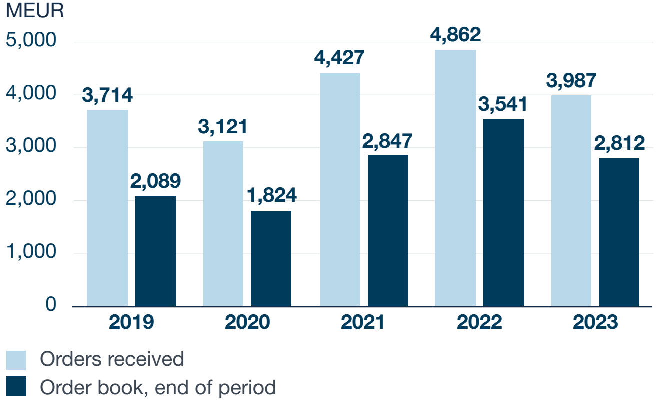
Eco portfolio sales increased, safety target was reached
Cargotec's science-based target is to reduce greenhouse gas emissions across its value chain by at least 50 percent by 2030, compared to a 2019 baseline. These emissions increased by 6 percent in 2023 due to sales growth. Emission intensity decreased but not sufficiently to compensate for the increase in emissions.

Eco portfolio sales totalled EUR 1,515 million in 2023, representing 33 percent of total sales. Cargotec's eco portfolio criteria are structured according to the EU Taxonomy design, but some differences occur between Cargotec's eco portfolio reporting and its EU Taxonomy reporting. For more information, please see section *Taxonomy and eco portfolio connection* in the Board of Directors' report.

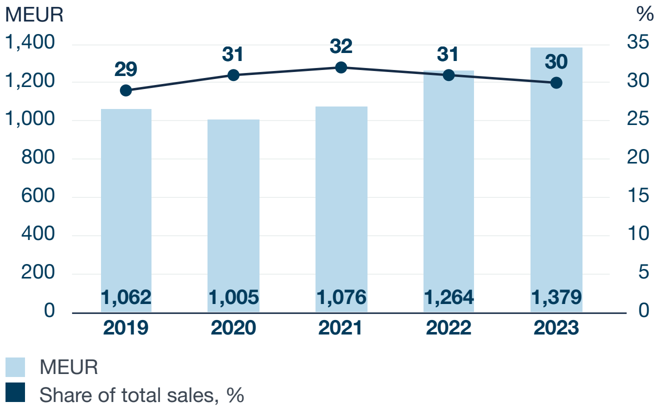
Cargotec's safety performance is monitored primarily with the industrial injury frequency rate (IIFR, number of injuries per million hours worked). Cargotec's safety target for 2023 was to have an IIFR rate below 4 across the organisation. The target was achieved with an IIFR of 3.8. The IIFR improved significantly at assembly sites (2.1) but worsened slightly at non-assembly sites to (5.1). Cargotec's safety figures cover the company's own employees and certain external contractors.

Board proposes record dividend
Cargotec's Board of Directors proposes to the Annual General Meeting convening on 30 May 2024 that a dividend of EUR 2.14 for each class A shares and EUR 2.15 for each outstanding class B shares be paid.

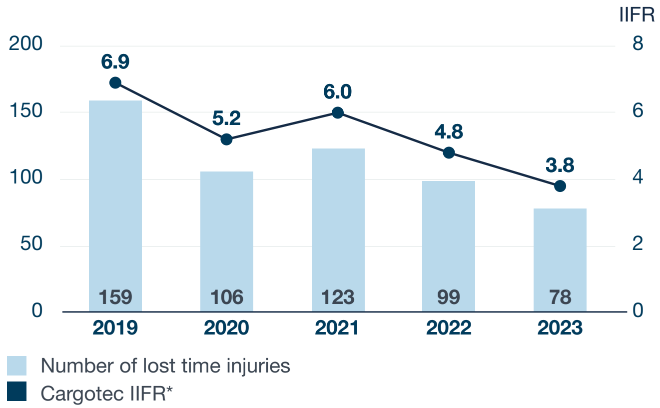
ORDERS RECEIVED AND ORDER BOOK



SERVICE SALES

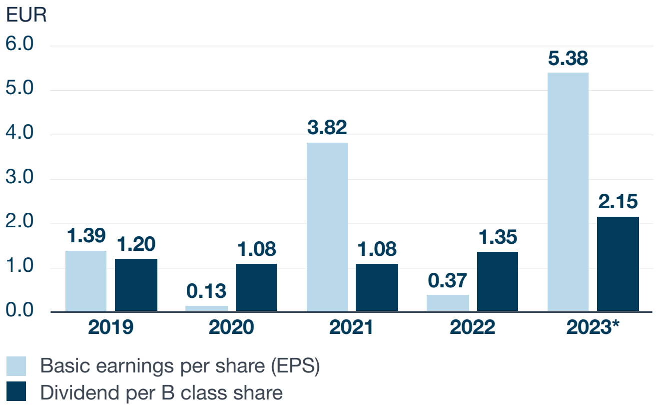


INDUSTRIAL INJURY FREQUENCY RATE*



* Number of injuries per million hours worked

EARNINGS PER SHARE (EPS) AND DIVIDEND



* Board's proposal for dividend

CARGOTEC IN A CHANGING WORLD

GROWING BY SOLVING SUSTAINABILITY CHALLENGES

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

GLOBAL CHALLENGES

Together with our customers, we want to positively impact:

- climate change mitigation
- labour scarcity
- limited resources
- changing logistic chains.

Profitable growth through sustainability

OUR IMPACTS

In realising our strategy, we create both positive and negative impacts on people, society and the environment.

OUR RESPONSE

We support our customers through:

- investing in sustainable innovation
- driving increasing recurring revenues
- seeking organic and inorganic growth
- aiming for the highest sustainability standards in our industry.

MEGATRENDS

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

Global growth & economic development

Population growth and urbanisation as well as rising economic wealth and productivity shape the global economic development. The world's population today is around 8 billion and estimated to reach closer to 10 billion by 2050. Simultaneously, the share of the world's population living in cities is expected to grow from 55 percent to 80 percent. At the same time the global GDP per capita is growing.

Implications

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

Examples from Cargotec offering:

Kalmar One automation system, Hiab solutions for construction and waste management segments, MacGregor Cargo Boost solution.

Sustainability

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

Implications

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

Examples from Cargotec offering:

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

Digitalisation

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

Implications

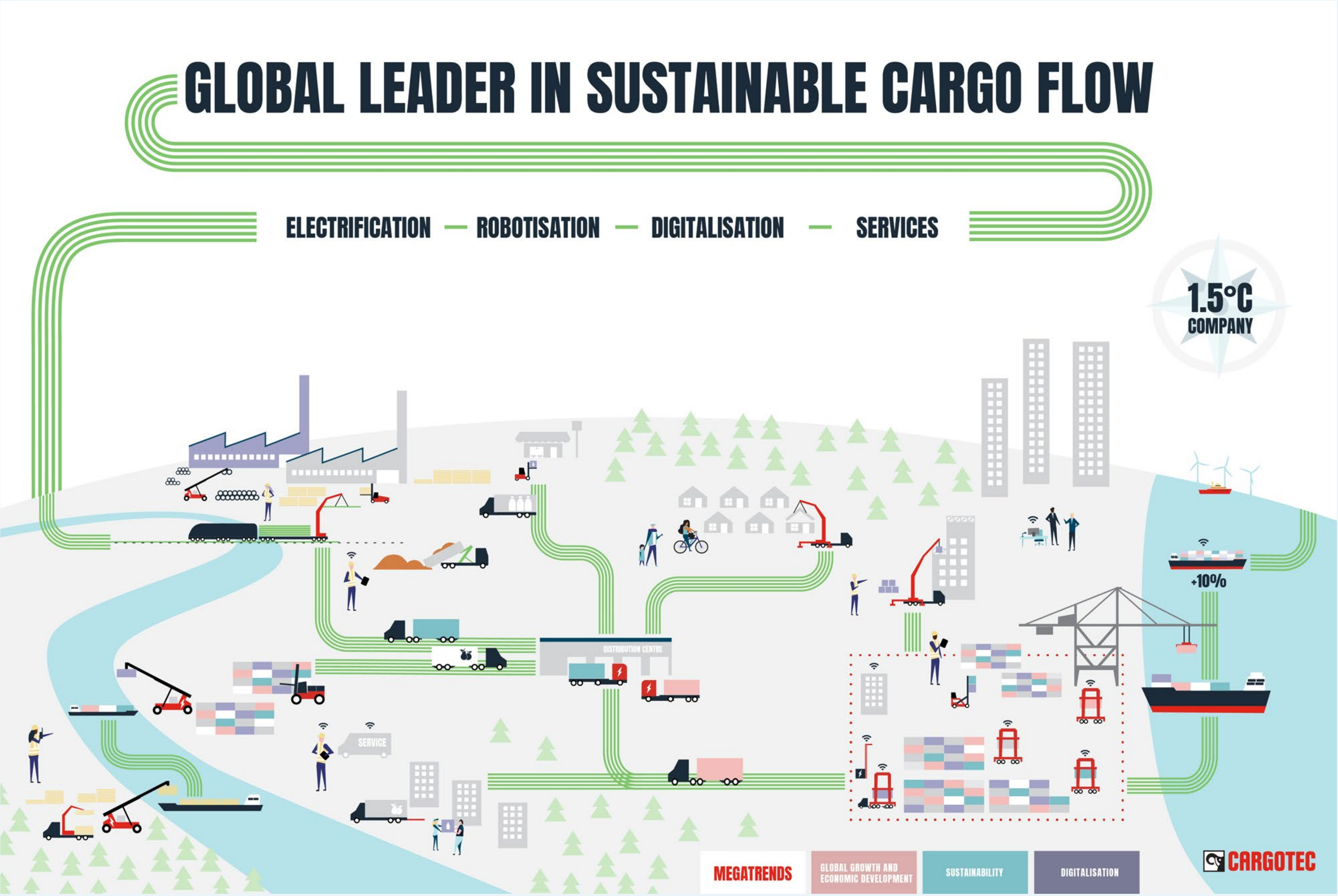
Customers seek intelligent solutions that can help them optimise their operations, improve productivity and safety, and reduce inefficiencies and emissions. Our business areas are present across the cargo flow network, enabling us to gain valuable insights throughout the value chain and shape the cargo and load handling industry by providing value adding software, automation and intelligent solutions.

Examples from Cargotec offering:

Kalmar Insight, Hiab HiConnect™ telematics data system and HiSkill™ virtual reality crane operator training, MacGregor OnWatch Scout solution.

STRATEGY

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



Where to win

Grow in core and adjacent businesses

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

Solve customer challenges in climate change and sustainability

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

Invest in industry innovation and transformation

Continuous investments in innovation are a prerequisite for long-term success. New technologies in terms of electrification, AI, robotics, and automation are transforming Cargotec's industries. Investments in industry innovation and transformation enable us to create an eco portfolio offering for our customers.

We strive to integrate climate actions throughout our value chain.

Expand life cycle services
Service business offers growth opportunities due to the low capture rate of spare parts in many areas of traditional services. We seek growth from extended service offerings and life cycle services. Promoting services and extending the life cycle of products are also key elements of the circular economy.

Ways to win

People and leadership
Good leadership and inclusion drive innovation and growth, as people feel safe to reveal their knowledge and talents. We continue to improve our organisational climate index.

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

Comprehensive climate actions
Building on the foundations laid by our Mission Climate[1] initiative, and recognising the need for a holistic approach to climate efforts, we strive to integrate climate actions throughout our value chain. This drives emission reductions and supports the development of sustainable innovations and capabilities.

1 The Mission Climate programme ran during 2021–2022, guiding Cargotec in achieving its climate targets throughout the value chain.

Innovations and new business models
We want to solve industry-wide problems through intelligent solutions. We aim to develop new innovations and business models by identifying new customer needs and opportunities by leveraging our digital capabilities.

Life cycle solutions
We aim to expand our service offering from traditional maintenance and spare parts sales to providing intelligent solutions throughout the equipment life cycle. Enhancing our digital offerings to proactively address customer challenges remains a big opportunity. Through our innovative offering, we are able to serve our customers better and help them reach their circularity targets.

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

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

- customer satisfaction
- reduction of CO_2 equivalent emissions
- share of eco portfolio sales
- leadership index
- financial performance.

TARGETS

BUSINESS AMBITION FOR 1.5°C

Core businesses'[1] performance targets	Core businesses' progress in 2023
Eco portfolio sales: double the growth compared to traditional products	**Eco portfolio sales growth:** **18%**
Reduce CO_2 emissions in Cargotec's value chain[2] by **25% by 2025** and by **50% by 2030**	CO_2 emissions change: **+6%**
Sales growth faster than market[3]	**Sales growth:** **12%**
Comparable operating profit **12%** by 2025 **50%** by 2030	Comparable operating profit: **11.2%**
Cargotec also aims for a growing dividend of **30–50%** of EPS and to keep gearing **below 50%**	Dividend, share of EPS: **40%**

1) Core businesses = Cargotec excluding MacGregor and Kalmar heavy cranes business. Includes corporate administration and support functions.

2) Scopes 1, 2 & 3, compared to 2019.

3) Global GDP, IMF World Economic Outlook, current prices.

2023 sustainability targets	2023 progress	2024 and long-term targets
IIFR <4.0 in all operations by 2023	**IIFR 3.8** in all operations	**IIFR <3.2** in all operations by 2024
90% of strategic suppliers with an average sustainability score of >54% by 2023	**90%** of strategic suppliers with an average sustainability score of **57%**	**90%** of strategic suppliers with an average sustainability score of **>60%** by 2024*
>60% of electricity in own operations will be renewable by 2023 (75% by 2026)	**57%** of electricity in own operations was renewable	**>65%** of electricity in own operations will be renewable by 2024 (75% by 2026)
Improvement of the Integrity index** to **>77%** favourable	Integrity index** **78%** favourable	Maintain the Integrity index** at **>77%** favourable
Human rights training completion rate (part of Code of Conduct training) **100%**	Completion rate **N/A*** **	Human rights training completion rate (part of Code of Conduct training) **100%**

CARBON NEUTRAL

Achieve carbon neutrality in our own operations by 2030

* 90 percent of our strategic suppliers to complete our sustainability self-assessment and reach a combined average score of at least 60%.

** The Integrity index is a comprehensive measure built from three key categories in the Cargotec annual engagement survey: 1) Sustainability, 2) Pride and Hope, and 3) Leadership. Sustainability covers aspects such as code of conduct, fair treatment, safety, and environmental sustainability. Pride and Hope captures to what extent employees are proud to be part of the company and hold a positive outlook of their unit. Leadership measures the quality of leadership our employees receive.

*** Code of Conduct training was postponed to 2024. Read more on page 29.

OUR IMPACTS FORM THE FOUNDATION FOR OUR SUSTAINABILITY WORK

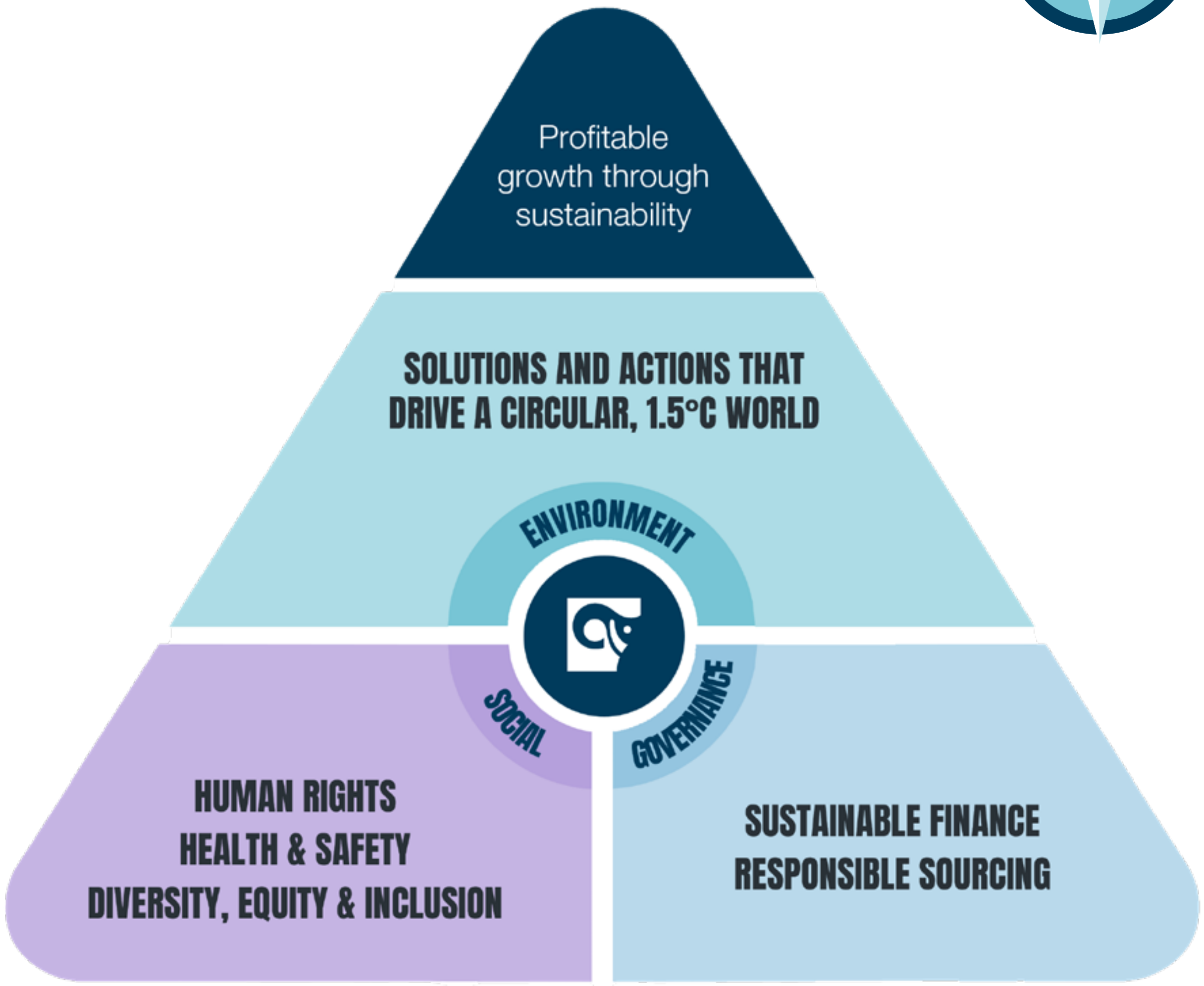
The transformation towards a sustainable world brings many opportunities to Cargotec's business. At the same time, in pursuing our vision of becoming a global leader in sustainable cargo flow, we impact the world around us in many ways.

Our most significant positive impact stems from providing essential infrastructure in society. Every day, our solutions, services and equipment keep cargo and load handling running. By continuously increasing the efficiency of our solutions and optimising maintenance, we help save energy and resources, which reduces the strain the logistic sector has on the environment. We also take action to provide safe, inclusive and fair working conditions for our employees and encourage our partners to do the same. We strive to ensure that our solutions are designed in a way that ensures the safe assembly, operation and maintenance of our equipment by people working for or on behalf of us, and our customers' employees.

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

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

CARGOTEC'S SUSTAINABILITY AGENDA



A robust sustainability agenda

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

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

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

Cargotec's most relevant – material – sustainability topics are identified in a materiality analysis. In this process, we engage with internal and external stakeholders to understand their thoughts and concerns while thoroughly evaluating the impact of each topic.

We have identified material topics where our potential and actual impacts are most significant:

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

During 2023, we conducted a double materiality assessment to confirm our sustainability agenda and our material topics. For more details on the assessment and its results, please see *Process to identify impacts, risks and opportunities* in the Board of Directors' report.

THE UPRIGHT PROJECT

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

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

Our stakeholders

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

Cargotec's main stakeholders are its investors, customers, personnel and suppliers. Other stakeholder groups include authorities, research and educational institutions, industry associations, local communities and the media. Our main stakeholders are identified based on both their potential influence on Cargotec and our potential impact on them.

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

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

Cargotec's main stakeholders are its investors, customers, personnel and suppliers.

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

OUR IMPACTS

ENVIRONMENT

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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION

Environment

- 1.5°C climate ambition transforms the industry to enable a low-carbon society.
- Our eco-efficient offering presents our greatest opportunity to mitigate climate change.
- With the 1.5°C target, we are committed to urgent actions to combat climate change in partnership with other actors in the value chain.
- Acknowledgement and evaluation of climate change risks to the business and appropriate mitigating actions.
- More efficient and resilient through connectivity and digitalisation.
- New technologies and process improvements maximise the energy efficiency of transport.

Cargotec's biggest environmental impacts are related to climate change and circularity and take place in our value chain. This is also where we focus on in our environmental work.

Climate change

As a key player in the cargo and load handling industry where the majority of the equipment is still powered by fossil fuels, Cargotec contributes to the consequent emissions. On the other hand, our equipment, services and software have the potential to drive the industry towards a circular, low-carbon economy. We see reducing the carbon footprint of our industry as a significant business opportunity for Cargotec.

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

Challenging ourselves with ambitious targets

We are committed to reducing greenhouse gas emissions in line with the 1.5°C warming scenario, which is the most ambitious goal of the Paris Agreement. Our science-based target, approved by the Science Based Target initiative (SBTi), is to reduce Cargotec's absolute greenhouse gas emissions by at least 50 percent across all three emission scopes by 2030, compared to a 2019 baseline. As more than 95 percent of our emissions are generated indirectly in our supply chain and the product use phase (scope 3), setting an absolute reduction target in that area is vital to tackle the actual amount of emissions released into the atmosphere. In 2023, our total value chain emissions increased by six percent compared to 2019 due to sales growth. Emission intensity decreased but not sufficiently to compensate for the increase in emissions.

Cargotec's performance targets for its core businesses[1] reflect the company strategy and ambition to grow profitably by solving customers' sustainability challenges. The performance targets are to reduce emissions by 25 percent by 2025 and by 50 percent by 2030 (in line with the company's science-based climate target) and to double the sales growth of our eco portfolio, compared to traditional products.

As we have better control over the greenhouse gas emissions of our own operations (scopes 1 and 2), our ambition level here is higher than for scope 3 emissions, and we aim for carbon neutrality by 2030. In 2023, we reached a 32 percent reduction in scope 1 and 2 emissions, compared to a 2019 baseline.

A robust climate action plan

Cargotec's strategic climate initiative guides us in achieving our science-based target and future-proofing our business through low-carbon solutions, such as electric equipment. The initiative covers the entire value chain through decarbonising the supply chain and our own operations as well as boosting our sustainable offering. We focus our biggest efforts on the supply chain and the product use phase because that is where our potential and actual climate impact is the greatest.

1. Decarbonising the supply chain

The greenhouse gas emissions from the extraction and manufacturing of our raw materials and components are significant (58 percent of purchased goods emissions in 2023). In decarbonising our supply chain, we look for sustainable alternatives to materials and solutions, ensure transparency of data and build on the innovative ideas of our partners.

The majority of the greenhouse gas emissions from Cargotec's purchased goods and services are generated in the production of steel. Our goal is to secure early access to low-emission steel on the market and re-engineer Cargotec products so that alternative materials can be utilised. For example, Cargotec and the steel manufacturer SSAB have partnered to introduce fossil-free steel to the cargo and load handling industry in Cargotec's equipment. In addition, Cargotec joined WWF Finland's Ready for Green Steel campaign in 2023 to encourage the steel industry to move towards cleaner production.

We also engage with our suppliers to better understand their maturity level and climate strategies, and the climate impact of the components they supply to us. This work increases the transparency of where our supply chain emissions originate from, identifies opportunities to reduce them and sets climate requirements for our suppliers. For more information about how we engage with our suppliers, see *Management of supplier relationships* under *Governance* in the Board of Directors' report.

2. Decarbonising our own operations

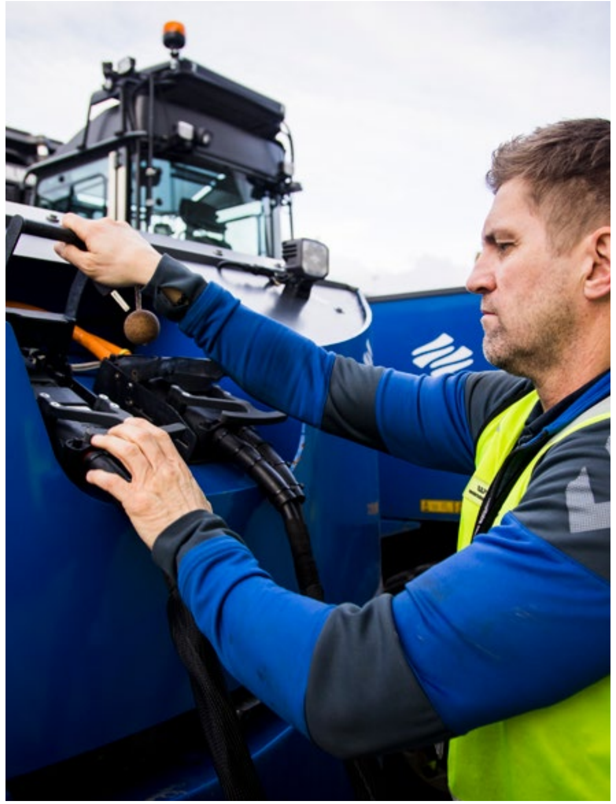
While the greenhouse gas emissions from our own operations represent only a very small share of our total emissions (1% in 2023), they do have an impact on the climate. We will do this by focusing on the biggest emission sources in our operations: electricity use and fuel usage by our service fleet.

About 30 percent of the emissions in our own operations come from electricity use. Our target is to increase the share of renewable electricity to 75 percent by 2026 and to 100 percent by 2030. At the end of 2023, this share was 57 percent. To mitigate emissions from the fuel usage of our service fleet, we aim to increase the share of remote services and switch to biofuels or electric vehicles. Reaching carbon neutrality may also require compensating for those emissions that cannot be eliminated.

During 2023, Kalmar's business division Bromma completed the first phase of installing solar panels at its assembly site in Malaysia. The current installation is targeting to replace more than 22 percent of the energy consumption with renewable energy. The second phase is expected to be completed during the first half of 2024. Once fully implemented, the solar energy installation is expected to reduce the emissions of the assembly site by more than 1,800 tonnes CO_2e annually.

3. Boosting our sustainable offering

The use phase of Cargotec products by customers is where the large majority of our greenhouse gas emissions are generated, mostly due to emissions from diesel-powered machinery with long life cycles. This is why we believe that developing and proactively offering energy efficient and electric equipment is where we



In 2023, CO_2 emissions from our own operations reduced by
32%
compared to 2019.

1 Core businesses = Hiab and Kalmar, excluding heavy cranes and including corporate administration and support functions

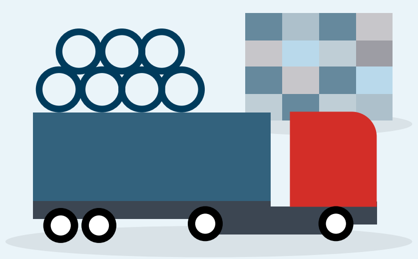
can best improve our climate impact – and seize big business opportunities. Cargo handling solutions are essential in ports, on trucks and on vessels all over the world, which means that changes made in cargo handling can have a big impact on other sectors.

Our low-emission solutions help us achieve our sustainability targets, but they also help solve our customers' sustainability challenges. Therefore, the development and sales growth of our eco portfolio plays a key role in decarbonising the downstream of our value chain. For example, during 2023, Kalmar delivered its first electric heavy forklift and electric reachstacker and started the presale of its all-electric empty container handler. All our electric equipment produce zero greenhouse gas emissions at source, supporting our customers in reaching their sustainability targets. For more information about the eco portfolio, see the next section (page 28).

CARGOTEC'S CARBON FOOTPRINT 2023

PURCHASED GOODS*
Scope 3 upstream

32%

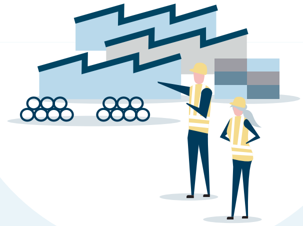


Steel structures **58%**

Other **42%**

OWN OPERATIONS
Scopes 1 & 2

1%



Diesel consumption **39%**

Electricity consumption **30%**

Other **31%**

USE OF SOLD PRODUCTS
Scope 3 downstream

64%

Kalmar **71%**

Hiab **22%**

MacGregor **7%**

*In accordance with our science-based target (SBT) scope. The SBT scope covers scope 1 and scope 2 (market-based) emissions as well as scope 3 emissions related to purchased goods (excluding indirect procurement) and the use of sold products. The scope 3 emissions included in the target boundary cover more than 90% of Cargotec's total scope 3 emissions.

OUR CIRCULAR SOLUTIONS OFFERING TODAY

Circularity

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

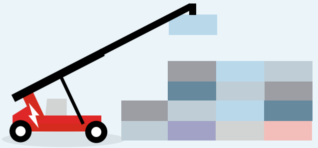
We foresee many opportunities to contribute to a circular economy and to capture profitable growth through new business models and solutions. Circular solutions, such as used and refurbished equipment and service offering, are an essential part of Cargotec's eco portfolio. For example, Kalmar already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

Maintenance services & spare parts

Regular maintenance and replacing individual parts keep our equipment in operation for longer.

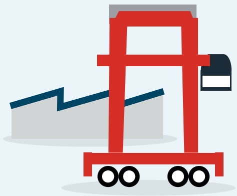
Used equipment

Our sales and rental of pre-owned equipment enable longer product life cycles.



Rental services

We advance the "sharing economy" by renting out equipment when the customer does not need to own it.



Refurbishments & modernisation

Our upgrades and modernisations help customers get more out of their equipment and reduce the need to buy new machinery.

Eco portfolio

Cargotec's objective is to pursue profitable growth by solving customers' sustainability challenges. This means that we must integrate sustainability into product development and actively drive up the sales of our eco efficient solutions. Our eco portfolio, established in 2017, is one of our most important tools in this work. The portfolio highlights the equipment, services and software that enhance our customers' sustainability. It is key in separating our sales growth from emissions growth; when we sell more eco portfolio solutions, we grow our sales and can reduce emissions at the same time.

Cargotec's eco portfolio consists of two categories: climate solutions and circular solutions. Cargotec's climate solutions are compatible with the greenhouse gas emission reductions needed in the 1.5°C scenario of the Paris Agreement, whereas the circular solutions contribute to the transition to a circular economy by promoting resource efficiency throughout the value chain.

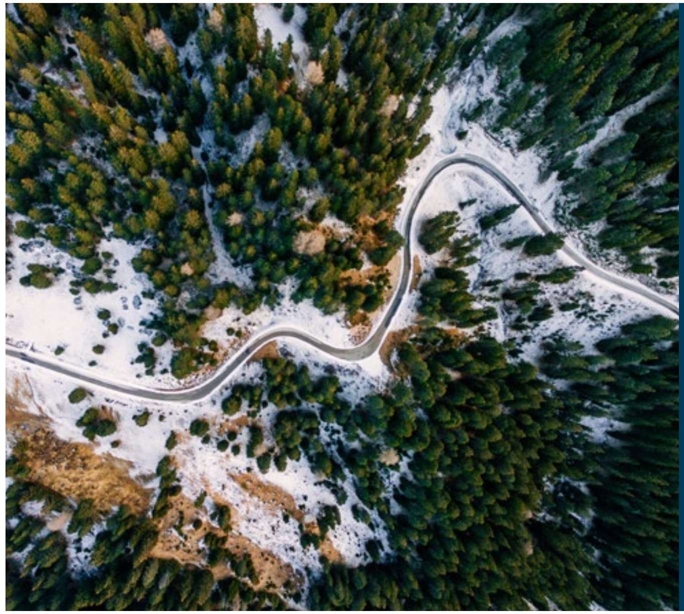
In 2023, the sales of the eco portfolio accounted for 33 percent of our total sales. Cargotec's strategic performance target for its core businesses is to double the eco portfolio sales growth compared to traditional products.

Research and development

In addition to equipment, much of our business focuses on digitalisation, equipment connectivity and intelligent solutions. We are committed to solving industry-wide sustainability challenges, such as the climate crisis, through intelligent solutions by making use of data and robotics. As new technologies transform the industry, we believe that continuous investment in innovation is a prerequisite for long-term success.

Our research and development focuses on investments that enable us to achieve our sustainability targets through eco efficient solutions. The themes that most support this goal include digitalisation, electrification, green energy, automation and robotisation. Our research and product development expenditure in 2023 totalled EUR 98 million. In addition, Cargotec's Sustainable Growth Fund is dedicated to funding ideas and innovations that help us achieve our decarbonisation or other environmental targets. In 2023, 22 projects received a total of EUR 4.27 million to advance projects that, for example, accelerate the electrification of Cargotec's solutions and reduce the emission intensity of vessel transport.

For more information about our eco portfolio and how it relates to our taxonomy reporting, see *Taxonomy and eco portfolio connection* under *Environment* in the Board of Directors' report.



WHILE BUSINESS GROWS, EMISSIONS DON'T HAVE TO

When sales go up, typically so do emissions. At Cargotec, we were happy to see record-high sales in 2022, but this came with increased greenhouse gas emissions. Separating the two is challenging, but it can be done — when you sell the right products.

From a climate perspective, the "right" products for Cargotec are our eco portfolio solutions, which help our customers reduce their climate impact. We had record high eco portfolio sales in 2022, which helped bring down our emission intensity. Emissions went down in our own operations, as well.

We are taking the right steps, but to stay competitive in the future, we need to sell more eco portfolio equipment and less diesel-powered ones. That's why we will continue to promote our eco portfolio solutions and develop new ones, while phasing out traditional products.

Read more online >

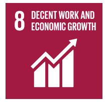
Other environmental impacts

Although not material, we monitor and report on other environmental impacts and emissions besides those related to climate change. For example, the ISO 14001 environmental management system provides guidance on managing our environmental impacts in our daily operations. In 2023, 67 percent of our assembly sites were ISO 14001-certified. For more details on other environmental impacts, see the GRI index (GRI 302-306).

OUR IMPACTS

SOCIAL

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



Social

- Strong focus on health and safety at all sites, providing a safe working environment.
- High supplier standards and requirements for labour rights.
- Digitalisation and automatisation reduce the risk of human error and accidents at work.
- Creating a positive contribution to employee wellbeing and local economies with jobs and paid taxes.

Human rights

We recognise that our business activities impact people in all parts of our value chain: our own workforce, supplier employees and the operators of our equipment, who are typically our customers' employees. We are committed to respecting the human rights of them all.

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

Raising awareness on human rights

In 2023, we finalised our first human rights impact assessment to better understand which topics to focus on in human rights due diligence. Based on the learnings from this work, Cargotec will create a guideline to help its business areas plan and execute human rights due diligence as future independent companies, should the planned separation of Cargotec's core businesses take place.

Cargotec's human rights-related target for 2023 was to reach a 100 percent completion rate on human rights training, as part of mandatory Code of Conduct training. As the Code of Conduct training was postponed to 2024 to be better aligned with the timeline of our performance and development plan (PDP) process, the target remains the same for 2024. However, human rights training was offered as an independent e-learning course to all employees. The completion rate was 61 percent by the end of 2023, covering those to whom the e-learning was assigned as mandatory, such as the Sourcing, Legal, Ethics and Compliance, and Sustainability functions both on group level and in the business areas.

HUMAN RIGHTS DUE DILIGENCE

1. Embed into policies and management:

During 2023, Cargotec created its first human rights policy as part of its Sustainability Policy. The content of the human rights policy was reviewed by an external expert organisation. The management of human rights issues is a shared responsibility between various Cargotec functions, such as Sustainability, Ethics and compliance, Human resources, Health and safety, and Responsible sourcing.

2. Identify and assess adverse impacts

Cargotec finalised its first human rights impact assessment in 2023. The assessment, which was evaluated by an international expert organisation, identified a group of human rights impacts most relevant to our operations and value chain. In conducting the assessment, we considered various data points, such as:

- Reports from our SpeakUp channel
- Audit reports
- Internal third-party risk assessment
- High-risk geographic regions
- Health and safety incidents
- Interviews with employees and supplier employees

Due to the planned separation of Cargotec's core businesses, human rights impact assessments will need to be re-conducted for the future stand-alone companies.

3. Integration and action

Human rights risks related to Cargotec's own workforce are managed with policies, processes and follow-up tools related to safety and human resources. For example, Cargotec's assembly sites have implemented safety management systems, where risks and related mitigation actions are defined.

Cargotec's most significant human rights risks exist in the value chain. We have strict requirements for our suppliers and other business partners on topics, such as health and safety and the prohibition of forced labour.

We have also developed our mergers and acquisitions (M&A) process to help identify human rights risks with better accuracy, as M&A has been determined a potential area for such risks.

Remedy adverse impacts

At Cargotec, all reported cases are evaluated and investigated according to our response process. Appropriate and adequate means of remedy, including disciplinary and corrective measures, are determined based on the details of the case, the needs of the affected people, and local legislation.

4. Track implementation and results

To raise awareness on human rights, Cargotec's target for 2023 was to reach 100% completion rate on human rights training, as part of mandatory Code of Conduct training. As the Code of Conduct training was postponed to 2024 to be better aligned with the timeline of our performance and development plan (PDP) process, the target will remain the same for 2024.

5. Communicate how impacts are addressed

Cargotec has reported on its human rights work in its annual reporting since 2022. In 2023 annual reporting, we have extended the scope of human rights reporting, as part of our preparation for the EU Corporate Sustainability Reporting Directive (see *Non-financial information* in the Board of Directors' report). During the year, we also focused on internal awareness raising efforts through, for example, articles, training and webinars.

Health and safety

Cargotec's various locations – from an office environment to assembly facilities, service locations and various customer sites – pose different types of risks to our employees' health and safety. Keeping our employees safe has always been a top priority to us, and we continue to do our utmost to minimise and eliminate these risks. All our employees must be able to return home safely and in good health after every working day.

Cargotec also impacts people's health and safety throughout the value chain, which is why the company's safety work covers, not only the company's own employees, but also its suppliers, subcontractors and customers' employees who operate Cargotec's equipment. For example, by continuously developing safer, quieter and cleaner equipment and solutions, Cargotec can reduce the risk of negative health and safety impacts on people who operate the company's equipment. In addition, the company has health and safety requirements for its suppliers and other business partners in its Business Partner Code of Conduct, including obligations to provide related training and instructions, as well as having procedures in place for addressing occupational injuries and illnesses.

In 2023, the injury frequency rate at our assembly sites improved significantly to

2,1.

Towards a harm-free workplace

We work continuously towards zero accidents in all our operations and always prioritise safety, even when schedules, costs or customers put pressure on us. The occupational health and safety management system ISO 45001 provides guidance and support in this work. In 2023, 69 percent of our assembly sites were ISO 45001 certified.

Cargotec's safety performance is monitored with a number of key performance indicators (KPIs). Cargotec's safety target for 2023 was to have an industrial injury frequency rate (IIFR, number of injuries per million hours worked) below 4.0 across the organisation. In 2023, the company's IIFR improved and was 3.8 (2022: 4.8), meaning the target was achieved. The IIFR improved significantly at assembly sites to 2.1 (5.7) but worsened slightly at non-assembly sites to 5.1 (4.3). Cargotec's safety figures cover the company's own employees and certain external contractors (such as temporary employees and rental workforce), but they exclude subcontractors due to missing information on working hours. The company's target for 2024 is to lower the IIFR by 15 percent compared to the 2023 target (4.0).

For more health and safety metrics and a more detailed description of our health and safety management processes, see the Board of Directors' report. For a detailed description of injuries that occurred in 2023, please see the GRI Index (403-9).

KEEPING HANDS SAFE

Zero accidents all day, every day, is our goal at Cargotec but unfortunately, accidents do happen. At Cargotec, one of the most common injury types is hand injuries.

"Our business relies heavily on manually assembling together different components. Our mechanics' hands are often in risky areas like between a component and a tool," says **Karin Olofsson Ryman**, Senior Manager for Environment, Health and Safety at Hiab.

Our key tool for improving safety is training.

"Our approach is 'train, involve, repeat'. It's not enough to train someone once — we need to make it relevant and involve employees in defining what actually is relevant. Then we repeat," says **Anne Sheridan**, Health and Safety Manager at Hiab's assembly site in Dundalk, Ireland.

Read more online >

Diversity, equity and inclusion

Diversity, equity and inclusion (DE&I) drive creativity, innovation and growth, as they encourage individuals to reveal their knowledge and skills. We have the responsibility to ensure that people feel safe coming to work as they are and express themselves freely.

We strive to create an overall environment of inclusion and tolerance at Cargotec. To strengthen this commitment to further develop a diverse organisation, we have signed the Diversity Charter Finland.

In 2023, Cargotec's ambitious plans for developing DE&I work were put on hold due to the planned separation of Cargotec's core businesses and the consequent shift in priorities. The company's business areas will be responsible for deciding how they proceed with their DE&I work as future independent companies. Despite the pause, we took some steps during the year to strengthen our commitment to the topic. For example, all of Cargotec's human resources policies were updated to include gender neutral pronouns.

Our employees continued to signal high satisfaction with their work environment in our engagement survey.

Leadership and employee wellbeing

With high inflation, wars and disrupted global supply chains, the year 2023 continued to put external pressure on our employees. Internally at Cargotec, we also announced a planned separation of our core businesses. Despite the uncertainties, our people managed to deliver record results. This success is enabled by our investments in leadership, strong employee engagement, harmonised processes and organisational freedom in decision making.

In addition to delivering financial success, our employees continued to signal high satisfaction with their work environment in our 2023 employee engagement survey. The overall favourability score (calculated as an average of favourable responses to survey questions) remained high at 76 percent (2022: 75%). We consider this a great achievement given the current global and internal uncertainties.

Continued investments in leadership and personal development

Our leaders have an essential role in enabling our people to turn our strategy into reality and promoting wellbeing at work. They are in constant contact with teams, individual team members, and the rest of the organisation. We have invested heavily in developing the leadership skills of our managers through our development programmes.

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

Wellbeing enabled by flexibility

It is crucial that we do our utmost to ensure employee wellbeing. A key factor in our wellbeing efforts is flexibility. For example, while we encourage our employees to spend time at the office, our teams decide what is the best way for them to combine remote work and face-to-face collaboration, when not limited by the nature of their work. Flexibility also means that we consider the different circumstances our employees face in their personal lives and provide support where we can. It is important to us that people's various needs are acknowledged and that they feel safe and free to be themselves when they work for Cargotec.

For more detailed information about how we engage with our employees, see *Own workforce* under *Social* in the Board of Directors' report.

OUR IMPACTS

GOVERNANCE

As a key player in global logistics, Cargotec secures the delivery of everyday necessities to millions of people and provides sustainable, safe and efficient material flows. Our solutions also help drive the transformation of the logistic sector towards a low-carbon economy. At the same time, we conduct business in a complex global environment, and our industry is exposed to ethics and compliance risks. To balance these risks and opportunities, we need robust governance of our operations and value chain.

13 CLIMATE ACTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS
17 PARTNERSHIPS FOR THE GOALS

Governance

- High compliance standards and commitment to ethical behaviour.
- Good governance and global commitments strengthen societal prosperity.
- Building a strong, just and inclusive society with jobs, paid taxes and cooperation with global partnerships.
- Engaged in activities advancing sustainable development.
- Climate related regulation, such as the EU Taxonomy and CSRD, as an opportunity to grow our business and further develop our climate work.

We contribute to the financial well-being of many sectors of society with tax payments, wages and dividends. We provide employment in 45 countries and, in 2023, the wages and benefits we paid to our employees totalled 656 million euros.

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

Responsible sourcing

Cargotec works with thousands of suppliers. Through our purchasing power, we can help our suppliers improve their sustainability-related performance. At the same time, we recognise that the components and services we purchase may impact people and the environment. In our supply chain, the biggest negative impacts stem from the production of steel, the extraction of raw materials and minerals as well as the use of hazardous substances in our products.

Robust supply chain management

At Cargotec, responsible sourcing focuses on identifying and mitigating sustainability risks in the supply chain and is systematically managed in our business areas. The main policies and processes to support this work include:

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

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

New suppliers must meet pre-requirements and pass an audit conducted by Cargotec before they can be approved as suppliers. If non-compliance of our BPCoC is found in assessments or audits, we decide

on corrective measures and timelines together with the supplier. If the supplier is unwilling to take the corrective action, Cargotec has the right to terminate the contract.

The 2023 target for responsible sourcing was to have 90 percent of strategic suppliers complete our sustainability self-assessment and reach an improved combined average score (54% in 2022). The target was achieved with 90% strategic suppliers completing the assessment and achieving an overall score of 57%. For 2024, the target for the improved combined average score is 60% or above.

For more detailed descriptions of responsible sourcing and supplier management at Cargotec, see *Management of supplier relationships* under *Governance* in the Board of Directors' report.

Sustainable finance

By considering sustainability in financial decision-making, Cargotec can have a positive impact on the world around it. For example, aligning our eco portfolio solutions with sustainability-related regulation enables them to contribute to international environmental goals, such as the EU's climate targets.

To support our ambition to pursue profitable growth through sustainability, we continued to strengthen the management of sustainable finance in 2023. This work has four focus areas:

- *Sustainability as a dimension of equal importance in financial performance management.* We aim to ensure that sustainability becomes an additional lens to cost and benefits in our financial performance management. In practice, this will help us to, for example, forecast and monitor our eco portfolio sales. Remuneration incentives are also part of this work.
- *Compliance with sustainability-related regulation.* We continuously monitor and interpret the increasing regulatory requirements related to sustainability and finance, including the EU Taxonomy and the EU's Corporate Sustainability Reporting Directive (CSRD).
- *Support Cargotec's business areas in sustainability-related financial matters.* By increasing understanding of sustainability in Cargotec's finance function, we can better support our business areas in related matters. We can, for example, conduct scenario calculations for new eco portfolio solutions and how they could support the business areas in achieving their financial and climate targets.
- *Prepared for sustainability-linked financing.* Sustainability and debt financing are becoming more and more integrated, which means that the cost of borrowing will be increasingly impacted by the borrower's performance measured against sustainability targets. Cargotec has incorporated sustainability targets into two facilities, with a total combined worth of EUR 380 million.

STEEL: THE GOOD, THE BAD, AND HOW TO FIX IT

Steel is used in nearly every industry and also in all Cargotec's equipment. Steel is durable and strong, and it can be recycled almost indefinitely. But there is a downside: high CO_2 emissions.

While the amount of recycled steel is expected to grow, traditional steel production will continue to play a key role. One way to reduce emissions from this process is to develop better manufacturing methods.

"Fossil-free steel is key to reducing our supply chain emissions, in addition to increasing the amount of recycled steel" says **Anna Kawecka**, Supplier Sustainability Development Manager at Hiab.

Read more online >

Ethics & compliance

Cargotec conducts business in a complex global environment and the industry is exposed to ethics and compliance risks related to, for example, doing business in remote locations, bidding for large projects and using sales intermediaries in countries where there are no Cargotec sales offices. Behaving ethically is the responsibility of every employee at Cargotec. The role of Cargotec's management is to send a clear message from the top and enable the creation of structures which ensure that compliance risks are effectively assessed, controlled and mitigated.

Aiming for highest ethical standards

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

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

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

All reported incidents are evaluated confidentially and investigated according to our response process.

Continued focus on managing risks

According to our analysis of Code of Conduct-related questions in our annual employee engagement survey, 83 percent of respondents considered Cargotec an ethical company in 2023 (2022: 83%).

In 2023, 78 reports (2022: 93 reports) of alleged misconduct were made through various channels. In 75 percent of closed investigations (2022: 73%), the allegations were substantiated at least partly, with some cases resulting in disciplinary actions, such as warnings and terminations of employment. For more detailed information about our ethics and compliance-related processes and performance, see *Governance* in the Board of Directors' report.

GOVERNANCE

CORPORATE GOVERNANCE STATEMENT 2023

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, Finland, and the Company complies with the rules and guidelines of Helsinki Stock Exchange and the Finnish Financial Supervision Authority as well as with all the recommendations of the Finnish Corporate Governance Code 2020, published by the Securities Markets Association (www.cgfinland.fi/en).

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

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

Shareholders' Meeting

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

The issues decided on by the AGM include the adoption of the financial statements, distribution of profit, granting of release from liability to the members of the Board of Directors and to the CEO, as well as the election of and remuneration payable to the members of the Board and auditor. The Shareholders' meeting also has the right to amend the Articles of Association, decide on merger and demerger, and make decisions and authorise the Board of Directors to make decisions on the acquisition of treasury shares, on share issues, and on option programmes. Cargotec has two share classes, each with different voting rights. In the Shareholders' meeting, each class A share carries one vote, as does each set of ten class B shares, with the provision that each shareholder is entitled to at least one vote.

Cargotec's AGM was held on 23 March 2023. The shareholders and their proxy representatives were able to participate in the general meeting and exercise shareholder rights in person in Helsinki and by voting in advance and by making counter proposals and asking questions in advance. It was also possible to follow the meeting via an online video stream. The meeting adopted the financial statements, consolidated financial statements and the remuneration report as well as granted discharge from liability to the CEO and the members of the Board of Directors for the financial year 1 January–31 December 2022. The Meeting approved amendments to Cargotec's Articles of Association regarding the number of auditors, the possibility to organise a general meeting without a meeting venue whereby the shareholders shall exercise their power of decision in full in real time during the meeting by the use of telecommunication connections and technical means (remote meeting), as well as timing of the Annual General Meeting. The meeting appointed members of the Board of Directors and the Auditor and approved a distribution of a dividend of EUR 1.34 for each of class A shares and a dividend of EUR 1.35 for each outstanding class B shares. The dividend was paid to shareholders who on the record date of dividend distribution, 27 March 2023, were registered as shareholders in the Company's shareholder register. The dividend payment day was 4 April 2023.

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, sustainability targets, 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 President and 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 addition, the Board discusses Cargotec's sustainability actions quarterly. In connection with each meeting, the Board holds discussions also without the presence of the executive management.

In 2023, the Board had 15 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 throughout the year have been Cargotec's strategic focus areas sustainability and profitable growth. The Board initiated an investigation to potentially separate Company's core businesses Kalmar and Hiab into two standalone companies as a logical next step in Cargotec's previously announced aim to increase the independence of its businesses. The intention would be to separate Kalmar as a new listed company by means of a partial demerger from Cargotec in 2024. During the year, the Board has supervised the demerger planning and preparations, including the organisation of both independent companies and the Board composition of the proposed standalone Kalmar. The Board established a new temporary Demerger Committee to support listing readiness preparations and corporate governance matters for the potential standalone Kalmar. The Board has also supervised MacGregor's financial performance and the process of finding a solution for MacGregor. Cargotec's business areas and their R&D activities as well as supply chain development were discussed in specific theme meetings. Reports on the climate and sustainability work and business area climate actions were regularly presented to the Board.

Composition

According to the Articles of Association, Cargotec's Board of Directors includes a minimum of six and a maximum of twelve members. Board members are elected at the AGM for a one-year term of office that expires at the end of the first AGM following the election. The Board elects a Chair and a Vice Chair from among its members. The Board's composition shall support the overall goal of implementing Cargotec's strategy. According to the Board's diversity principles, board composition shall reflect the operations strategy and the future needs of the Company. The diversity factors include work experience in Cargotec's strategic business areas and of the cultures in which Cargotec operates, as well as educational background, age and gender. There shall be both genders in the Board, the target being at least two directors of the under-represented gender.

At the AGM in 2023, the number of Board members was confirmed to eight and the current Board members Jaakko Eskola, Ilkka Herlin, Teresa Kemppi-Vasama, Johanna Lamminen, and Kaisa Olkkonen were re-elected to the Board of Directors. The former Board members Casimir Lindholm, Teuvo Salminen, and Heikki Soljama did not stand for re-election to the Board of Directors. Raija-Leena Hankonen-Nybom, Tapio Kolunsarka, and Ritva Sotamaa were elected as new members of the Board of Directors. In its organising meeting, the Board re-elected Jaakko Eskola as Chair and Ilkka Herlin as Vice Chair. At the end of 2023, the age range of the members was between 48 and 65 years. Five Board members were women and three were men, and the under-represented gender comprised 37.5 percent of all members of the Board. Thus, the gender target the Board had set has been reached. The Board members have a wide range of educational backgrounds and they have executive experience in international companies in different cultures.

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 2023.

Self-assessment and assessment of independence

The Board conducts an annual internal self-assessment to review its own performance and procedures. In 2023, the self-assessment was conducted as a written questionnaire that the Board discussed among themselves.

The majority of the Board members shall be independent of the Company and a minimum of two of the independent directors are to be independent of significant shareholders. The Board conducts, annually and when necessary, an assessment of its members as regards their independence of the Company and major shareholders, as defined in the Corporate Governance Code. In 2023, the members were independent of the Company and all except Ilkka Herlin independent of major shareholders. Ilkka Herlin controls the company Wipunen varainhallinta oy, which is a significant shareholder of Cargotec, and he also is a Board member of Mariatorp Oy, another significant shareholder. In the overall evaluation, the Board considered the over ten year term of Ilkka Herlin but considered him still to be independent of the company.

Board and committee members' participation in meetings 2023

Name	Board of Directors	Audit and Risk Management Committee	Nomination and Compensation Committee	Demerger Committee*** established 16 Aug 2023
Jaakko Eskola	15/15		8/8	1/1****
Ilkka Herlin	15/15	1/1*	7/8	
Teuvo Salminen *	4/4	1/1		
Teresa Kemppi-Vasama	15/15		8/8	2/2
Johanna Lamminen	15/15	5/5**		
Casimir Lindholm *	3/4		2/2	
Kaisa Olkkonen	15/15	6/6		
Heikki Soljama *	4/4			
Raija-Leena Hankonen-Nybom **	11/11	5/5		
Tapio Kolunsarka **	11/11	5/5		2/2
Ritva Sotamaa **	11/11		6/6	

* Member of the Board and/or Committee until 23 March 2023

** Member of the Board and/or Committee as of 23 March 2023

*** External member: Pekka Ala-Pietilä 16 August to 26 October 2023, meeting participation 1/1

**** Member as of 9 November 2023

Board of Directors 31 December 2023

Jaakko Eskola
Chair, b. 1958

M.Sc. (Eng.)

Board member since 2021, Chair since 2022

Chair of Nomination and Compensation Committee
Chair of Demerger Committee

Independent of the Company and largest shareholders

Main position: Non-executive Director

Ownership 31 December 2023*:
3,926 B shares

Ilkka Herlin
Vice Chair, b. 1959

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

Board Chair 2005–2022, Vice Chair since 2022

Member of Nomination and Compensation Committee

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

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

Ownership 31 December 2023*:
2,940,067 A shares
6,211,379 B shares

Teresa Kemppi-Vasama
member, b. 1970

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

Board member since 2017

Member of Nomination and Compensation Committee
Member of Demerger Committee

Independent of the Company and significant shareholders

Main position: Executive Chair of the Board, Kemppi Oy

Ownership 31 December 2023*:
2,177 B shares

Johanna Lamminen
member, b. 1966

D. Sc. (Tech.), MBA

Board member since 2017

Member of Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: CEO, Novana Oy

Ownership 31 December 2023*:
2,177 B shares

Kaisa Olkkonen
member, b. 1964

LL.M

Board member since 2016

Member of Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: Non-executive Director

Ownership 31 December 2023*:
2,467 B shares

* Direct ownership and the ownership of controlled corporations.

Board of Directors 31 December 2023

Raija-Leena Hankonen-Nybom
Member, b. 1960

M.Sc. (Econ.), Authorised Public Accountant examination

Board member since 2023

Chair of Audit and Risk Management Committee

Independent of the Company and significant shareholders

Main position: Non-executive Director

Ownership 31 December 2023*:
785 B shares

Tapio Kolunsarka
Member, b. 1975

M. Sc. (Engineering and Economics)

Board member since 2023

Member of Audit and Risk Management Committee
Member of Demerger Committee

Independent of the Company and significant shareholders

Main position: President and CEO, Insta Group

Ownership 31 December 2023*:
282 B shares

Ritva Sotamaa
Member, b. 1963

Master of Laws

Board member since 2023

Member of Nomination and Compensation Committee

Independent of the Company and significant shareholders

Main position: Non-executive Director

Ownership 31 December 2023*:
1,147 B shares

Board members until 23 March 2023:
Casimir Lindholm, member 2021–2023
M.Sc. (Econ.), MBA

Teuvo Salminen, member 2010–2023
M.Sc. (Econ)

Heikki Soljama, member 2016–2023
M.Sc. (power electronics)

* Direct ownership and the ownership of controlled corporations.

Board Committees

The Board has set up two permanent committees to improve the efficiency of board work: the Audit and Risk Management Committee and the Nomination and Compensation Committee. The Board nominates the members and the Chairs of the committees from among its members annually in its organising meeting and confirms the committees' written charters. The committees have no independent decision-making power, but prepare issues to be resolved by the Board. A new temporary Demerger Committee was established in 2023 to support the proposed standalone Kalmar listing readiness preparations.

Audit and Risk Management Committee

The committee's duty is to supervise the financial and sustainability 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 Cargotec's internal control, internal audit and risk management, the development of operative and strategic risks and risk management, and handles Internal Audit plans and reports. Furthermore, the committee prepares a proposal to the AGM regarding the election and fees of the external auditor, and monitors the statutory audit of financial statements and consolidated financial statements. Cargotec's Board has confirmed a Non-audit services policy for defining the permitted non-audit services purchased from the auditors. The committee defines and monitors the non-audit services to ensure the auditor's independence. Sustainability matters are presented to the committee quarterly and violations against Cargotec's Code of Conduct are reported to it. 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 President and CEO, CFO, General Counsel, Chief Compliance Officer, and Head of Internal Audit as well as representatives of the auditing firm attend the meetings. The directors of Group Control, Treasury, Taxes, Information Management, Risk Management, and Sustainability 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.

Until the AGM, the Audit and Risk Management Committee was chaired by Teuvo Salminen and its members were Ilkka Herlin and Kaisa Olkkonen. After the AGM on 23 March 2023, the Board appointed Raija-Leena Hankonen-Nybom as Chair of the committee and Tapio Kolunsarka, Johanna Lamminen, and Kaisa Olkkonen as members. Committee members are independent of the Company and of major shareholders. Committee members possess years of experience in business management duties.

In 2023, the committee met six times. The meeting attendance is reported in the above table. The committee handled and prepared financial reporting and treasury topics for Board approval. The representatives of the auditing firm Ernst & Young presented their work and observations to the committee in connection with the Company's annual and interim reports. Reports on risk management, internal audit as well as ethics and compliance were presented quarterly to the committee. The committee received reports on financial items requiring management judgement, tax and treasury matters, information security management, project risk management development, legal claims, internal controls, as well as the use of the non-audit services. The committee reviewed the goodwill impairment testing results and the related party transactions. The committee has assessed the Company's Corporate Sustainability Reporting Directive (CSRD) status throughout the year. The committee has handled governance and financing issues with regards to the demerger planning and the proposed standalone Kalmar, and prepared matters for Board approval during the year. An annual self-assessment discussion has been held to identify any development areas in the committee's work.

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 President and CEO and the terms of employment. The committee prepares Cargotec's long- and short-term incentive programmes and follows their outcome and effectiveness, 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. Until the AGM, the committee members were Jaakko Eskola (Chair), Ilkka Herlin, Teresa Kemppi-Vasama, and Casimir Lindholm. After the AGM, the Board appointed Jaakko Eskola as Chair and Ilkka Herlin, Teresa Kemppi-Vasama and Ritva Sotamaa as members. Committee members are independent of the Company. The President and CEO and the Senior Vice President, Human Resources, attended the committee meetings, except when they themselves were the subject of discussion.

In 2023, 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 performance and remuneration reviews, establishment and follow-up of short-term and long-term incentive programmes and their outcome, as well as talent review follow-up. The committee prepared the remuneration report for the governing bodies presented to the AGM in 2023. 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 2023. The committee has also overseen the preparation of nomination and remuneration topics with regards to Cargotec's partial demerger planning and the proposed standalone Kalmar. It has prepared the remuneration policy, Board of Directors compensation, and top management compensation principles for the proposed standalone Kalmar, and has prepared nominations of Kalmar Board members as well as Kalmar CEO.

Demerger Committee

The Demerger Committee was established in August 2023 to support the potential standalone Kalmar listing readiness preparations. The committee will oversee the preparations for listing readiness and corporate governance matters. The committee was chaired by the external consultant Pekka Ala-Pietilä from August to October 2023, and by Board Chair Jaakko Eskola from November onwards. The other committee members are Teresa Kemppi-Vasama and Tapio Kolunsarka. The committee members are independent of the Company. The committee convened twice in 2023 and the meeting attendance is presented in the above table.

President and CEO

The Board of Directors appoints Cargotec's President and CEO and determines the related terms of employment, defined in a written employment contract. The 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. Casimir Lindholm, M.Sc. (Econ.), MBA, was appointed as Cargotec's President and CEO in February 2023 and started in the office on 1 April 2023, after Mika Vehviläinen, CEO 2013–2023, had retired.

Leadership Team

Supporting the President and 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 President and CEO.

Michel van Roozendaal stepped down as President of Kalmar and as a member of Cargotec Leadership team on 16 August 2023 and the Board appointed Cargotec President and CEO Casimir Lindholm to act as interim President of Kalmar until the search for a permanent President of Kalmar has been completed. As part of this change in Kalmar leadership, Mikael Laine, SVP Strategy, acts as interim COO of Kalmar business area, in addition to his current role. On 10 November 2023, Cargotec's Board of Directors announced the appointment of Sami Niiranen, M.Sc. Mining, b. 1972, as President of Kalmar as of May 2024 at the latest. Sami Niiranen will also become a member of the Cargotec Leadership team.

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 2023 and the remuneration of the Leadership Team is described on the Company website at www.cargotec.com.

Leadership Team 31 December 2023

Casimir Lindholm
President and CEO as of 1 April 2023; Interim President of Kalmar as of 16 August 2023

B. 1971, Finnish citizen

M.Sc. (Econ.), MBA

Ownership 31 December 2023*:
2,088 B shares

Mikko Puolakka
Executive Vice President, CFO

B. 1969, Finnish citizen

M.Sc. (Econ.)

Ownership 31 December 2023*:
44,761 B shares

Scott Phillips
President, Hiab

B. 1966, American citizen

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

Ownership 31 December 2023*:
45,670 B shares

Leif Byström
President, MacGregor

B. 1962, Swedish citizen

Bachelor degrees in Business Administration and Innovation Engineering

Ownership 31 December 2023*:
1,782 B shares

Outi Aaltonen
Senior Vice President, General Counsel

B. 1965, Finnish citizen

LL.M

Ownership 31 December 2023*:
12,078 B shares

* Direct ownership and the ownership of controlled corporations.

Leadership Team 31 December 2023

Carina Geber-Teir
Senior Vice President, Communications

b. 1972, Finnish citizen

M. Sc. (Pol.)

Ownership 31 December 2023*:
3,870 B shares

Mikael Laine
Senior Vice President, Strategy;
Interim COO, Kalmar as of 16 August 2023

B. 1964, Finnish citizen

M.Sc. (Econ.)

Ownership 31 December 2023*:
26,654 B shares

Soili Mäkinen
Senior Vice President, Sustainable Business Development

B. 1960, Finnish citizen

M.Sc. (Econ.)

Ownership 31 December 2023*:
20,027 B shares

Mikko Pelkonen
Senior Vice President, Human Resources

B. 1970, Finnish citizen

B.A.

Ownership 31 December 2023*:
62,472 B shares

Leadership Team members during 2023:
Mika Vehviläinen
CEO until 31 March 2023
M.Sc. (Econ.)

Michel van Roozendaal
President, Kalmar until 16 August 2023
M.Sc. (Aerospace Eng.), MBA

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

Insider administration

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

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

a) if a person possesses inside information,

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

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

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

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

External audit

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

According to the Articles of Association, Cargotec has at least one and no more than two auditors. The auditor must be approved by the Finnish Patent and Registration Office, and the principal auditor must be an authorised public accountant. The auditors are elected annually by the AGM and their assignment expires at the end of the first AGM following the election.

The AGM that convened on 23 March 2023 re-elected the auditing firm Ernst & Young Oy as Cargotec's auditor. Heikki Ilkka from Ernst & Young Oy has been the principal auditor since 2021. Auditor's fees are compensated against an invoice. The fees paid to the auditors for different services are listed below. Other services in 2022 were mainly related to mergers and acquisitions and in 2023 to planning of the partial demerger.

Auditor's fees

MEUR	2023	2022
Audit fees	3.8	3.5
Tax advice	0.0	0.0
Other services	0.7	1.1

Internal control and risk management of the financial reporting process

Cargotec compiles its financial reporting in accordance with the International Financial Reporting Standards (IFRS), the Securities Markets Act, the Finnish Accounting Act, and the Finnish Accounting Board's guidelines and statements, while complying with the standards of the Financial Supervisory Authority (FIN-FSA) and the rules of Nasdaq Helsinki Ltd.

The internal control and risk management principles, guidelines, practices and responsibilities pertaining to the Company's financial reporting process have been designed to ensure that the financial reports disclosed by Cargotec are reliable and meet the requirements of the law, regulations, and Company principles. Instructions regarding the publication of financial information and external communications are included in Cargotec's Disclosure policy which has been updated in 2023 and approved by the Board of Directors. This is available on the Company intranet and website. Together with Group Communications, Investor Relations is responsible for ensuring the accuracy of and compliance with the policy.

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

Internal control

The objective of Cargotec's internal control is to ensure that the Company's operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the Company's Code of Conduct and Internal Controls Framework. With respect to the financial reporting process, these are supported by policies and guidelines, as well as with the internal financial reporting process and communication. Cargotec's Internal control policy, revised in 2023 and approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. Similarly to other Cargotec operations, responsibility for internal control is divided into three tiers. The line management is principally responsible for internal control. This is backed by corporate support functions, which define instructions applicable across the Company and supervise risk management. Internal and external audits form the third tier, their task being to ensure that the first two tiers function effectively.

Internal Audit

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

Risk management

Cargotec's risk management is guided by the Enterprise risk management policy, approved by the Board of Directors. It specifies the objectives and principles of risk management as well as the process and responsibilities involved. Risk management is to be naturally built into all business decisions and plans. The core principle is continuous, systematic, and preventive action taken to identify risks, define the Company's risk appetite, assess and handle risks and, if they materialise, deal with them effectively. The Board of Directors defines Cargotec's overall risk appetite and ensures that the organisation has sufficient risk management and control. The President and 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 group 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 President and CEO and the Leadership Team, and reports quarterly to the Board's Audit and Risk Management Committee on the risk reviews, identified risks, and mitigation plans. During 2023, Cargotec's risk management framework was reviewed for alignment with the new Corporate Sustainability Reporting Directive (CSRD). Climate-related risks and opportunities are identified and assessed with the help of the general corporate risk management process as well as a dedicated climate-related risk management process, created by the corporate sustainability and strategy teams. The process is described in the Board of Directors report. Financial risks are managed centrally by the Group Treasury and reported on for corporate management and the Audit and Risk Management Committee on a regular basis. The Board of Directors' report includes an estimate on the Company's main risks and uncertainties and short-term risks.

Financial reporting process

The effectiveness of internal control measures related to financial reporting is monitored by the Board of Directors, the Audit and Risk Management Committee, the President and CEO, the Leadership Team, and business area leadership teams. Various control measures, such as reconciliations, logic analyses, and comparative analyses are performed at different organisational levels. The purpose of these control measures is to detect, prevent, and correct any errors and deviations in financial follow-up. Cargotec's financial reporting is based on monthly performance monitoring in a centralised reporting system. Financial reports are first reviewed at a reporting unit level, and then at the operative management's review meetings on a division level, followed by business area level and group management level reviews. Finally, the reports are discussed at the Leadership Team's meeting. Financial information is also reported to the Board of Directors on a monthly basis. Controllers report any deviations from the plans to the management teams, analyse the reasons for such deviations, and support the management in decision-making. Monthly reviews also ensure that performance is in line with annual targets and that financial forecasts are up to date. The financial reporting and planning instructions (Cargotec accounting standards and Cargotec reporting manual) are available to all employees on Cargotec's intranet. The Company's finance function aims to harmonise the practices and procedures applied by controllers, while ensuring consistent interpretation of instructions and further improving them. Cargotec Business Services offer shared financial, HR, and indirect procurement services for Cargotec companies and target a harmonised way of working with common processes, controls, and tools. Internal controls are part of the company's daily operations and help ensure compliance with Cargotec's Code of Conduct and internal policies. Multifaceted reporting tools based on common systems have been developed to support the financial performance monitoring and comparability.

REMUNERATION REPORT 2023

Letter from the Chair of the Board

Dear shareholder,
As the chair of the Board and the Board's Nomination and Compensation Committee, I am pleased to present Cargotec's 2023 remuneration report. The report is based on 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 and approved by the Board of Directors. The shareholders will take an advisory vote on the approval of the Remuneration Report at the Company's Annual General meeting 2024.

Continuous development and change are the image of our time. The frequency and speed of changes has accelerated in the past decade and globally challenged all areas of society. In order to succeed, you must be able to react sharply alongside careful and multidimensional planning. It is no longer enough to plan diligently and execute with determination. While the goal must be clear, one must be able to respond to the unpredictable and be ready to change and change.

Cargotec is not an exception in its time. The group's 2020s have been marked by the desire and need to change, develop and grow. In 2023, the Board decided to launch an investigation into the possible separation of the company's core businesses Kalmar and Hiab into two independent companies. The aim of the change is to increase shareholder value in such a way that, with the arrangement, both business operations could independently pursue sustainable and profitable growth opportunities. In addition, a solution is being sought for MacGregor's business during 2024. If the general meeting decides to approve the planned measures, there would be three separate businesses: Kalmar, Hiab and MacGregor.

In 2023, the preparation towards the new independent future of the business operations has required strong vision, ambition, commitment and courage from the entire staff. Changes are made real by execution, and their successful implementation depends on the people who make the change happen. Without people, the change will not evolve from ideas into implementation and further into a success story.

In the midst of a significant change, Cargotec has been able to maintain and in many respects improve its ability to perform. The comparable operating profit in 2023 increased by 62 percent and amounted to EUR 513 million. The company sales increased to about EUR 4.6 billion. Kalmar's comparable operating profit in 2023 increased by 48 percent to EUR 279 million, representing 13.6 percent of sales. Hiab's comparable operating profit in 2023 increased by 14 percent, amounting to EUR 252 million or 14.1 percent of sales. MacGregor's turnaround progressed well during the year, and will continue in 2024. Determined operations during the year led to its comparable operating profit increase of more than 100 percent compared to the previous year.

The turbulence of the external operating environment and the noise generated by the winds of internal changes have not been allowed to obscure the most essential: finding the best solutions for customers and creating value for owners. Thanks to the entire group's personnel, for whom the past years have certainly been interesting as well as challenging.

Cargotec implements remuneration in accordance with the principles of the remuneration policy. Remuneration is one of the standard topics of the Nomination and Compensation Committee, and it is discussed extensively and in-depth as part of the committee's annual agenda. Transparency, consistency and fairness, combined with the requirement of effectiveness, create a framework for rewarding, which can accommodate appropriate rewarding solutions for different needs and situations. Instead of an expense item, remuneration is treated as an investment whose return is regularly evaluated and whose expected return is significant. Successful remuneration increases the value of the company.

At Cargotec, remuneration is not a value in itself, but a management tool to support the achievement of goals. Whether it's the Board of Directors, the President and CEO, the Leadership Team or any of the group's personnel groups, rewarding aims for the same end results: attracting and engaging people with key skills and vision for the future of the group, continuous communication of the strategy's focus areas and goals, and recognizing and celebrating success together.

The increase in labour and living costs, the low unemployment rate in many of Cargotec's operating countries, and the activation of the labour market after the pandemic challenge us to be active in monitoring the market movements, so that we can both attract employees and keep a skilled workforce at our service. The challenges apply to jobs at all levels, from production workers to top management. At the same time, costs must be kept reasonable in order to maintain competitiveness. Remuneration plays a central role in maintaining this balance, and it is also a key focus of the Board and its Nomination and Compensation Committee, in addition to other duties and responsibilities.

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

Our approach to remuneration

Remuneration of the Cargotec governing bodies is based on the Remuneration Policy that was presented for an advisory decision at the Annual General Meeting held on 27 May 2020. Cargotec has followed the Remuneration Policy's decision making process and remuneration governance model in 2023. Claw-backs were not made in 2023.

Remuneration at Cargotec is characterized by five key principles:

1. We align total compensation funding with our strategic and business plans
2. We reinforce a high-performing culture
3. We promote pay for performance differentiation
4. Our goal is to balance shareholder and employee needs
5. We enhance our ability to attract, retain, and motivate a diverse group of talented individuals

The variable performance-based incentives are designed to be the largest component of remuneration. They strengthen the alignment between remuneration and company performance, and demonstrate our remuneration philosophy by which remuneration should be closely tied to the strategy execution and long-term sustainable value creation.

Short-term Incentive (STI) and Long-term Incentive (LTI) performance measures are determined annually and reflect our key performance indicators. The ability to set non-financial STI performance measures further contributes to alignment between the Remuneration Policy and sustainability as well as the Company values.

Remuneration of the Board of Directors

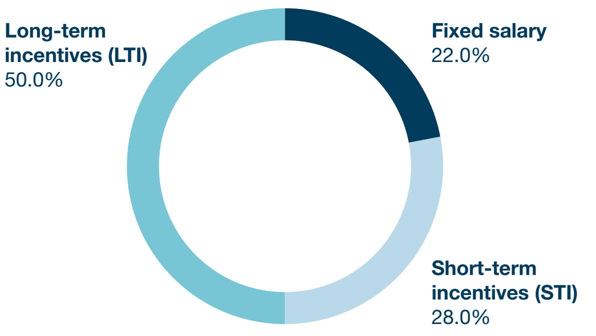
Under the regulations applicable to Cargotec, the shareholders resolve annually on Board remuneration based on a proposal made by the Nomination and Compensation Committee (NCC). The Remuneration Policy shall not restrict the shareholders' ability to resolve on Board remuneration. In determining such remuneration, the committee takes account of the Board members' responsibilities and obligations towards the company. Furthermore, the NCC compares the Board's remuneration to other companies of the same size operating in a comparable business environment.

Given the nature of the Board duties and responsibilities, the remuneration is not linked to the Company performance and, therefore includes fixed remuneration only which can be paid in cash or shares.

Remuneration of the CEO

The remuneration of the CEO and Deputy CEO (if appointed) may consist of fixed salary, pension, and other benefits and programmes, and of variable pay components. The variable pay includes both short- and long-term incentives.

CEO'S RELATIVE PROPORTION OF PAY COMPONENTS (AT MAXIMUM)



Purpose of remuneration elements and link to strategy

Remuneration element	Purpose and link to strategy
Fixed salary	To attract and retain individuals with the required skills and experience to lead our business
Short-term incentives	To reward and incentivise achievement of our financial, strategic, operational and sustainability targets aligned with our business strategy
Long-term incentives	To commit to the long-term interest of the company and offer a competitive, ownership-based reward scheme.
Pension	To provide a competitive retirement in line with local market practice
Other benefits and programmes	To provide competitive level of benefits and support recruitment and retention

Remuneration of the Board of Directors

Shareholders resolved on the Board Remuneration in the Annual General Meeting of 2023 as follows:

- Chair EUR 95 000
- Vice Chair EUR 70 000
- Chair of the Audit and Risk Management Committee EUR 70 000
- Other Board members EUR 55 000

Regarding the yearly remuneration, it was decided that 30 percent will be paid in Cargotec's class B shares and the rest in cash on a quarterly basis, and that Cargotec will cover the transfer taxes related to the Board remuneration paid in shares.

In addition, it was decided that EUR 1 000 will be paid for attendance at board and committee meetings.

Travel expenses of the members of the Board of Directors are reimbursed in accordance with the company's travel policy.

The level of Board remuneration did not change from 2022. Paying the yearly remuneration partially in Cargotec B-class shares was a change from year 2022, in which the yearly remuneration was decided to be paid fully in cash.

The following table shows the remuneration paid to the members of the Board during 2023.

Remuneration of the Board of Directors in 2023

Director	Committee memberships	Annual fee[1], EUR	Board meeting fees, EUR	Committee meeting fees, EUR	Total, EUR
Jaakko Eskola Chair	Nomination and Compensation Committee, Chair Demerger Committee, Chair from 9 Nov 2023	95,341	14,000	9,000	**118,341**
Ilkka Herlin Vice Chair	Audit and Risk Management Committee, Member until 23 Mar 2023 Nomination and Compensation Committee, Member	70,491	14,000	8,000	**92,491**
Raija-Leena Hankonen-Nybom Member from 23 Mar 2023	Audit and Risk Management Committee, Chair from 23 Mar 2023	52,751	11,000	5,000	**68,751**
Tapio Kolunsarka Member from 23 Mar 2023	Audit and Risk Management Committee, Member from 23 Mar 2023 Demerger Committee, Member from 16 Aug 2023	41,447	11,000	7,000	**59,447**
Johanna Lamminen Member	Audit and Risk Management Committee, Member from 23 Mar 2023	55,197	14,000	5,000	**74,197**
Kaisa Olkkonen Member	Audit and Risk Management Committee, Member	55,197	14,000	6,000	**75,197**
Teresa Kemppi-Vasama Member	Nomination and Compensation Committee, Member Demerger Committee, Member from 16 Aug 2023	55,197	14,000	10,000	**79,197**
Ritva Sotamaa Member from 23 Mar 2023	Nomination and Compensation Committee, Member from 23 Mar 2023	41,447	11,000	6,000	**58,447**
Teuvo Salminen Member until 23 Mar 2023	Audit and Risk Management Committee, Member until 23 Mar 2023	17,500	3,000	1,000	**21,500**
Heikki Soljama Member until 23 Mar 2023		13,750	3,000	-	**16,750**
Casimir Lindholm Member until 23 Mar 2023	Nomination and Compensation Committee, Member until 23 Mar 2023	13,750	2,000	2,000	**17,750**
Total		**512,070**	**111,000**	**59,000**	**682,070**

[1] Annual fee includes yearly remuneration paid in shares and cash during 2023, fringe benefits, and transfer tax paid in relation to the proportion of remuneration paid in shares.

Remuneration of the CEO

During year 2023, Cargotec saw a change of CEO:

- Mika Vehviläinen acted as the CEO between 1 January and 31 March 2023
- Casimir Lindholm was appointed as the President and CEO from 1 April 2023.

For remuneration of both CEOs, Cargotec Remuneration Policy has in principle been applied during 2023. For Mika Vehviläinen, the paid long-term incentives differ from the basic structure of the long-term incentives due to a payout from a restricted share unit programme. The restricted share unit programme was established by the Board of Directors on 13 May 2022. The payout has been conditional on the achievement of strategic goals set by the Board of Directors.

Mika Vehviläinen

In 2023, Mika Vehviläinen acted as the CEO of Cargotec from 1 January until 31 March 2023.

The fixed monthly salary was EUR 57,750, including fringe benefits. For the period of acting as the CEO, the total fixed salary paid was EUR 182,391, including fringe benefits and holiday pay.

In April 2023, Mika Vehviläinen was paid a short-term incentive of EUR 447,911 / 48% of maximum. The incentive was based on 2022 performance.

In addition, Mika Vehviläinen received the following pay-outs from the share-based long-term incentive plans:

- EUR 1,708,764 from the Performance Share Programme 2020–2022
- EUR 1,333,127 from the Restricted Share Unit Programme 2022–2024.

Total remuneration paid to Mika Vehviläinen in 2023 in relation to him acting as the CEO was EUR 3,672,193.

In 2023, Mika Vehviläinen participated in the following variable pay programmes:

- 2023 Annual Bonus Programme (STI): Achievement for the CEO period EUR 235,736 / 100% of the maximum. Programme purpose is to reward and incentivise achievement of financial and strategic targets aligned with Cargotec's business strategy.
- 2021–2023 Performance Share Programme: Achievement for the CEO period 1,059 Cargotec class B shares (net) / 55 % of the maximum for the measuring period 2023.
- 2022–2024 Performance Share Programme: Achievement for the CEO period 1,378 Cargotec class B shares (net) / 67,5% of the maximum for the measuring period 2023.
- 2022–2024 Restricted Share Unit Programme: 2nd installment: achievement for the CEO period 6,910 Cargotec class B shares (net) / 100% of the maximum.

Casimir Lindholm

Casimir Lindholm has acted as the President and CEO of Cargotec from 1 April 2023.

The fixed monthly salary was EUR 57,750, including fringe benefits. For the period of acting as the President and CEO, the total fixed salary paid was EUR 519,930, including fringe benefits and holiday pay.

Casimir Lindholm was not paid any short- nor long-term incentives during 2023.

In 2023, Casimir Lindholm participated in the following variable pay programmes:

- 2023 Annual Bonus Programme (STI): Achievement for the CEO period EUR 674 914 / 97,50% of maximum. Programme purpose is to reward and incentivise achievement of financial and strategic targets aligned with Cargotec's business strategy.
- 2023–2025 Performance Share Programme: Achievement for the CEO period 6,400 Cargotec class B shares (net) / 100% of the maximum for the measuring period 2023.
- Additionally, Casimir Lindholm participated in the 2023–2025 Restricted Share Unit Programme. The earning period of the programme was ongoing during 2023, and earnings from the programme are not yet confirmed.

Remuneration of the CEO

Application of Performance Criteria in 2023

In 2023, the CEOs Mika Vehviläinen[MV] and Casimir Lindholm[CL] participated in the following short- (STI) and long-term (LTI) performance based incentive programmes:

Programme	Purpose	Performance period	Earning opportunity	Performance measures	Achievement
STI: 2023 Annual Bonus Programme[MV and CL]	To reward and incentivise achievement of financial, strategic, operational and sustainability targets aligned with Cargotec's business strategy	2023	Maximum 130% of annual base salary[MV and CL]	Financial targets, 80%[CL]/100%[MV] weight: - 2023 Comparable Operating Profit (MEUR) - 2023 Operative Cash Flow (MEUR) Strategic individual targets, 20% weight	Mika Vehviläinen: EUR 235,736 / 100% of maximum for period of 1 Jan–31 Mar 2023 Casimir Lindholm: EUR 674,914 / 97.5% of maximum for period 1 Apr–31 Dec 2023
LTI: Performance Share Programme, performance period 2021–2023[MV]	To commit to the long-term interest of the Company and offer a competitive, ownership-based reward scheme	Measuring period 2023, performance period 2021–2023	Maximum 23,100 class B shares for the entire performance period[MV]	2023 eco portfolio order intake	Mika Vehviläinen: 1,059 class B shares / 55% of maximum for the period 1 Jan–31 Mar 2023. Incentive payment by April 2024.
LTI: Performance Share Programme, performance period 2022-2024[MV]	To commit to the long-term interest of the Company and offer a competitive, ownership-based reward scheme	Measuring period 2023, performance period 2022–2024	Maximum 24,500 class B shares for the entire performance period[MV]	2023 service gross profit (MEUR)	Mika Vehviläinen: 1,378 class B shares / 67.5% of maximum for the period 1 Jan–31 Mar 2023. Incentive payment by April 2025, after the measuring period 2024.
LTI: 2023–2025 Performance Share Programme[CL]	To commit to the long-term interest of the Company and offer a competitive, ownership-based reward scheme	Measuring period 2023, performance period 2023–2025	Maximum 19,200 class B shares for the entire performance period[CL]	2023 earnings per share (EPS)	Casimir Lindholm: 6,400 class B shares / 100% of maximum for the measuring period 1 Apr–31 Dec 2023. Incentive payment by April 2026, after the measuring periods 2024 and 2025.

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

2020–2024 Performance Share Programme

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

2023–2025 Performance Share Programme

The Performance Share Programme includes one performance period, calendar years 2023-2025. The 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.

2022-2024 Restricted Share Unit Programme

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

2023-2025 Restricted Share Unit Programme

The reward from the Restricted Share Unit Programme 2023–2025 is conditional on the achievement of strategic goals set by the Board of Directors. The reward is paid at the beginning of year 2025. The shares received as a reward from the programme may not be sold, transferred, pledged or otherwise assigned during a lock-up period of six months following the share delivery. In addition, a cash proportion is included in the reward to cover taxes and tax-related costs arising from the reward.

Summary of granted, earned and paid share-based incentives to the CEO in connection to the reporting period

Programme	Performance period	Grant date	Payment date	Vesting date	Performance criteria	Awarded shares (net) pcs maximum	Achieved reward as % of maximum	Net shares earned (pcs)
2020–2024 Performance Share Programme	2020–2022	8 Apr 2020	31 Mar 2023	31 Mar 2023	-	24,400[MV]	77%	18,810[MV]
	2021–2023	13 Apr 2021	By April 2024	April 2024	2023 eco portfolio order intake	23,100[MV]	Measurement period 2023: 55% Programme in total: 48.5%	Measurement period 2023: 1,059 during the CEO period Programme in total: 11,204[MV]
	2022–2024	13 May 2022	By April 2025	April 2025	2023 service gross profit (MEUR); 2024 to be decided by the Board	24,500[MV]	Measurement period 2023: 67.5%	Measurement period 2023: 1,378 during the CEO period
2023–2025 Performance Share Programme	2023–2025	5 Jun 2023	By April 2026	April 2026	2023 earnings per share (EPS); 2024 and 2025 to be decided by the Board	19,200[CL]	Measurement period 2023: 200%	Measurement period 2023: 6,400[CL]
2022–2024 Restricted Share Unit Programme	2022–2024	13 May 2022	1st instalment: 31 May 2023 2nd instalment: by April 2024	1st instalment: 31 Dec 2023 2nd instalment: April 2024	Strategic goals set by the Board	29,350[MV]	1st instalment: 100% 2nd instalment: 100%	1st instalment: 14,675[MV] 2nd instalment: 6,910 during the CEO period
2023–2025 Restricted Share Unit Programme	2023–2025	3 May 2023	By February 2025	July 2025	Strategic goals set by the Board	60,000[CL]		

Initials of the CEOs Mika Vehviläinen (MV) and Casimir Lindholm (CL) have been used in the table above to indicate the share-based incentives applicable to each. 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 paid to the CEOs in 2023

	Fixed salary	Supplemental pension payments	Paid short-term incentives	Paid long-term incentives	Total paid remuneration in 2023
Mika Vehviläinen 1 Jan–31 Mar 2023	182,391	-	447,911	3,041,891	3,672,193
Casimir Lindholm 1 Apr–31 Dec 2023	519,930	-	-	-	519,930
Total	**702,321**	-	**447,911**	**3,041,891**	**4,192,123**

Paid short-term incentives

Programme	Performance period	Earning opportunity as a % of base salary target / max	Performance measures	Achieved reward as % of maximum	Achieved reward in EUR
2022 Annual Bonus Programme	2022	65% / 130%	2022 comparable operating profit 2022 operative cash flow 2022 strategic individual targets	48%	447,911

Paid long-term incentives

Programme	Performance Period	Reward class B shares / gross reward in EUR
2020–2024 Performance Share Programme	2020–2022	18,810 net shares / 1,708,764 EUR
2022–2024 Restricted Share Unit Programme	2022	14,675 net shares / 1,333,127 EUR

Pension

The CEO Mika Vehviläinen's pension is provided according to the statutory Finnish Employees Pensions Act. Additionally, Mika Vehviläinen is entitled to a supplemental defined contribution pension benefit in Finland. According to the renewed pension agreement, the CEO is entitled to retire at the age of 65. If the CEO's service ends before the retirement age of 65 determined in the pension agreement, the CEO is entitled to begin taking the supplemental pension at the age of 62. The CEO's supplemental pension contribution paid in 2023 was EUR 0.

The CEO Casimir Lindholm's pension is provided according to the statutory Finnish Employees Pensions Act. He does not have a supplemental pension arrangement.

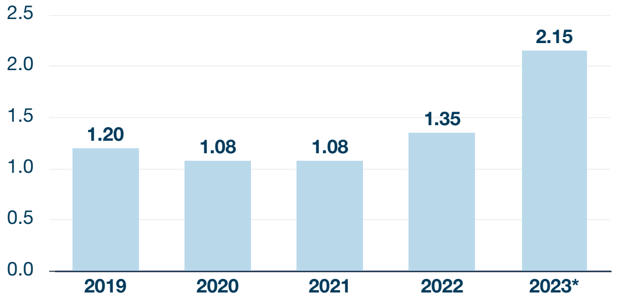
Development of Financial Performance and Remuneration

5-year Development of Financial Performance

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

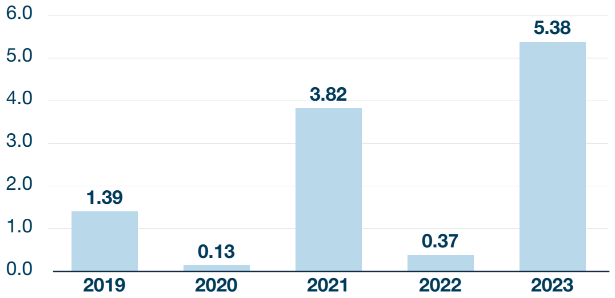
SHARE PRICE 2019–2023

DIVIDEND PER CLASS B SHARE

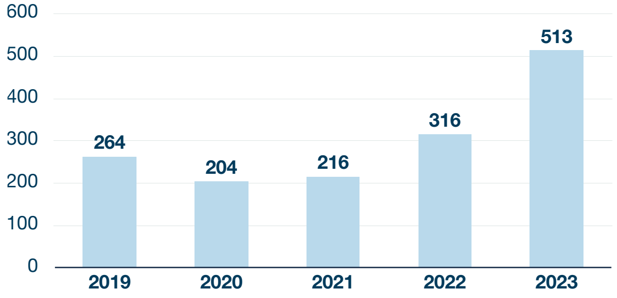


* Boards proposal for dividend

BASIC EARNINGS PER SHARE (EPS)

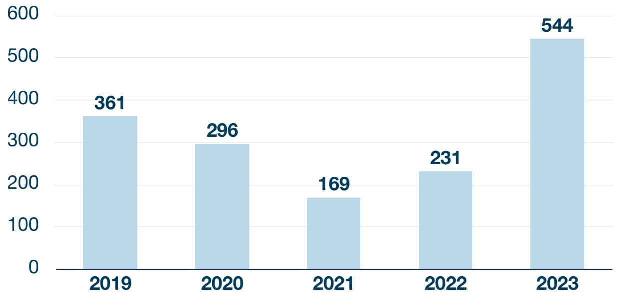


COMPARABLE OPERATING PROFIT*

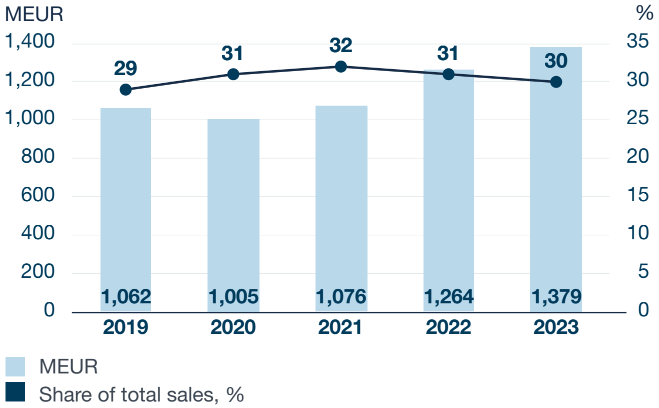


* Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2023. The restated comparable operating profit will also include the impacts of the purchase price allocation, which amounted to EUR 16 million in 2022, EUR 16 million in 2021 and EUR 23 million in 2020. Year 2019 is comparable.

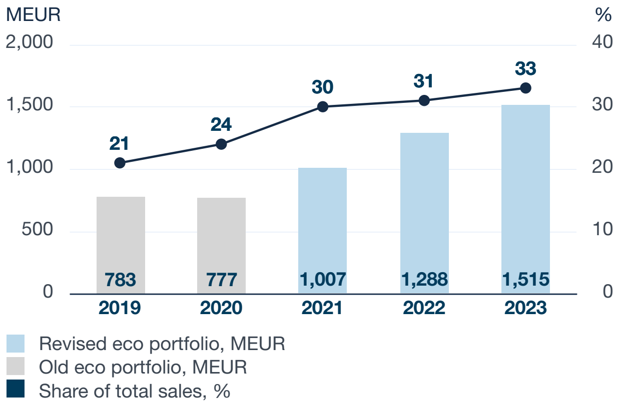
CASH FLOW FROM OPERATIONS BEFORE FINANCE ITEMS AND TAXES



SERVICE SALES



ECO PORTFOLIO SALES



CEO paid compensation development

	2019	2020	2021	2022	2023
Fixed salary[1]	699,659	650,958	704,795	727,661	702,321[2]
Short-term incentives (STI)[3]	124,344	580,942	764,452	179,608	447,911[4]
Long-term incentives (LTI)	715,784[5]	106,506[6]	163,962[7]	0	3,041,891
Matching shares	-	299,289[9]	820,406[10]	613,804[11]	-
Supplemental pension	0	0	0	700,000	-
Total remuneration	1,539,787	1,637,694	2,453,614	2,221,073	4,192,123

Development of base salary	0%	0%	0%	+5%	0%
Development of total remuneration	-54.2%	+6.4%	+49.8%	-9.5%	+88.7%

1 Annual fixed salary includes base salary, holiday pay and fringe benefits. Monthly base salary of CEO Mika Vehviläinen EUR 55,000 during the period 1 Jan 2019–31 Mar 2022 and EUR 57,750 during the period of 1 Apr 2022–31 Mar 2023. Monthly base salary of the CEO Casimir Lindholm EUR 57,750 during the period of 1 Apr–31 Dec 2023.

2 Annual fixed salary of 2023 consists of combined fixed salary of Mika Vehviläinen and Casimir Lindholm. The amount includes the fixed salary paid to Mika Vehviläinen during 1 Jan–31 Mar 2023 and to Casimir Lindholm during 1 Apr–31 Dec 2023.

3 Short-term incentive payments are based on performance of the previous year.

4 Short-term incentive paid in 2023 is that paid to Mika Vehviläinen based on the performance of 2022.

5 Vehviläinen Mika: Performance Share Programme, performance period 2016–2018 and performance period 2017–2018 (2019 ownership and value creation period).

6 Vehviläinen Mika: Performance Share Programme, performance period 2018–2019 (2020 ownership and value creation period)

7 Vehviläinen Mika: Performance Share Programme, performance period 2019–2020 (2021 ownership and value creation period)

8 Vehviläinen Mika: Performance Share Programme, performance period 2020–2022 and Restricted Share Unit Programme 2022–2024, 1st instalment.

9 Vehviläinen Mika: Matching Share Programme, 1st instalment in 2020.

10 Vehviläinen Mika: Matching Share Programme, 2nd instalment in 2021.

11 Vehviläinen Mika: Matching Share Programme, 3rd instalment in 2022.

Development of the Board annual fees

	2019	2020	2021	2022	2023
Chair	85,000 (0%)	85,000, (0%)	85,000 (0%)	95,000 (+11.8%)	95,000 (0%)
Vice Chair	60,000 (0%)	60,000, (0%)	60,000 (0%)	70,000 (+16.7%)	70,000 (0%)
Chair of Audit and Risk Management Committee	60,000 (0%)	60,000 (0%)	60,000 (0%)	70,000 (+16.7%)	70,000 (0%)
Other Board Members	45,000, (0%)	45,000 (0%)	45,000 (0%)	55,000 (+22.2%)	55,000 (0%)

Development of employee base salary (median)

	2019	2020	2021	2022	2023
Median year-on-year development	+2.9%	+0.0%	+3.3%	+4.0%	+5.0%

Annual compensation ratio

2023 CEO's annual base salary to median annual base salary for all employees (excluding CEO): 18.2 (18.2 in 2022)

FINANCIAL REVIEW

CONTENTS

Cargotec's Financial review 2023 consists of three sections.

BOARD OF DIRECTORS' REPORT

FINANCIAL STATEMENTS

BOARD OF DIRECTORS' REPORT

Vision and strategy

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

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

Planned separation of Kalmar and Hiab

On 27 April 2023, Cargotec announced that its Board of Directors had decided to investigate and initiate a process to potentially separate Cargotec's core businesses Kalmar and Hiab into two standalone companies. Cargotec's intention would be to separate Kalmar as a new listed company by means of a partial demerger from Cargotec. If carried out, the potential execution and separate listing of Kalmar on Nasdaq Helsinki, Finland, would take place in 2024.

The planned partial demerger would be a logical next step in Cargotec's previously announced aim to increase the independence of its businesses. Based on its initial assessment, Cargotec's Board of Directors estimated that the separation of Kalmar and Hiab could unlock shareholder value by allowing both businesses to pursue sustainable profitable growth opportunities independently.

To support the listing readiness preparations, the Board decided in August to establish a Demerger Committee to oversee the preparations for listing readiness and corporate governance matters for the potential standalone Kalmar. The Demerger Committee consists of Jaakko Eskola, Teresa Kemppi-Vasama and Tapio Kolunsarka. The Demerger Committee members also remain as members of Cargotec's Board of Directors.

In November, Cargotec's Board of Directors appointed Sami Niiranen as the President of Kalmar as of May 2024 at the latest. Sami Niiranen will also become a member of the Cargotec Leadership team and, if the demerger is pursued, he shall also be proposed as the President and CEO of the proposed standalone Kalmar. One of Kalmar's key positions was filled already earlier during the year when Sakari Ahdekivi was appointed Kalmar's Chief Financial Officer.

In 2023, Cargotec implemented a large organisational change, moving the majority of group employees to the business areas. In parallel with the planned demerger, Cargotec's focus remains to continue to look for a solution for MacGregor during 2024.

If the planned actions are completed, there would be three separate businesses, Kalmar, Hiab and MacGregor in 2025.

Operating environment 2023

The business environment in which Cargotec operates is complex, stemming from high interest rates and inflation, possible interruptions in supply chains, growing geopolitical tensions, and sluggish growth estimates. However, many of our customers and partners are performing well.

According to the World Bank's Global Economic Prospects report published in January 2024, the global economy grew by 2.6 percent in 2023, and is projected to slow to 2.4 percent in 2024. In the World Bank's advanced economies group (a group of countries which includes several key Cargotec markets, such as the United States, the United Kingdom and Germany), the World Bank estimates a 1.5 percent growth in 2023 and projects a 1.2 percent growth in 2024. According to the report, the slowing down of global growth reflects the effects of tight monetary policy, restrictive financial conditions, and feeble global trade and investment. A possible escalation of the recent conflict in the Middle East and associated commodity market disruptions, financial stress amid elevated debt and high borrowing costs, persistent inflation, and climate-related disasters add to the uncertainty.[1]

The demand for MacGregor's cargo and load handling solutions is impacted by the level of merchant ship contracting, which by the end of 2023 amounted to 1,632[2] (2022: 1,286[3]). In the offshore sector, the number of new contracts was 122[2] (137[3]). In 2024, the number of new merchant vessel orders is projected to be 1,577, and in the offshore sector 204[4].

[1] World Bank: Global Economic Prospects report, January 2024
[2] Clarksons Research, January 2024
[3] Clarksons Research, January 2023, excluding late registrations
[4] Clarksons Research, September 2023

Financial information

Orders received and order book

Orders received decreased in 2023 by 18 percent from the comparison period and totalled EUR 3,987 (4,862) million. Orders received decreased in all business areas. Service orders received increased by 3 percent and totalled EUR 1,331 (1,286) million.

The order book decreased by 21 percent from the end of 2022, and at the end of the year 2023 it totalled EUR 2,812 (31 Dec 2022: 3,541) million. Kalmar's order book totalled EUR 1,024 (1,428) million, representing 37 (40) percent, Hiab's EUR 799 (1,185) million or 28 (34) and MacGregor's EUR 988 (927) million or 35 (26) percent of the consolidated order book.

In 2023, the share of orders received was 45 (42) percent in EMEA and 33 (35) in the Americas. Asia-Pacific's share of orders received was 22 (23) percent.

Sales

Sales in 2023 increased from the comparison period by 12 percent and amounted to a record-high EUR 4,569 (4,089) million. Sales increased in all business areas. Service sales increased by 9 percent from the comparison period and totalled EUR 1,379 (1,264) million, representing 30 (31) percent of consolidated sales.

Eco portfolio sales in 2023 increased by 18 percent and totalled EUR 1,515 (1,288) million, representing 33 (31) percent of consolidated sales. Eco portfolio sales increased in both climate change mitigation and transition to circular economy categories and in all business areas.

In 2023, EMEA's share of consolidated sales was 45 (47) percent, Americas' 38 (36) percent and Asia-Pacific's 17 (17) percent.

Financial result

Operating profit in 2023 totalled EUR 484 (106) million. The operating profit includes items affecting comparability worth EUR -30 (-210) million. EUR -15 (-47) million of the items were related to Kalmar, EUR 0 (-4) million to Hiab, EUR -1 (-143) million to MacGregor and EUR -14 (-17) million to corporate administration and support functions. Of the items affecting comparability, EUR -28 (0) million were related to planning of the potential separation of Kalmar and Hiab.

More information regarding items affecting comparability is available in Note 2.4, Restructuring costs and other items affecting comparability.

Comparable operating profit in 2023 increased by 62 percent and totalled a record-high EUR 513 (316) million, representing 11.2 (7.7) percent of sales. The comparable operating profit increase was driven by higher sales, successful management of inflationary pressures and costs as well as good progress in the MacGregor turnaround.

In 2023, net interest expenses for interest-bearing debt and assets totalled EUR 14 (14) million. Net finance expenses totalled EUR 31 (27) million. The increase in group financing expenses was driven by interest rate differences related to hedging. Profit in 2023 totalled EUR 349 (23) million, and basic earnings per share was EUR 5.38 (0.37).

Reporting segments

Kalmar

Kalmar's orders received in 2023 decreased by 18 percent and totalled EUR 1,705 (2,081) million. Kalmar's order book decreased by 28 percent from the end of 2022, totalling EUR 1,024 (31 Dec 2022:1,428) million at the end of the year 2023.

Kalmar's 2023 sales increased by 5 percent from the comparison period and totalled EUR 2,050 (1,943) million. Service sales increased by 4 percent and totalled EUR 574 (551) million, representing 28 (28) percent of sales.

Kalmar's operating profit in 2023 totalled EUR 264 (142) million. The operating profit includes EUR -15 (-47) million in items affecting comparability, which were mainly related to the planning of the potential separation of Kalmar and Hiab. The comparable operating profit in 2023 increased by 48 percent and amounted to EUR 279 (189) million, representing 13.6 (9.7) percent of sales. The comparable operating profit increased due to higher sales, successful management of inflationary pressures and component availability, as well as smaller losses related to heavy cranes business, which will be discontinued.

In 2023, Kalmar sales excluding the heavy cranes business would have been EUR 2,009 (1,868) million, operating profit EUR 272 (198) million, and comparable operating profit EUR 286 (210) million. At the end of 2023, the order book of Kalmar heavy cranes was EUR 3 million.

Hiab

Hiab's orders received in 2023 decreased by 19 percent and totalled EUR 1,466 (1,807) million. Hiab's order book decreased by 33 percent from the end of 2022, totalling EUR 799 (31 Dec 2022: 1,185) million at the end of the year 2023.

Hiab's 2023 sales increased by 13 percent and totalled EUR 1,787 (1,578) million. Service sales increased by 10 percent and amounted to EUR 452 (411) million, representing 25 (26) percent of sales.

Hiab's operating profit in 2023 totalled EUR 252 (217) million. The operating profit includes EUR 0 (-4) million in items affecting comparability. The comparable operating profit in

2023 increased by 14 percent and amounted to EUR 252 (221) million, representing 14.1 (14.0) percent of sales. Hiab's comparable operating profit increased due to higher sales and effective management of inflationary pressures.

MacGregor

MacGregor's orders received in 2023 decreased by 16 percent and totalled EUR 816 (976) million. MacGregor's order book increased by 7 percent from the end of 2022, totalling EUR 988 (31 Dec 2022: 927) million at the end of the year 2023. Of the order book, around 90 percent relate to merchant ships and 10 percent to the offshore sector.

MacGregor's 2023 sales increased by 29 percent and amounted to EUR 733 (569) million. Service sales increased by 17 percent and totalled EUR 354 (301) million, representing 48 (53) percent of sales.

MacGregor's operating profit in 2023 totalled EUR 32 (-190) million. Operating profit includes EUR -1 (-143) million in items affecting comparability related to the ongoing restructuring programme and to the provision release. The comparable operating profit in 2023 increased by > 100 percent and totalled EUR 33 (-47) million, representing 4.5 (-8.3) percent of sales. Comparable operating profit increased due to higher sales in service and merchant businesses, smaller losses related to offshore business, and cost savings.

As announced on 14 November 2022, MacGregor will not be part of Cargotec's portfolio in the future. Cargotec will continue to focus on a turnaround of the business and to look for a solution for MacGregor in 2024.

MacGregor still has challenges with offshore wind related projects containing new technologies and the offshore wind business is loss making. MacGregor's business in the merchant ship segment and service business has been profitable. Excluding the offshore wind business, MacGregor's comparable operating profit margin in 2023 would have been around 10 percent.

To strengthen competitiveness and achieve profitable growth, MacGregor combined former Merchant and Offshore divisions to establish a new Equipment and Solutions division as of 1 January 2024.

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 4,376 (31 Dec 2022: 4,189) million at the end of the year 2023. Equity attributable to the equity holders of the parent was EUR 1,752 (1,528) million, representing EUR 27.25 (23.69) per share. Property, plant and equipment on the balance sheet amounted to EUR 445 (420) million and intangible assets to EUR 996 (1,017) million.

Return on equity (ROE, last 12 months) was 21.2 (31 Dec 2022: 1.5) percent at the end of the year 2023 and return on capital employed (ROCE, last 12 months) was 19.9 (4.6) percent. The improvement in ROCE was driven by higher profitability in all three business areas.

Cash flow from operating activities before financial items and taxes totalled EUR 544 (231) million during 2023. The increase in cash flow was driven by good profitability.

Cargotec's liquidity position is strong. The liquidity reserves, consisting of cash and cash equivalents and undrawn EUR 430 million long-term committed revolving credit facilities, totalled EUR 1,115 million on 31 December 2023 (31 Dec 2022: 782). In addition to the liquidity reserves, Cargotec had access to a EUR 150 million commercial paper programme, out of which EUR 150 (150) million were undrawn, as well as undrawn bank overdraft facilities, totalling EUR 94 (95) million.

The company's liquidity requirement – repayments of interest-bearing liabilities due within the following 12 months – totalled EUR 159 (87) million, which includes EUR 43 (37) million lease liabilities.

At the end of 2023, the interest-bearing debt amounted to EUR 867 (31 Dec 2022: 838) million, of which EUR 178 (165) million was in lease liabilities. Of the interest-bearing debt, EUR 159 (87) million was current and EUR 708 (751) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 3.3 (2.1) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 688 (459) million. Interest-bearing net debt totalled EUR 179 (378) million.

At the end of 2023, Cargotec's equity to assets ratio was 43.8 (31 Dec 2022: 39.2) percent. Gearing was 10.2 (24.8) percent.

Impacts of currencies and structural changes

In the year 2023, orders received decreased organically in constant currencies by 16 percent. Changes in exchange rates had a 2 percentage point negative effect on Cargotec's orders received. Structural changes had a 0 percentage point impact on Cargotec's orders received. In constant currencies, sales increased organically by 14 percent. Changes in exchange rates had a 3 percentage point negative effect on Cargotec's sales. Structural changes had a 0 percentage point effect on Cargotec's sales.

Research and development

Research and product development expenditure in 2023 totalled EUR 98 (100) million, representing 2.1 (2.4) percent of sales. Research and development investments were focused on solutions supporting climate targets such as digitalisation, electrification, and robotisation as well as projects that aim to improve the competitiveness and cost efficiency of products. During 2023, research and development efforts focused for example on the following:

Kalmar

In 2023, Kalmar further developed its electric offering. With electrification, Kalmar's customers can achieve significant lifetime cost and greenhouse gas emission reductions, and the development of electric equipment also offers Kalmar a significant business opportunity.

Kalmar's eco portfolio offering continued to strengthen during the year with several new sustainable solutions being launched. Kalmar introduced the Electric Straddle Carrier Charge Family which comprises battery technologies, charging solutions, and software to support operators of both manual and automated terminals with their transition towards decarbonised operations.

In 2023, Kalmar delivered its first electric reachstacker and heavy electric forklift, introduced at the end of 2021, to customers in Europe, and started the manufacturing of electric reachstackers at the Shanghai Plant, expanding the market reach to Asia. Furthermore, Kalmar completed a RoboTractor pilot project with a customer in Norway. Kalmar RoboTractor is part of the Robotic Portfolio, a future range of intelligent and autonomous mobile equipment solutions.

Kalmar also continued to develop its existing solutions. For example, Kalmar customers now have the option of having their electric reachstacker constructed partly with SSAB Zero™ steel, which is made from recycled steel and produced using fossil-free electricity and biogas, or have a collision warning system in the manually operated straddle carrier that provides the driver with both visible and audible warnings when there is a risk of collision.

Hiab

In pursuit of Hiab's vision to be the number-one partner in smart and sustainable load handling solutions, several new innovations were launched in 2023.

HiPerform™ is Hiab's suite of smart solutions and the result of investments and development in the digitalisation of Hiab's service offering. In 2023, HiPerform was complemented with the HiSkill™ training simulator. Powered by virtual reality, it enables crane operators to improve their skills without using an actual crane.

Most of Hiab's emissions in the production phase come from the use of steel — and a typical Hiab product consists of 70 percent steel. One way to address the issue is by reducing the amount of steel used. This also reduces the weight of new products, like the new EFFER loader cranes, which offer the performance of cranes one category larger. Hiab is also pioneering the use of recycled steel, made with an electric furnace which is powered by renewable electricity, in the MULTILIFT Ultima ZERO hooklifts.

Reducing emissions in the use phase is another priority for new product development, like Hiab's Solar Charger solution. The solution, which was launched for ZEPRO and DEL tail lifts in 2023, consists of solar panels on the roof of the equipment, generating and storing power. As the only manufacturer in the world, Hiab also has a complete electric range of truck mounted forklifts in the MOFFETT eSeries. Compared to conventional forklifts, they provide the same performance but are low-emission and much quieter.

MacGregor

MacGregor has continued to offer a wide portfolio of electric driven products such as cranes, RoRo equipment, walk-to-work gangways, hatch covers, and deck machinery. During 2023, for instance, the first all-electric Horizon walk-to-work gangways were taken into operation.

For the EU-funded MOSES and AEGIS projects, MacGregor has developed an autonomous container loading and discharging solution that comprises an automated onboard crane operating system and a new container supply chain software platform – the Voyage and Container Optimisation Platform. With the MOSES and AEGIS projects drawing to a close, MacGregor's solution was successfully tested at a facility in Örnsköldsvik, Sweden, in 2023.

MacGregor was awarded the Greensand concept study by INEOS Energy. Together with CAN Systems, MacGregor will prepare a concept study that provides a basis for choosing a solution for direct injection of liquid CO_2 in this Carbon Capture and Storage project.

MacGregor also introduced new products to its innovative and extensive portfolio. The new introductions included the fully automatic twistlock ACV-1 "Hippo" and the self-unloader vibration feeder, "GravityVibeTM".

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 94 (81) million in 2023. Investments in customer financing were EUR 43 (32) million. Depreciation, amortisation and impairment amounted to EUR 115 (204) million. The amount includes impairments worth EUR 1 (88) million.

Acquisitions and divestments

On 24 August 2023, Kalmar announced that it had signed an agreement to acquire the product rights of the electric terminal tractor product line from Lonestar Specialty Vehicles (LSV) in the United States. As part of the transaction, LSV will transfer the immaterial assets to Kalmar and act as Kalmar's contract manufacturing partner for the acquired electric terminal tractor product range. Completed on 1 September 2023, the transaction did not have any significant impact on Kalmar's sales in 2023.

Cargotec is actively developing and maintaining an M&A pipeline with a primary focus on Hiab. The aim of potential M&A would be to strengthen Cargotec's portfolio and to complement the offering, enter new developing markets and seek growth in adjacent segments.

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

Operational restructurings

Restructuring costs amounted to EUR 15 (91) million in 2023. The restructuring costs in 2023 were mainly related to the restructuring programme in MacGregor, where approximately 350 roles will be reduced, targeting EUR 23 million annual cost savings compared to 2022. Out of the total savings, EUR 14 million was realised in 2023. With the restructuring and strengthened project management, Cargotec is aiming to turn around MacGregor's offshore business.

In October 2023, Cargotec initiated cost saving actions in the Cargotec group, Kalmar and Hiab, with the objective to achieve EUR 50 million annual fixed cost savings in 2024. The aim of the cost saving actions was to proactively adjust to an increasingly complex and challenging market environment.

Out of the planned total savings of EUR 50 million, EUR 10 million is planned to be achieved in the group, EUR 20 million in Kalmar and EUR 20 million in Hiab. Half of the cost savings would come from a reduction of approximately 300 roles globally. The one-off costs of the actions are approximately EUR 20 million. Costs are booked above comparable operating profit. In 2023, Cargotec booked EUR 15 million costs related to the actions.

At the end of the year, items affecting comparability related to planning of the planned separation of Kalmar and Hiab amounted to EUR -28 (0) million. For the year 2024, Cargotec estimates to book approximately EUR -60 million for items affecting comparability related to the planned separation of Kalmar and Hiab. The estimate may be subject to change. As part of the planned separation of Kalmar and Hiab, Cargotec is planning to increase Hiab's administrative presence in Finland. This is not estimated to have a significant impact on Cargotec's comparable operating profit.

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

Personnel

Cargotec employed 11,391 (31 Dec 2022: 11,526) people at the end of the year 2023. The average number of employees during 2023 was 11,669 (1–12/2022: 11,405).

More information about personnel can be found from the Board of Director's report chapter Own workforce.

Performance targets for core businesses[5]

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

- Eco portfolio sales: double the growth compared to traditional products
- Reduce CO_2 emissions in Cargotec's value chain[6] by 25% by 2025 and by 50% by 2030
- Sales growth faster than market[7]
- Comparable operating profit 12% by 2025 and 15% by 2030.

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

Core businesses' key figures

In 2023, sales of Cargotec's core businesses increased from the comparison period by 10 percent and amounted to EUR 3,795 (3,445) million. Eco portfolio sales of the core businesses increased by 16 percent and totalled EUR 1,224 (1,056) million, representing 32 (31) percent of core businesses' consolidated sales. The comparable operating profit of Cargotec's core businesses increased by 27 percent and amounted to EUR 487 (384) million. The comparable operating profit margin of Cargotec's core businesses was 12.8 (11.2) in 2023. The CO_2 emissions of the core business' value chain increased by 8 percent from the year 2019 level. Emission intensity decreased but not enough to compensate for the increase in emissions brought about by the increase in sales.

[5] Core businesses = Cargotec excluding MacGregor and Kalmar heavy cranes business

[6] Scope 1,2 & 3, compared to 2019

[7] Global GDP, IMF World Economic Outlook, current prices

Non-financial information

General disclosures

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

Cargotec's sustainability statement has been prepared on a consolidated basis and the scope of consolidation is the same as for the company's financial statements. Sites that Cargotec has operational control over are included in the sustainability reporting. The scope of the company's policies, actions taken during the year and target commitments are explained under the company's material topics. Metrics are reported for the company's own operations, with greenhouse gas emissions being an exception. The company's greenhouse gas emission accounting covers the full value chain, including upstream, own operations and downstream.

Cargotec's consolidated non-financial data is sourced from several information management and reporting systems. In 2023, estimates were applied for Q4/2023, due to certain lag in supplier invoicing. These estimates were applied to the company's own energy consumption, also affecting the company's direct and indirect emissions (scope 1 and scope 2 emissions). The estimates are based on corresponding data from Q4/2022, as no significant changes related to the reporting scope or production lines occurred during the year. For more information about Cargotec's sustainability accounting principles and reporting boundary, please see the separate GRI Index.

Management of sustainability

As sustainability impacts, risks and opportunities become as critical to business performance as financial ones due to legislation and stakeholder demands, these issues need to be managed differently. In 2023, Cargotec's sustainability governance model was revised, with modifications made to the parties involved, their responsibilities and the way in which they address sustainability matters. For example, the Audit and Risk Committee (ARC) of Cargotec's Board of Directors' was included in the governance model to raise the level of supervision of sustainability topics.

Cargotec's Board of Directors' (BoD) has the overall responsibility for overseeing the management of non-financial matters, including the management of environmental, social and governance impacts. A nominated board member, Johanna Lamminen, is responsible for the oversight of sustainability-related impacts, risks and opportunities, and for ensuring that the BoD is updated on the topic. The BoD confirms Cargotec's strategy and monitors its implementation and has oversight of risk management, business plans, related performance objectives and major capital expenditures. As sustainability is one of the company's strategic breakthrough objectives, the BoD is also responsible for setting Cargotec's ambition level for non-financial matters. In addition, the BoD approves Cargotec's sustainability targets, cascades them to the CEO and Cargotec Leadership Team and monitors progress towards them.

In addition, the BoD approves Cargotec's Code of Conduct which defines the ethical standards that the company's directors and employees must follow. Cargotec's Chief Compliance Officer updates the full BoD annually on violations against the Code of Conduct.

As sustainability is an integral part of Cargotec's business strategy, the BoD reviews non-financial matters as a separate topic four times a year. During these meetings, the BoD receives deep dives into specific topics to expand its members' understanding of sustainability. Additional meetings are held as needed. The BoD is briefed either by the Vice President Sustainability or relevant CLT member, depending on the topic. During 2023, the BoD discussed topics related to Cargotec's climate roadmaps and how the company is progressing against its climate targets. The BoD was also briefed on what upcoming EU regulations will require and how the company should prepare for them, including the Corporate Sustainability Reporting Directive (CSRD). Preparing for and implementing the CSRD, specifically, plays an essential role in the planning of Kalmar's potential listing as a stand-alone company, as its sustainability reporting capability must be secured from day one. The BoD also confirmed the results of Cargotec's double materiality assessment, which was completed during the year. For more information, see *Process to identify impacts, risks and opportunities* in this disclosure.

Cargotec's Audit and Risk Management Committee's (ARC) is responsible for supervising financial reporting executed by management, and to monitor the company's financial and non-financial statements and quarterly reporting. The committee evaluates the adequacy and appropriateness of the company's internal audit and risk management processes, including sustainability-related risks, and the development of operative and strategic risks. The committee consists of a minimum of three members of the Board of Directors' and, according to the revised sustainability governance model, convenes four times a year to discuss sustainability topics. Cargotec's CEO, CFO, Chief Compliance Officer and Head of Internal Audit as well as representatives of the company's auditing firm also attend the meetings. In 2023, the ARC reviewed sustainability matters three times, because the revised sustainability governance model was implemented in H2/2023. The committee's focus in 2023 was on the requirements of the CSRD and ensuring compliance with it. The ARC also receives quarterly updates on all anti-corruption activities, new investigations of potential misconduct and other Code of Conduct matters.

Cargotec Leadership Team (CLT) and the CEO are responsible for the implementation of business plans and targets set by the BoD. The CLT reviews and approves the company's sustainability-related policies and targets and decides on resourcing and actions needed to develop, implement and follow up on them. Group functions supporting target implementation include Sustainability (including environment and safety management), Human Resources, Ethics and Compliance, Legal, Sourcing, Finance, Research and Development (R&D) and Strategy. The CLT reviews non-financial matters quarterly, according to predefined reporting schedules. Cargotec's SVP Sustainable Business Development is responsible for overseeing Cargotec's climate target setting and the implementation of needed actions. As the company's strategy covers climate-related risks and opportunities, the CEO is responsible for assessing and managing them. The CLT is chaired by the CEO, who is responsible for reporting to the BoD on progress and action plans.

The CLT also has a Code of Conduct panel, where compliance topics are discussed on a bi-monthly basis. In addition, each business area leadership team receives regular updates on anti-corruption activities and other Code of Conduct matters.

During 2023, the full BoD and CLT began a sustainability training programme that will continue in 2024. The programme, which is organised by an external expert organisation, provides in-depth information and reflection on corporate sustainability, including upcoming regulation and related directors' duties; deep dives into topics, such as climate change, biodiversity and human rights; as well as integrating sustainability into corporate strategy.

Cargotec's Sustainability Management Team manages, coordinates and executes Cargotec's sustainability objectives and targets on an operational level. The Sustainability Management Team is led by Cargotec's Vice President Sustainability and includes the sustainability leads of each business area. The team meets on a quarterly basis to drive cross-company collaboration and review action plans, resource allocation and improvement areas. Cargotec's VP Sustainability reports to SVP Sustainable Business Development who is a member of the CLT.

Cargotec's Sustainability Team consists of group sustainability expertise roles and the Vice President Sustainability. The team is responsible for setting sustainability targets, together with relevant experts from the business areas and group functions. The responsibility for the implementation of key sustainability principles and practises lies with the business areas, while the Cargotec Sustainability Team provides expert assistance and strategic guidance. The sustainability team is also responsible for the practical implementation of the company's Sustainability Policy through, for example, topic-specific practices, processes, training and communications.

For more detailed information on the composition and diversity of the administrative, management and supervisory bodies, please see the *Corporate governance statement and the Composition of governance bodies and employees by gender and age group* under *Governance* in this disclosure.

Statement on sustainability due diligence

Cargotec is committed to operating within planetary boundaries, mitigating climate change and respecting human rights. In pursuing this mission, Cargotec conducts due diligence to identify, address and track its impacts on people and the environment. The company's related processes and actions are explained throughout this sustainability statement as mapped below:

Core elements of due diligence	Location in the non-financial statement
a) Embedding due diligence in governance, strategy and business model	• Policies related to climate change • Policies related to circular economy • Policies related to own workforce • Policies related to value chain workers, including end-users • Policies and actions related to business conduct and corporate culture
b) Engaging with affected stakeholders	• Process to identify impacts, risks and opportunities • Engagement with own workers and workers' representatives • Processes for engaging with, remediating negative impacts and providing grievance channels in relation to value chain workers, including end-users
c) Identifying and assessing adverse impacts	• Process to identify impacts, risks and opportunities
d) Taking action to address adverse impacts	• Actions related to climate change • Actions related to circular economy • Taking action on material impacts on own workforce • Processes to remediate negative impacts and channels for own workers to raise concerns • Processes for engaging with, remediating negative impacts and providing grievance channels in relation to value chain workers, including end-users • Management of relationships with suppliers
e) Tracking the effectiveness of actions and communication	• Targets and metrics related to climate change • Targets and metrics related to own workforce • Non-compliance incidents

Risk management and internal controls over sustainability reporting

Cargotec's Sustainability Team is responsible for consolidating the annual sustainability statement. To ensure the disclosure of accurate, high-quality information, substance matter experts across the organisation provide and review relevant content for the statement.

Sustainability information is collected through various information management systems, which are implemented across the organisation. The main risks related to Cargotec's sustainability reporting are data accuracy and human error when entering data into the management systems. To minimise the risk of data quality error, Cargotec has implemented internal system controls. For example, for environmental data to be properly processed in the company's system, it must first be approved on business area level and then on group level. The system detects significant deviations and discrepancies and alerts the person responsible for approving the data.

Cargotec's Vice President Sustainability holds the primary responsibility for the internal control over the consolidated sustainability statement. Members of Cargotec's Leadership Team are also requested to review the statement. In addition, Cargotec's Board of Directors' Audit and Risk Committee supervises the adequacy and appropriateness of the company's annual sustainability reporting.

Strategy and business model

Cargotec's vision is to become the global leader in sustainable cargo flow, which is well aligned with the company's climate ambition. The company is committed to reducing greenhouse gas emissions in line with the 1.5°C warming scenario, which is the most ambitious goal of the Paris Agreement. Cargotec's reduction target has been set for absolute emissions in the entire value chain, which means that the company must cooperate and engage with suppliers and customers to help them reduce emissions in their operations. Sustainability and profitable growth remain the company's breakthrough objectives, proving to the industry, competitors and customers that the two can go hand in hand. For more information on Cargotec's strategy and vision, please see here.

Cargotec is one of the leading providers of cargo and load handling solutions, and its three business areas, Kalmar, Hiab and MacGregor, are recognised leaders in their fields around the world. Kalmar offers container handling equipment, automated terminal solutions, software and support services that are used in ports, terminals, distribution centres and heavy industries. Hiab provides smart on-road load handling solutions for customers operating in the logistics, construction, transport and delivery industries. MacGregor provides cargo and load handling solutions, services and equipment for the maritime and offshore industries. The outputs of Cargotec's businesses are their products, solutions and services, which make global trade smarter, better and more sustainable. The company's strategy focuses on electrification, hybrid technology and automation, and the company's sustainable solutions are included in its eco portfolio. Cargotec's greatest overall positive impact stems from the development of logistics infrastructure, as cargo handling operations are essential to keeping modern society running.

Cargotec's business model is based on asset-light and assembly-only production and supply chain expertise. Cargotec has own operations in 45 countries, consisting of 19 assembly sites, 114 non-assembly sites and four competence centres. At the end of 2023, Cargotec employed 11,391 people, with the following geographical split: 7,767 people in Europe, the Middle East and Africa, 2,033 in Asia and Pacific and 1,591 in the Americas. As a knowledge and engineering company, employees are an integral part of the company's competitiveness. Globally, Cargotec has representation in over 100 countries through, for example, sales dealers and agents.

Cargotec helps its customers run their business in an efficient and sustainable manner by combining equipment, service and software into sustainable offerings. Thanks to the company's global network, Cargotec is close to its customers almost everywhere in the world and offers extensive services to ensure continuous, reliable and sustainable performance according to customer needs. Kalmar's main customers are ports, terminals and distribution centres, while Hiab's customers include transportation companies, fleet operators, single truck owners, rental companies, truck manufacturers as well as municipalities and governments. MacGregor's customers consist of ship owners, ship and terminal operators, ports, design offices as well as shipyards in offshore and merchant sectors.

Cargotec seeks long-term and localised supplier relationships in each business area. Globally, the company works with thousands of suppliers which are chosen using various selection criteria, including quality, reliability, delivery, sustainability and price. Cargotec's main suppliers include providers of steel structures, hydraulics (valves and cylinders) and electric components. As Cargotec's products are mainly made of finite resources, the company pays attention to challenges related to resource depletion. To secure raw material availability, Cargotec strives to rethink material flows, which requires close collaboration with suppliers and other business partners.

Material impacts, risks and opportunities and their interaction with strategy and business model

Cargotec's material topics are ones that contribute to its most significant impacts on people, society and the environment, and the company strives to minimise its negative impacts while maximising positive ones. Cargotec's sustainability work is based on the environmental, social and governance (ESG) aspects of corporate sustainability. The company's current material topics include climate change; circular economy; human rights; health and safety; diversity, equity and inclusion; sustainable finance; and responsible sourcing. Each material topic has a nominated lead who is responsible for systematically driving the management and improvement of their topic. In 2023, Cargotec conducted its first double materiality assessment. Based on the results, the company will revise its material topics and reporting practices in 2024.

Climate change

Cargotec operates in the cargo and load handling sector which has a significant carbon footprint, as the majority of the equipment used in the industry still runs on fossil fuels. Decreasing this carbon footprint mitigates climate change, and it is also a major business opportunity for Cargotec due to the sales potential of electric and other low-carbon solutions. Cargotec's biggest climate impact and, consequently, mitigation potential, lies in its value chain, as greenhouse gas emissions related to purchased goods and the use of sold products constitute more than 95 percent of the company's total emissions.

Circularity

Cargotec's products are mainly made with materials from finite resources, such as steel, which is used in all Cargotec's cargo and load handling equipment. Steel is highly recyclable, which is a key element of the circular economy: favouring recycled materials means that less virgin materials need to be extracted. The extraction of virgin materials, such as iron ore for steel manufacturing, can lead to local environmental harm, such as water and soil pollution, air emissions and biodiversity loss through land use changes. In the supply chain, Cargotec can minimise negative impacts on the local environment by, for example, replacing virgin steel with recycled steel and alternative materials. In the downstream value chain, Cargotec's service offering provides growth opportunities in many areas. Promoting maintenance and other services leads to extended product life cycles, which is another key element of the circular economy.

Human rights

Cargotec's business impacts people in all parts of the value chain: the company's employees, supplier employees as well as operators of the company's equipment, who are typically customer employees. Cargotec's most significant human rights risks exist in the value chain, which is why the company has strict requirements for its suppliers and other partners related to, for example, health and safety, freedom of association and the prohibition of child and forced labour. Cargotec is committed to continuously improving its human rights due diligence process by identifying, addressing and remedying negative impacts on people. At the same time, it is important to understand where the company can enhance its positive impacts on human rights.

Health and safety

Cargotec operates in an industry that presents high risks to personal safety, and the company continuously assesses its operations to identify and mitigate the risk of injuries and ill health, and to seize opportunities to improve safety. The management of health and safety is a fundamental element of Cargotec's sustainable operations, supporting the company's commitment to provide a harm-free workplace where people feel safe. Cargotec raises awareness of safe behaviour and best practices, and prioritises safety even with time, cost or customer pressure. Cargotec also impacts people's health and safety throughout the value chain, which is why the company's safety work covers, not only the company's own employees, but also its suppliers, subcontractors and customer employees who operate Cargotec's equipment.

Diversity, equity and inclusion

Diversity, equity and inclusion (DE&I) drive innovation and growth, as they encourage individuals to fully reveal their knowledge and talents. As an employer, Cargotec impacts the way employees experience their workplace, both physically and psychologically and thus, has the responsibility to ensure that people feel safe coming to work as they are and express themselves freely. Cargotec is committed to ensuring that every employee is treated with dignity and respect. The company promotes equal opportunity and non-discrimination regardless of gender, race, religion, nationality, age, physical ability or any other such characteristic. There is zero tolerance for harassment in all its forms. To strengthen these commitments to further develop a diverse organisation, Cargotec has signed the Diversity Charter Finland.

Responsible sourcing

Cargotec works with thousands of suppliers globally. In these supply chains, Cargotec's biggest negative impacts stem from the production of steel, the extraction of raw materials and minerals as well as the use of hazardous substances in company products. Emissions from steel production and initiatives around green steel are significant to Cargotec's strategy, which focuses on emissions reductions. The strategy also has a strong focus on electrification, which will lead to an increase in battery use which, in turn, requires the use of minerals. While Cargotec does not directly source minerals from mines, smelters or refiners, the company can play a role in addressing related conflicts, human rights abuses and environmental issues through strong multi-stakeholder partnerships.

Sustainable finance

By considering sustainability in financial decision making, Cargotec can have a positive impact on the world around it. For example, aligning the company's eco portfolio solutions with sustainability-related regulation enables them to contribute to international environmental goals, such as the EU's climate targets. In addition, Cargotec recognises the importance of the increasingly strong link between sustainability and debt financing, which means that the cost of borrowing is increasingly impacted by the borrower's performance measured against sustainability targets.

Interaction with strategy

Cargotec's objective is to grow profitably by solving its customers' sustainability challenges. Out of all material sustainability topics, climate change has influenced the company strategy the most. Cargotec's climate target, validated by the Science Based Targets initiative, is to reduce greenhouse gas emissions in all three emission scopes by at least 50 percent by 2030, compared to a 2019 baseline. Climate is strongly embedded into the strategy process and in 2022, Cargotec published sustainability-related performance targets for its core businesses[1]. These targets include doubling the growth of eco portfolio sales compared to traditional products and reducing emissions by 25 percent by 2025 and by 50 percent by 2030 (in line with the company's science-based climate target). Cargotec's eco portfolio, established in 2017, supports the company's commitment to be a 1.5°C company by highlighting equipment, services and software that improve customers' sustainability and drive the transition to a low-carbon world.

Cargotec has analysed the climate resilience of its strategy and business models by conducting a scenario analysis. The analysis, which includes associated risks and opportunities, has been reviewed by the Cargotec Leadership Team (CLT). The scenario analysis confirms that Cargotec's strategic decision to focus on electrification and low-emission products is a correct one. The demand for low-carbon products and solutions is expected to increase, resulting in increased eco portfolio sales. At the same time, Cargotec's biggest climate impact is in the value chain, especially during the use phase of its products. By tackling emissions in the use phase and thus, helping customers become more sustainable, Cargotec has the opportunity to transform its industry and contribute to climate change mitigation. The risks and opportunities identified in the scenario analysis have significantly influenced the strategic decision to develop electric versions of existing products to mitigate climate change.

[1] Hiab and Kalmar, excluding heavy cranes and including corporate administration and support functions

Circularity is also visible in the company's strategy. Promoting services and extending product life cycles are key elements of the circular economy. Cargotec seeks growth opportunities by expanding its service offering from traditional maintenance and spare parts sales to providing intelligent solutions throughout the equipment life cycle. In addition, the company considers digital offerings a big opportunity in addressing customer challenges.

Process to identify impacts, risks and opportunities

Cargotec conducted a double materiality assessment (DMA) in 2023 to verify its most material impacts, risks and opportunities for reporting in 2024. Due to Cargotec's potential separation of its core businesses, the DMA was conducted on business-area level so that the business areas can utilise the results when determining their sustainability agendas as stand-alone companies. However, the business area results were consolidated on group level to support Cargotec's overall reporting in 2024. The DMA process, which was supported by a third party, considered the company's entire value chain over the short, medium and long-term time horizons, both from an impact and a financial perspective.

A topic is material from an impact perspective when it has actual or potential, positive or negative material impacts on people or the environment. This covers both the company's own operations and the value chain, including the impacts of its products and services and business relationships. A topic is material from a financial perspective if it generates risks or opportunities that impact (or could reasonably be expected to impact) the company's financial position or performance, cash flows, access to finance, or cost of capital.

Cargotec initiated the DMA by developing a thorough understanding of the company's business model; its global presence; its products and services, including materials used; its value chain and business relationships in the upstream and downstream; its sustainability context; and stakeholders. To do this, the company conducted comprehensive desktop research and value chain mapping.

When assessing *impact materiality*, Cargotec used input from previous risk and impact assessments and conducted interviews with internal and external stakeholders to identify its actual and potential impacts (positive and negative) on people, society and the environment. The company also engaged with substance matter experts throughout the organisation and utilised scientific research to identify a broader spectrum of impacts.

Cargotec's most significant environmental and social impacts and risks arise from the operations of its suppliers and other business partners. As finite resources, such as steel and minerals, are used in the manufacture of Cargotec's products, the company focused specifically on negative impacts arising from the mining industry and the extraction of these materials. In addition, Cargotec paid special attention to specific geographies, as the company has numerous suppliers in low-income countries, which poses heightened risk of adverse human rights impacts.

The identified impacts were assessed based on severity (scale, scope, irremediability) and likelihood, and mapped against the European Sustainability Reporting Standards (ESRS) on a sub-topic level. The assessment was done with relevant substance matter experts from the business areas and covered the entire value chain. The combination of severity and likelihood determined the materiality of the impact.

When assessing *financial materiality*, Cargotec used input from previous risk assessments and the company's general enterprise risk management process to identify risks and opportunities that impact or could reasonably be expected to impact its financial development, performance or position. The company also conducted interviews and workshops with strategy, risk management and other substance matter experts to collect more insights and assess the magnitude and likelihood of the risks and opportunities identified. The combination of the likelihood of occurrence and the potential magnitude of the financial risk or opportunity determined its materiality.

Once impacts, risks and opportunities were identified and assessed on business-area level, the results were consolidated on group level; prioritised based on their scoring; and given thresholds. To get a holistic and comprehensive view, different thresholds were set when determining impact materiality and financial materiality. The threshold setting was conducted by group sustainability and business area experts. The impacts, risks and opportunities that exceed the thresholds were deemed material.

The results from the assessment confirm Cargotec's current sustainability agenda and are aligned with Cargotec's current reporting. Almost all Cargotec's previously identified material topics remain material, and biodiversity and air pollution were also identified as material. These topics became material due to their impact in the value chain, as Cargotec's own operations have only a limited impact on them. The material impacts, risks, and opportunities identified in the double materiality assessment (DMA) set the baseline for Cargotec's CSRD reporting in 2024.

Based on the results, Cargotec will need to report in accordance with the following ESRS standards: ESRS 2, ESRS E1, ESRS E2, ESRS E4, ESRS E5, ESRS S1, ESRS S2, ESRS S4 and ESRS G1. Within the ESRS standards, material topics are further defined on a sub-topic and sub-sub-topic level, which will be taken into consideration when determining the final materiality and reporting practices in 2024. Cargotec will revise its sustainability agenda in 2024 based on the results of the DMA.

Input used in the double materiality assessment

Enterprise risk management

Cargotec's corporate risk management process consists of the company's general Enterprise Risk Management (ERM) process and Business Continuity Planning. Sustainability-related risks are assessed using the ERM process, which includes the assessment and the management of various broad-based business risks, such as market, competitor and financial risks. Risks are identified and discussed on business-area and group levels by relevant substance matter experts. Cargotec consolidates risks identified by the business areas with relevant group-level risks. Business Continuity Planning is conducted together with the insurer, where a set of approximately five facilities (mainly assembly sites) are evaluated on an annual basis, based on prioritisation and risk level. The evaluations include matters, such as supply chain risk, property damage and natural disasters.

In addition, Cargotec's business areas have integrated management systems for topics, such as quality, health and safety, and the environment. All systems include risk assessments on asset level, including the potential short-term impacts of climate change at the location.

Climate scenario analysis

Due to the long-term nature of climate impacts and the generic nature of companies' risk assessments, Cargotec does not consider its ERM process to be fully sufficient to identify all material climate risks. For this reason, Cargotec has a separate process which assesses climate-related opportunities in addition to risks. While the ERM process focuses on direct operations, the climate-specific risk management process considers the full value chain. It is conducted by Cargotec's group functions, whereas the company's business areas are responsible for validating the outcome and taking the process to a more detailed level, as deemed necessary. The process is conducted as a part of the company's overall strategy process to ensure that the long-term nature of climate impacts is properly considered and sufficient actions are taken. Cargotec also utilises the results of its climate scenario analysis when assessing climate-related risks and opportunities.

Cargotec's climate scenario analysis helps to secure the strategic relevance of its climate action, and to ensure that the company's work is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). It also helps Cargotec understand the potential financial impacts that climate change may have on its business, in both favourable and unfavourable circumstances. In the favourable scenario, the world achieves the objectives of the Paris Agreement and manages to limit global warming to 1.5°C. This scenario follows the carbon emission pathway RCP 2.6 of the IPCC 5th Assessment report (SSP1-2.6 of the IPCC 6th Assessment Report) and the Sustainable Development Scenario of the International Energy Agency. In the unfavourable scenario, the world continues business as usual, leading to a global warming of 4°C. The scenario is based on the IPCC RCP 8.5 carbon emissions pathway.

The climate scenario analysis covers Cargotec's short, medium and long-term time horizons, with the long-term time horizon extending to 2050. Cargotec considers time horizons of less than one year as short-term, 1–5 years as medium-term and 5–30 years as long-term. The company's financial planning period is three years, while underlying megatrends are assessed with a long-term time horizon. The analysis covers policy, legal, technological and societal aspects. Some certainties, such as digitalisation, electrification, renewable energy and circular economy, are acknowledged in both the favourable and unfavourable scenarios. These are also integrated into Cargotec's strategy, which builds trust in the resilience of the strategy, regardless of the future warming pathway.

The results of the scenario analysis indicate that technology and market-related risks and *opportunities* are the most material ones to Cargotec. The identified climate-related opportunities relate to digitalisation, electrification, robotics, renewables and the circular economy, which have all been part of the company's strategy and financial planning for several years. Cargotec has great potential to help its customers' operations become more sustainable by providing solutions that enable substantial emissions reductions, which is confirmed by the EU Taxonomy regulation's position that manufacturing is a key enabler of greenhouse gas emission reductions in other sectors. Moreover, the demand for such enabling solutions is expected to increase, resulting in increased eco portfolio sales. With further investments in R&D and innovation, Cargotec can develop new products and access new and emerging markets, in addition to responding to the increasing demand in existing markets.

In addition, electrification, automation and digitalisation are considered promising opportunities to improve the efficiency of Cargotec's customers' operations. The company has invested in software and digital businesses, because the demand for efficient solutions is expected to increase in the future. Digitalisation will also be a major enabler of a more circular economy. Data sharing, common platforms and collaboration act as key drivers in achieving these targets and connecting industries.

The transition to a low-carbon economy will come with new regulations, such as those related to zero-emission vehicles and shipping, which can present an opportunity to Cargotec's business. For example, energy and emissions-related regulation (like carbon taxes) can impact the pricing of raw materials that are more favourable but more expensive, making them more competitive. In addition, products must comply with noise and other pollution-related regulations that impact customer operations.

While sustainable technologies are evolving and maturing rapidly, many related uncertainties and *risks* exist. Cargotec's low-carbon solutions are developed based on new and emerging technology, and electrification, automation and digitalisation, which are key elements in Cargotec's strategy, are all very dependent on technological improvements. Failing to invest in the right technology at the right time can result in increased indirect costs.

The demand for products and services presents market-related risks, as it is dependent on surrounding conditions. For example, depending on the political conditions defining the market situation, the driver behind a customer's decision can be costs or emissions. In the case of more expensive low-carbon products, the customers' demand and willingness to pay may become more uncertain. With its expertise in R&D and supply chain management, Cargotec aims to provide high-quality low-carbon solutions in a cost-efficient manner.

A high demand for low-emission solutions might also impact the availability and price of materials and components that are crucial for production. Steel prices, for example, are expected to increase due to more aggressive CO_2 taxation or because low-emission alternatives are more expensive to produce. As a result of the electrification trend, demand for lithium batteries is also expected to increase. Limited availability and the potential rise in steel and lithium battery prices pose a market risk as price increases can impact direct costs. This can also impact the overall demand for low-carbon solutions.

The physical risks of climate change include the increased intensity and frequency of extreme weather events. As Cargotec's business model is based on multi-tier supply chains, which are fairly vulnerable to extreme weather events, business disruption is a potential risk identified in the climate scenario analysis. Suppliers located in high-risk areas are especially vulnerable to extreme weather events. On the other hand, a major weather event in one region may cause delays in other regions that trickle down and compromise timely deliveries to clients. This could impact Cargotec's production capacity and revenues, making business continuity plans essential for mitigating such risks.

The chronic risks of climate change include rising sea levels and increasing temperatures. This sets new requirements for products, including considerations for people's health and safety, as operating conditions may become more challenging. This risk also presents business opportunities for Cargotec, as the company is well positioned to develop intelligent solutions that improve the climate resilience of its customers' operations. Automation, robotisation, digitalisation and remote services remove the need to be physically present.

Environmental risk management

In Cargotec's daily operations, the ISO 14001 environmental management system provides guidance on how to manage the company's local environmental impacts.

In 2023, the ISO 14001 certification coverage at Cargotec's assembly sites, based on headcount, was 67 percent. Cargotec prevents and mitigates its environmental impacts by identifying, analysing and controlling risks. ISO 14001 is only implemented at the company's assembly sites, as the company's other sites are primarily small offices with low environmental impacts. As the ISO 14001 implementation only covers the assembly sites, Cargotec has implemented an environmental reporting system across the organisation, including its non-assembly sites, to secure comprehensive reporting and monitoring.

Health and safety risk management

Cargotec's various locations – from an office environment to assembly facilities, service locations and various customer sites – pose different types of risks to the health and safety of employees.

Similar to environmental impacts, Cargotec prevents and mitigates its occupational health and safety impacts by identifying, analysing and controlling risks. Related hazards and risks are addressed via requirements for the safety of products, product declarations, and complying with regulations both on local and regional (mainly EU) level.

In Cargotec's daily operations, the ISO 45001 health and safety management system provides guidance on how to manage the company's safety impacts. In 2023, the ISO 45001 certification coverage at Cargotec's assembly sites, based on headcount, was 69 percent. The headcount covers all employees at the company's premises, including own personnel, external contractors and subcontractors. The ISO 45001 management system is not implemented at the company's non-assembly sites, as those premises are primarily small offices with low risks. Consequently, in addition to the ISO 45001 system, Cargotec has implemented a health and safety reporting system across the organisation, including non-assembly sites. Furthermore, workers can report incidents and near misses by accessing the company's reporting tool on their phones. This channel is particularly good for those working off-site, providing maintenance services at customers' premises, for example.

Cargotec also impacts people's health and safety throughout the value chain. By continuously developing safer, quieter and cleaner equipment and solutions, Cargotec can reduce the risk of negative health and safety impacts on people who operate the company's equipment. In addition, the company has health and safety requirements for its suppliers and other business partners in its Business Partner Code of Conduct, including obligations to provide related training and instructions, as well as having procedures in place for addressing occupational injuries and illnesses.

Human rights impact assessment

Cargotec's human rights work focuses on identifying and addressing risks and negative impacts on people in its operations and value chain. Potential human rights risks presented in cases reported through Cargotec's SpeakUp line are assessed and reported to Cargotec's Board of Directors' Audit and Risk Committee.

Cargotec finalised its first human rights impact assessment in 2023. The assessment, which followed the framework of the UN Guiding Principles for Business and Human Rights (UNGPs), identified impacts caused by the company; impacts that the company contributes to; and impacts that are directly linked to its operations, products or services through business relationships. In conducting the assessment, Cargotec considered various data points, including:

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

The impact assessment and its results were evaluated by an international expert organisation. As a result of the work, Cargotec identified human rights impacts relevant to its operations and value chain. Due to the planned separation of Cargotec's core businesses, human rights impact assessments will need to be re-conducted by the business areas as future stand-alone companies.

In addition, mergers and acquisitions have been identified as potential areas for human rights risks, and this process has been further developed to ensure that these risks are identified with better accuracy.

Human rights risks related to Cargotec's own workforce are managed with policies, processes and follow-up tools related to safety and human resources. However, Cargotec's most significant human rights risks exist in the supply chain due to its complexity and global reach. Cargotec's supplier approval process follows a risk-based approach, where new suppliers must meet pre-requirements and pass an audit conducted by Cargotec (for more information, see *Management of relationships with suppliers* under *Governance*). In the downstream, the company conducts risk assessments of potential customers to ensure compliance with relevant sanction lists and other regulatory requirements.

Compliance risk management

Cargotec conducts business on a global scale and operates in an industry that is exposed to compliance risks related to, for example, doing business in remote locations, bidding for large projects for state-owned customer corporations as well as using sales intermediaries in countries where Cargotec does not have its own sales offices. The company has a robust risk-based compliance programme to ensure that related risks are managed effectively and consistently throughout the organisation. Cargotec's business areas conduct annual compliance risk assessments, and Cargotec has oversight of the process. The business areas focus on specific areas of compliance each year.

Environmental information

Cargotec has acknowledged the need to operate within planetary boundaries and strives to contribute to tackling global challenges, such as climate change, resource depletion, biodiversity loss and pollution.

Climate change

Policies related to climate change

Cargotec's **Code of Conduct** sets group-wide objectives and is the foundation of the company's corporate culture, establishing high standards of integrity for how Cargotec does business. The Code of Conduct re-enforces the company's commitment to act on climate change mitigation and reduce greenhouse gas emissions to limit global warming to 1.5°C. The Code of Conduct is approved by Cargotec's Board of Directors, and it applies to all employees of Cargotec and all its business areas and subsidiaries. The Code of Conduct is publicly available in 20 languages on cargotec.com.

As laid out in Cargotec's **Sustainability Policy**, the company's environmental objectives aim to mitigate adverse impacts on the environment and to promote energy efficiency throughout the value chain. The policy addresses topics related to climate change mitigation; climate change adaptation; energy efficiency; and increasing the use of renewable energy. Cargotec's ambition to tackle climate change by providing energy efficient and low or zero-carbon solutions are clearly communicated in the policy. Cargotec's Sustainability Policy was updated in 2023 and covers the entire value chain. The policy applies to all Cargotec employees, suppliers and other business partners. The policy is approved by the Cargotec Leadership Team, who is responsible for implementing the objectives of the policy and for cascading the responsibility further into the organisation. Cargotec's Sustainability Policy is publicly available at cargotec.com.

Actions related to climate change

To drive Cargotec's climate ambition and emission reductions in practice, the company takes action in all parts of its value chain: in the supply chain and in Cargotec's own operations, the focus is on decarbonisation, while in the downstream, Cargotec strives to boost its offering of low-carbon solutions to customers. To enable this, the company focuses on developing its climate data and systems, funding and partnerships, and sustainable product design through life-cycle assessment. Cargotec's biggest potential to mitigate climate change lies in its value chain, as greenhouse gas emissions related to purchased goods and the use of sold products constitute more than 95 percent of the company's total emissions. Due to the company's light assembly-only operations, the impact of Cargotec's own operations is relatively minor.

On the *upstream* side of the value chain, the manufacturing of steel structures for Cargotec's equipment is the biggest single contributor to greenhouse gas emissions. Cargotec's goal is to secure early access to low-emission steel on the market and re-engineer Cargotec products, so that alternative materials can be used in their manufacturing. Cargotec is working closely with its suppliers to find better alternatives to the materials and components used today. For example, Cargotec and the steel manufacturer SSAB have partnered to introduce fossil-free steel to the cargo and load handling industry in Cargotec's equipment.

Engagement with suppliers is a crucial part of creating transparency to the emissions arising from purchased goods and services and determining the main decarbonisation actions. During 2023, both Kalmar and Hiab continued to address their supply chain emissions by engaging with their suppliers. Both business areas managed to increase the share of renewable electricity used by their suppliers, as well as the amount of recycled steel (Electric Arc Furnace steel) used in component manufacturing by their suppliers.

In the company's *own operations*, the majority of greenhouse gas emissions originate from the consumption of electricity, and from the fuel used by the company's service fleet. To mitigate these emissions, the company plans to increase the share of renewable electricity in its operations and to transition to low- or zero-emission vehicles.

For example, Kalmar's business division Bromma completed the first phase of installing solar panels at its assembly site in Malaysia during 2023. The current installation aims to replace more than 22 percent of the annual energy consumption with renewable energy. The second phase is expected to be completed during the first half of 2024. Once fully implemented, the solar energy installation is expected to reduce the emissions of the assembly site with more than 1,800 tonnes CO_2e annually.

Similarly, Hiab completed the installation of solar panels at its assembly site in Spain. The installation aims to replace more than 34 percent of the site's energy consumption with renewable energy and is expected to reduce the emissions of the assembly site by 75 tonnes CO_2e annually. Furthermore, Hiab started using renewable district heating at its R&D centre in Hudiksvall, Sweden, and assembly site in Raisio, Finland. The two sites are already using renewable electricity, and switching to renewable district heating will further reduce the emissions of the sites.

In the *downstream* of the value chain, due to long product lifetimes and the use of diesel engines, emissions from the use of Cargotec's sold products are high. The company's research and development focuses on investments that enable the company to achieve its sustainability targets through eco-efficient products and service solutions. The company's eco portfolio, established in 2017, highlights the equipment, services and software that improve customers' sustainability. Cargotec's eco portfolio supports the company's climate commitment by providing more sustainable solutions through electrification, digitalisation, automation and robotisation. This means that the development and sales growth of the eco portfolio plays a vital role in decarbonising the company's downstream. In 2023, research and product development expenditures totalled EUR 98 million.

In 2023, Kalmar delivered its first electric heavy forklift and electric reachstacker and started the presale of its electric empty container handler. Kalmar's electric equipment produces zero greenhouse gas emissions at source, supporting Kalmar's customers in reaching their sustainability targets. During the year, Kalmar also acquired the product rights of the electric terminal tractor product line from Lonestar Specialty Vehicles (LSV) in the United States. As part of the transaction, LSV will transfer the immaterial assets to Kalmar and act as Kalmar's contract manufacturing partner for the acquired product range, expanding Kalmar's eco portfolio offering.

During the year, Hiab launched its third-generation ePTO electric hybrid crane solution, which expands its eco portfolio offering. The ePTO allows the loader crane to be powered electrically by a plug-in system, instead of the vehicle's engine. Using electric power instead of conventional diesel power offers considerable benefits, including improved energy efficiency, lower noise levels and smaller environmental impact, while also making it possible to work indoors. It also provides a healthier working environment for the person operating the crane, as the operator does not have to work amid the noise and exhaust fumes of an idling engine. The new ePTO solution can be combined with a wide assortment of Hiab's loader cranes.

Targets and metrics related to climate change

Following Cargotec's commitment to the 1.5°C climate ambition, the company's greenhouse gas emission reduction target is set in line with the latest climate science. The target, validated by the Science Based Targets initiative, is to reduce greenhouse gas emissions in all three emission scopes by at least 50 percent by 2030 compared to a 2019 baseline. The scope of the target covers scope 1 and scope 2 (market-based) emissions as well as scope 3 emissions related to purchased goods and services (excluding indirect procurement) and the use of sold products. Cargotec has implemented an energy reporting system for monitoring its scope 1 and scope 2 emissions throughout the organisation. The scope 3 emissions included in the target boundary cover more than 95% of the company's total scope 3 emissions. The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

Progress against Cargotec's science-based target is monitored on an annual basis and in 2023, these emissions increased by six percent compared to 2019, due to sales growth. The total emission intensity (total GHG emissions per net revenue) improved but not sufficiently to compensate for the increase in emissions. To achieve its science-based target, Cargotec will need to drive its current climate actions (see previous section) more aggressively. This applies especially to increasing the share of eco portfolio sales of total sales.

Cargotec's performance targets for its core businesses are to reduce emissions by 25 percent by 2025 and by 50 percent by 2030 (in line with the company's science-based climate target) and to double the sales growth of Cargotec's eco portfolio compared to traditional products. The scope of the core businesses emission reduction target is the same as the scope for Cargotec's science-based target. To achieve the targets, systematic transformation and focus on implementable, scalable and replicable business solutions around eco offerings, responsible sourcing, automatisation, robotics and data utilisation are needed.

In 2023, the core businesses emissions increased by eight percent compared to the 2019 baseline, and the eco portfolio sales totalled EUR 1,515 million, representing 33 percent of total sales.

Within its own operations (scope 1 and 2), Cargotec aims to achieve carbon neutrality by 2030. The majority of Cargotec's own emissions originate from the consumption of electricity, and the company is committed to increasing the share of renewable electricity to 100 percent by 2030. At the end of 2023, the share of renewable electricity totalled 57 percent. In order to reach carbon neutrality, Cargotec also plans to increase remote services and transition to low or zero-emission vehicles in its service fleet. In 2023, Cargotec reached a 32 percent reduction in scope 1 and 2 emissions compared to a 2019 baseline

Table 1: Environmental metrics

	2023	2022	2021
Energy use in own operations (MWh)	156,000	163,000	158,300
Energy intensity (MWh/MEUR)[1]	34.14	39.87	47.74
Share of renewable electricity of total electricity consumption (%)	57	57	47
Share of eco portfolio sales of total sales (%)	33	31	30
R&D expenditure (MEUR)	98	100	102

[1] Cargotec's energy intensity is calculated as Cargotec's total energy consumption in relation to company revenue (2023: 4,568 MEUR).

Table 2: Climate performance

	2023	2022	2021	2020	2019
Cargotec's total emissions (tCO_2e)					
Scope 1 emissions	24,400	24,900	21,300	21,300	22,000
Scope 2 emissions, market-based	9,500	11,300	20,200,	21,000	28,200
Scope 3 emissions[1]	6,486,600	6,220,000	5,577,500	5,091,900	5,906,700
Total emissions[1,2]	6,520,500	6,256,300	5,619,000	5,134,200	5,956,900
Emission intensity, (tCO_2e/MEUR)[1,3]	1,427	1,530	1,695	1,573	1,617
Progress towards Cargotec's science-based target (tCO_2e)					
Total emissions (SBT scope[1,4])	5,882,300	5,745,600	5,033,700	4,652,800	5,572,200,
Progress towards the core businesses' climate target (tCO_2e)					
Total emissions (SBT scope[4])	4,868,400	5,046,200	4,154,800	3,610,100	4,499,900

[1] Due to improvements in the automated scope 3 calculation, the scope 3 emissions have been restated, also affecting the total emissions and emission intensity.
[2] Cargotec's value chain emissions increased in 2023 due to sales growth.
[3] Cargotec's emission intensity is calculated as Cargotec's total greenhouse gas emissions in relation to company revenue (2023: 4,568 MEUR).
[4] Cargotec's science-based target (SBT) scope covers scope 1 and scope 2 (market-based) emissions as well as scope 3 emissions related to purchased goods (excluding indirect procurement) and the use of sold products. More detailed information can be found in the separate GRI index.

Circularity

Policies related to circular economy

Cargotec's **Code of Conduct** reinforces the company's commitment to mitigate adverse impacts on the environment and improve the environmental performance of its offering, operations and raw material sourcing.

Cargotec's **Sustainability Policy** addresses topics related to the transition to a circular economy, which Cargotec promotes by rethinking material flows and giving preferences to materials that are better for the environment. The company continuously seeks ways to minimise waste production and pollution in the value chain.

Actions related to circular economy

While Cargotec's products are mainly made of materials from finite resources, the materials are highly recyclable. Cargotec is aware of challenges related to resource depletion, but the company foresees many opportunities to contribute to a circular economy while capturing profitable growth through new business models and solutions. By further advancing circularity in its own operations and value chain, the company believes it can minimise negative impacts on the environment while seizing new business opportunities. Circular solutions, such as used and refurbished equipment and service offering, are also an essential part of Cargotec's eco portfolio.

Cargotec's products are designed to support circular principles, such as durability, repairability and refurbishment. Cargotec prioritises high product quality, which makes the products extremely durable. The products are also mainly made of steel, which makes them highly recyclable. Similarly, promoting services and extending the life cycle of products through, for example, maintenance and repairs, are an essential part of the company's business model and strategy. Cargotec aims to expand its service offering from traditional maintenance and spare parts sales to providing intelligent solutions throughout the equipment life cycle. The service business offers growth opportunities due to the low capture rate of spare parts in many areas of traditional services.

For example, Kalmar offers refurbishments and modernisation services that help keep its equipment in operation for longer, improve eco efficiency and optimise performance. These services include, for example, inspections, repairs, upgrades, automation and digitalisation services. Hiab's services and maintenance retain its equipment's original performance levels and reliability for extended periods of time. Cargotec's products are also reusable. The company sells second hand goods and rents out equipment.

Cargotec seeks to rethink material flows and give preference to materials that are better for the environment. For example, in 2023, Cargotec and SSAB announced that they are introducing SSAB Zero™, a fossil carbon emission-free recycled steel, to the cargo and load handling industry. Cargotec plans to gradually start using this steel in its products. The collaboration on SSAB Zero™ is a natural next step in the Cargotec and SSAB partnership where the two work together to reduce the negative environmental impacts of the cargo and load handling industry. During the year, Kalmar introduced new options for its electric reachstacker. Customers can now choose their reachstacker to be built with 47% SSAB Zero™ steel.

Targets and metrics related to circular economy

Cargotec has not yet set a target for its resource use and circular economy topic. For more detailed information related to the company's waste distribution, please see the GRI Index (indicator 306).

Disclosures pursuant to the EU Taxonomy regulation

The EU Taxonomy regulation establishes a classification system to define economic activities that substantially contribute to environmental sustainability. The regulation applies to Cargotec and requires the disclosure of the share of EU Taxonomy eligible and aligned revenue, capital expenditures and operating expenditures.

The EU Taxonomy refers to the so-called NACE codes to support in determining the taxonomy eligibility of a company's economic activities. The NACE codes relevant to Cargotec's economic activities of equipment, services and software are; C28 Manufacture of machinery and equipment; C33 Repair and installation of machinery and equipment; and J62 Computer programming, consultancy and related activities.

Activities that have the potential to be aligned with specific substantial contribution criteria are considered taxonomy-eligible. Out of the six environmental objectives of the EU Taxonomy, Cargotec considers its solutions to be eligible under the objectives of climate change mitigation and transition to a circular economy.

Cargotec's equipment is intended to be used in the transportation value chain and its purpose of use is very similar to the *equipment* used in the transportation industry, which is considered a high-emitting sector in the EU Taxonomy regulation. Therefore, Cargotec sees that even though its equipment falls under 3.6. Manufacture of other low carbon technologies, it is reasonable to report eligibility as instructed for 3.3. Manufacture of low carbon technologies for transport. Based on this interpretation, Cargotec considers its new equipment eligible under the climate change mitigation objective.

The majority of Cargotec's *services* contribute to the objective of transitioning to a circular economy. The eligible services, for example, increase the lifespan of Cargotec's products and promote resource efficiency throughout the value chain. Services are reported eligible under the following taxonomy activities; 4.1 Provision of IT/OT data driven services; 5.1 Repair, refurbishment and remanufacturing; 5.2 Sale of spare parts; 5.4 Sale of second-hand goods; 5.5 Product-as-a-service and other circular use- and result-oriented service models.

Assessment of alignment

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

EU guidance for companies in 2023 is to only report taxonomy-alignment for climate change mitigation and climate change adaptation. Of these two, Cargotec will report alignment for climate change mitigation, as Cargotec does not consider its activities to substantially contribute to the objective of climate change adaptation. Reporting on alignment regarding the objective of transitioning to a circular economy is expected to start in 2024.

To prove *substantial contribution* to climate change mitigation under 3.6., Cargotec conducts product life cycle assessment (LCA) studies to prove life-cycle greenhouse gas emission savings. The LCAs compare the company's zero-emission or low-emission equipment to the best performing alternative, which typically is a diesel-powered version of the same equipment with the same functionality and capacity. The LCA studies are conducted for equipment that is considered representative of the entire product group, so that the results can be generalised. The studies follow the ISO 14067 standard and are reviewed by an independent third party. Since the technical screening criteria leaves room for interpretation, Cargotec leans on its 1.5°C climate ambition when setting the ambition level and defining which products meet the screening criteria and have sufficient emission reductions to be reported as taxonomy aligned.

To meet the *do no significant harm (DNSH) criteria*, Cargotec has analysed the potential impacts its own operations related to the climate solutions may have on the five other environmental objectives. Based on the analysis, Cargotec has concluded that its activities do not cause significant harm to water and marine resources, as no process water is used at Cargotec's assembly sites. Regarding biodiversity and ecosystems, the majority of Cargotec's assembly sites are covered with ISO 14001-certified environmental management systems. Cargotec has mapped its sites against biodiversity-sensitive areas, and necessary mitigation measures are implemented based on its conclusions. As for climate change adaptation, Cargotec has analysed the risks related to its own operations and supply chain as part of the TCFD analysis. In its own operations, these risks were considered minor due to the asset-light assembly line. Given the asset-light assembly line, Cargotec is highly reliant on its global network of suppliers, and the risk of supply interruptions is growing due to the increase of physical climate risks globally. Therefore, the risk is considered high in the short-term and very high in the long-term. Compliance with pollution and chemical use regulations is ensured through Cargotec's responsible sourcing program. Cargotec has identified certain hazardous substances in its products, but to the company's knowledge, there are currently no other suitable alternative substances or technologies available on the market to replace them. In addition, Cargotec promotes circularity throughout its operations by, for example, using secondary raw materials, reusing components where feasible and recycling materials and waste.

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

Regarding the EU Taxonomy's *social minimum safeguards* on human rights, bribery/corruption, taxation and fair competition, Cargotec has performed an internal analysis of its policies and processes and believes it complies with the principles of each safeguard. Cargotec has implemented relevant processes to ensure alignment with the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, the Declaration of the International Labour Organisation (ILO) on Fundamental Principles and Rights at Work, and the International Bill of Human Rights. Cargotec's Code of Conduct and related policies set the foundation for responsible business conduct, and the company has developed and implemented processes that support these principles. Detailed descriptions of these policies and processes are available throughout this Disclosure.

Taxonomy KPI's

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

The *turnover* KPI represents the proportion of the net turnover derived from products or services that are taxonomy-aligned. The turnover consists of revenues recognised from sales of products and services sold net of sales taxes, discounts and translation differences from foreign currency denominated revenues, pursuant to IFRS. In 2023, the share of taxonomy-aligned revenue, of total revenue increased as a result of growing demand for electric products. The share of revenue related to taxonomy-eligible but not aligned activities increased significantly due to adoption of the circular economy objective.

The *capital expenditures* KPI represents the proportion of the capital expenditure associated with taxonomy-aligned activities. Taxonomy capital expenditures consist of additions to tangible and intangible assets, including right-of-use assets related to leases, considered before depreciation, amortisation and any re-measurements, including those resulting from revaluations and impairments, for the relevant financial year and excluding fair value changes. Additionally, taxonomy capital expenditures include the corresponding additions resulting from business combinations. In 2023, capex increased from the comparison period mainly due to machinery acquisitions that were acquired for own use and customer finance business.

The *operating expenditures* KPI represents the proportion of the operating expenditure associated with taxonomy-aligned activities. Taxonomy operating expenditures consists of direct non-capitalised costs related to research and development, renovation measures, short-term lease, maintenance and other direct expenditures relating to the day-to-day servicing of assets of property, plant and equipment that are necessary to ensure the continued and effective production of taxonomy-aligned products and services. Cost items included in opex were re-evaluated during the year and some expense items were excluded from the calculation. The change had no significant impact on the reported figures.

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

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

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

In 2023, Cargotec's turnover amounted to a total of MEUR 4,568 (Note 2.2 Revenue recognition in the Financial statement) of which MEUR 3,669 was taxonomy-eligible (80.3 percent of total sales) and MEUR 577 taxonomy-aligned (12.6 percent of total sales). The share of taxonomy-eligible and taxonomy-non-eligible economic activities, as well as taxonomy-aligned and taxonomy-non-aligned economic activities in the total turnover, capex and opex are presented below in tables 3.1, 3.2 and 3.3.

Table 3.1: Proportion of turnover from products or services associated with taxonomy-eligible and taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria[1]						DNSH criteria[2]									
Economic activities	Code(s)	Absolute turnover (MEUR)	Proportion of turnover (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of turnover in 2022[3]	Category (enabling activity, E)	Category (transitional activity, T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of other low carbon technologies	3.6.	576.82000	12.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	10.7%	E	
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)		576.82000	12.6%	100.0%	-	-	-	-	-	-	-	-	-	-	-		10.7%		
Of which enabling		576.82000	12.6%	100.0%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	10.7%	E	
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	3.6.	2,186.89300	47.9%	EL	-	-	-	-	-								51.8%		
Provision of IT/OT data driven services	4.1.	2.42720	0.1%	-	-	-	EL	-	-										
Repair, refurbishment and remanufacturing	5.1.	308.56860	6.8%	-	-	-	EL	-	-										
Sale of spare parts	5.2.	503.93800	11.0%	-	-	-	EL	-	-										
Sale of second-hand goods	5.4.	66.58780	1.5%	-	-	-	EL	-	-										
Product-as-a-service and other circular use- and result-oriented service models	5.5.	23.36640	0.5%	-	-	-	EL	-	-										
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		3,091.78100	67.7%	70.7%	-	-	29.3%	-	-										
Total (A.1 + A.2)		3,668.60100	80.3%	75.3%	-	-	24.7%	-	-										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																			
Turnover of taxonomy-non-eligible activities		900.23810	19.7%																
Total (A + B)		4,568.83910	100.0%																

[1] Y - Yes, taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective; N - No, taxonomy-eligible but not taxonomy-aligned activity; EL – Eligible, taxonomy-eligible activity; N/EL – Not Eligible, taxonomy non-eligible activity

[2] Y - Yes, The activity meets the DNSH criteria; N - No, The activity does not meet the DNSH criteria

[3] The comparative year's taxonomy-aligned turnover has been restated due to a reporting error.

Table 3.2: Proportion of capital expenditure (capex) from products or services associated with taxonomy-eligible and taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria[1]						DNSH criteria[2]									
Economic activities	Code(s)	Absolute turnover (MEUR)	Proportion of turnover (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of capex in 2022[3]	Category (enabling activity, E)	Category (transitional activity, T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of other low carbon technologies	3.6.	7.37800	5.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	2.9%	E	
Capex of environmentally sustainable activities (taxonomy-aligned) (A.1)		7.37800	5.1%	100.0%	-	-	-	-	-	-	-	-	-	-	-		2.9%		
Of which enabling		7.37800	5.1%	100.0%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	2.9%	E	
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	3.6.	29.52100	20.4%	EL	-	-	-	-	-								18.9%		
Provision of IT/OT data driven services	4.1.	0.00040	0.0%	-	-	-	EL	-	-										
Repair, refurbishment and remanufacturing	5.1.	21.59380	15.0%	-	-	-	EL	-	-										
Sale of spare parts	5.2.	0.38510	0.3%	-	-	-	EL	-	-										
Sale of second-hand goods	5.4.	3.09000	2.1%	-	-	-	EL	-	-										
Product-as-a-service and other circular use- and result-oriented service models	5.5.	0.00000	0.0%	-	-	-	EL	-	-										
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		54.59030	37.8%	54.1%	-	-	45.9%	-	-										
Yhteensä (A.1 + A.2)		61.96830	42.9%	59.5%	-	-	40.5%	-	-										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																			
CapEx of taxonomy-non-eligible activities		82.41900	57.1%																
Total (A + B)		144.38730	100.0%																

[1] Y - Yes, taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective; N - No, taxonomy-eligible but not taxonomy-aligned activity; EL – Eligible, taxonomy-eligible activity; N/EL – Not Eligible, taxonomy non-eligible activity

[2] Y - Yes, the activity meets the DNSH criteria; N - No, the activity does not meet the DNSH criteria

[3] The comparative year's taxonomy-aligned capex has been restated due to a reporting error.

Table 3.3: Proportion of operating expenditures (opex) from products or services associated with taxonomy-eligible and taxonomy-aligned economic activities – disclosure covering year 2023

				Substantial contribution criteria[1]						DNSH criteria[2]									
Economic activities	Code(s)	Absolute turnover (MEUR)	Proportion of turnover (%)	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of opex in 2022[3]	Category (enabling activity, E)	Category (transitional activity, T)
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (taxonomy-aligned)																			
Manufacture of other low carbon technologies	3.6.	27.84800	19.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	13.5%	E	
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)		27.84800	19.4%	100.0%	-	-	-	-	-		-	-	-	-	-		13.5%		
Of which enabling		27.84800	19.4%	100.0%	-	-	-	-	-	Y	Y	Y	Y	Y	Y	Y	13.5%	E	
Of which transitional		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		T
A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																			
Manufacture of other low carbon technologies	3.6.	65.07300	45.4%	EL	-	-	-	-	-								50.0%		
Provision of IT/OT data driven services	4.1.	1.23000	0.9%	-	-	-	EL	-	-										
Repair, refurbishment and remanufacturing	5.1.	10.84720	7.6%	-	-	-	EL	-	-										
Sale of spare parts	5.2.	3.11870	2.2%	-	-	-	EL	-	-										
Sale of second-hand goods	5.4.	0.13000	0.1%	-	-	-	EL	-	-										
Product-as-a-service and other circular use- and result-oriented service models	5.5.	0.00000	0.0%	-	-	-	EL	-	-										
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)		80.39890	56.1%	80.9%	-	-	19.1%	-	-										
Total (A.1 + A.2)		108.24690	75.6%	85.8%	-	-	14.2%	-	-										
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES (B)																			
OpEx of taxonomy-non-eligible activities		35.00770	24.4%																
Total (A + B)		143.25460	100.0%																

[1] Y - Yes, taxonomy-eligible and taxonomy-aligned activity with the relevant environmental objective; N - No, taxonomy-eligible but not taxonomy-aligned activity; EL – Eligible, taxonomy-eligible activity; N/EL – Not Eligible, taxonomy non-eligible activity
[2] Y - Yes, the activity meets the DNSH criteria; N - No, the activity does not meet the DNSH criteria
[3] The comparative year's taxonomy-aligned capex has been restated due to a reporting error.

Taxonomy and eco portfolio connection

Cargotec's eco portfolio has been defined to include products and services that are aligned with the EU Taxonomy or are expected to be aligned in the near future. The eco portfolio is Cargotec's own KPI that is reported externally on a quarterly basis. In 2022, Cargotec updated its eco portfolio criteria so that they are structured according to the EU Taxonomy design. Cargotec has the potential to substantially contribute to the EU Taxonomy's objectives on climate change mitigation and the transition to a circular economy, and consequently, the eco portfolio consists of two categories: climate solutions and circular solutions.

Some differences occur between Cargotec's eco portfolio reporting and its taxonomy-aligned reporting. The main difference concerns circular solutions, as these are included in the eco portfolio but are not yet reported as taxonomy-aligned activities, according to EU guidance.

Regarding the portfolio's climate solutions, equipment needs to have a life cycle assessment (LCA) done and verified by a third party for it to be taxonomy-aligned. This also applies to Cargotec's eco portfolio equipment. However, as new solutions are added to the eco portfolio, it is possible that their LCA's are not yet finalised but will be in the near future. Therefore, some differences might occur between Cargotec's taxonomy-aligned reporting and its eco portfolio climate solutions, as the eco portfolio may also include equipment that are anticipated to be taxonomy-aligned once their life-cycle assessments (LCA) are finalised.

In 2023, Cargotec's eco portfolio included MacGregor's offshore wind solutions which enable renewable energy installations and maintenance. However, upon further review of the EU Taxonomy, the company recognised that these solutions are not, in fact, in the scope of the regulation and will be left out of the eco portfolio in 2024.

Social information

Cargotec's business impacts people in all parts of the value chain: the company's employees, supplier employees and operators of its equipment, who are typically customer employees. Cargotec is committed to respecting the health and safety and other human rights of everyone in its operations and value chain, and encourages its partners and suppliers to do the same.

Cargotec is committed to ensuring equal opportunity and a non-discriminatory work environment. The company has zero tolerance for harassment in all its forms.

Own workforce

Policies related to own workforce

The social section of Cargotec's **Code of Conduct** (CoC) covers topics, such as human trafficking; child and forced labour; health and safety; diversity; and anti-discrimination. The CoC states that Cargotec does not tolerate discrimination based on gender, gender identity, sexual orientation, race, religion, nationality, age, physical ability, or similar.

Cargotec's **Sustainability Policy** covers the company's material social topics: human rights; health and safety; and diversity, equity and inclusion. The policy's section on human rights describes Cargotec's high-level approach to human rights due diligence, including remedy for adverse impacts on people and engagement with affected stakeholders.

Cargotec's **Employment Policy** complements the Code of Conduct and defines the company's basic employment principles and workplace practices. It describes the mission, goals and development processes specific to human resources and applies to all Cargotec employees, locations and conditions worldwide, with enforcement subject to local legislation. The policy, which is approved by the Cargotec Leadership Team, covers topics, such as anti-harassment, anti-discrimination and diversity, equity and inclusion. It also states that Cargotec does not act partially nor support or commit to political parties or religious groups. Other internal policies also cover human resources topics, such as recruitment and internal transfer, learning and development, performance and development, total remuneration and job title, and global mobility.

All three policies listed above further confirm Cargotec's commitment to, for example, the International Bill of Human Rights, UN Global Compact, OECD's guidelines for multinational enterprises, UN Guiding Principles on Business and Human Rights, and International Labour Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work. Relevant Cargotec Leadership Team members (such as Senior Vice President of Human Resources and the Chief Compliance Officer) hold the ultimate responsibility for the implementation of these policies.

Engagement with own workers and workers' representatives

Cargotec promotes social dialogue within the company. Cooperation between management and personnel is based on local legislation and organised on group and country level. All employees have the right to join a trade union of their choice and to bargain collectively. Cargotec ensures that employee representatives are not subject to discrimination and have access to their fellow employees. Interaction between management and personnel takes place both directly with employees and through their representatives, depending on the topic.

Direct engagement occurs through annual and monthly employee engagement surveys as well as the company's performance and development plan (PDP) process.

The surveys provide valuable information on employees' work-related thoughts on topics, such as work-life balance, wellbeing, leadership and team climate. The survey findings also help evaluate the effectiveness of Cargotec's engagement with employees. Managers follow up on the findings in team sessions to collect feedback and set up action plans, with special focus on improvement areas. The annual employee engagement survey, Compass, reaches all employees through email, kiosks and site support, while the monthly survey is accessible to those with a company email address. Moreover, Cargotec uses people analytics, dashboards and metrics to better support human resources processes and to achieve desired outcomes and targets.

Cargotec's PDP process helps the company develop its performance management, set targets, enable personal development and promote a feedback culture. The process includes two manager-employee discussions per year, where one is used to set targets for the year and the other is dedicated to the employee's professional development. The meetings also enable mutual feedback and continuous dialogue. Cargotec's goal is to provide everyone with a dedicated, personal development plan. In addition, Cargotec hosts a learning platform where employees can expand their knowledge on various topics.

Table 4: Compass results 2023 (%)

	2023	2022	2021
Completion rate	77	75	76
Engagement index: employee satisfaction, pride and enthusiasm	77	76	77
Sustainability index: employee perception of Cargotec as a sustainable company	82	82	81
Leadership index: employee satisfaction with direct line manager	77	76	76
Team climate index: employee perception of team climate	82	82	82
Integrity index: employee perceptions related to sustainability, pride and hope, and leadership	78	77	76
Code of Conduct index: employee perception of Cargotec as an ethical company	83	83	82

Cargotec's employees signalled high satisfaction with their work environment in 2023. The company's Integrity index, which measures employee perceptions of sustainability, pride and hope, and leadership, increased to 78 percent (2022: 77). The target for 2023 was to exceed 77 percent, which was achieved. The target for 2024 is to maintain the level of more than 77 percent. Teamwork continues to be Cargotec's stronghold, as demonstrated by the top score of 82 (82) percent in the Team climate index. The company considers these results a great achievement, given the announced planned separation of Cargotec's core businesses, but also current global uncertainties related to high inflation and the war in Ukraine, for example. On the other hand, the results show that Cargotec must pay more attention to topics such as work-life balance, stress management and the future direction of the company.

Due to Cargotec's announcement in 2023 of the planned separation of its core businesses, the company took many actions to ensure that managers and employees stayed up-to-date on the related planning, progress and change management related. Updates were shared and discussed in, for example, line manager training sessions, team meetings, project meetings, personnel webcasts and internal articles.

Cargotec engages with **employee representatives** through, for example, national and local trade unions, personnel representatives and works councils, in accordance with local legislation. Local personnel representatives and works councils are kept informed of any projects or changes that may significantly impact Cargotec's employees or their working conditions, and they are included in negotiations as needed. In addition, management and locally elected Cargotec Personnel Meeting representatives hold frequent virtual meetings and meet face-to-face annually at the Cargotec Personnel Meeting in Europe. The goal is to promote interaction between management and staff and enhance relationships between personnel in different business areas.

During 2023, Cargotec held negotiations with employee representatives in several operating countries due to organisational changes resulting from the potential separation. The negotiations covered the transfer of employees from group functions to the business areas, with varying timelines. Following the negotiations, managers held one-to-one discussions with employees on their planned future positions.

Engagement with own workforce on health and safety

Everyone working on Cargotec's premises anywhere should be able to return home safe and in good health after every working day. Employee healthcare is organised locally in each operating country, as regulationsvary between countries. Personal health information is treated in accordance with the law and confidentially. Cargotec has an information security policy in place.

The majority of Cargotec's employees are represented in local occupational health and safety committees. Some service sites do not have committees due to their small size. The purpose of the committees, which include representatives of both employees and the employer (and, when available, Cargotec's local health care provider), is to define local health and safety goals and programmes and monitor progress towards related targets. Cargotec also engages with employees on health and safety topics through training. Health and safety training is part of the company's regular induction process and provided throughout the organisation. E-learning platforms support continuous training, and task-specific training is provided to enable employees to perform their work safely and in a correct manner. All employees are also required to complete Cargotec's Code of Conduct e-learning, which includes a section on health and safety.

Cargotec evaluates the effectiveness of its engagement with employees through, for example, employee and leadership surveys. In addition, to improve their leadership capabilities and team climate, Cargotec leaders who have participated in the company's leadership development programmes are able to ask their direct reports for feedback through leadership style and team climate surveys. Taking the surveys has been mandatory for these leaders since 2016, but due to the planned separation of Cargotec's core businesses, it was voluntary in 2023. Dialogue between line managers and employees, during PDP and other discussions, is another important channel to receive feedback on employee engagement.

In addition, Cargotec's business areas encourage employees to report health and safety-related observations. Trends in reported observations help the company determine if actions taken have had the desired effect.

Cargotec's Senior Vice President of Human Resources as well as the heads of human resources in the company's business areas have the ultimate operational responsibility for ensuring that employee engagement happens and that results inform the company's approach.

Processes to remediate negative impacts and channels for own workers to raise concerns

Cargotec employees can report their concerns and potential misconduct through a variety of channels, including to their own manager; local or group-level human resources; Cargotec's Head of Ethics and Compliance; or through the company's SpeakUp line. Cargotec's SpeakUp line is an externally hosted reporting tool for anonymous reporting and can be accessed by both internal and external stakeholders. The SpeakUp line and reports filed through it are managed by Cargotec's Ethics and Compliance function. The Ethics and Compliance function also receives direct reporting from managers and the line organisation. The company's annual employee engagement survey measures how comfortable employees feel reporting their concerns (Code of Conduct index, 83% in 2023). For a more detailed description of the investigation process of reports filed, see *Prevention and detection of non-compliance* under *Governance*.

Each Cargotec business area has an assigned Head of Ethics and Compliance who is responsible for building and promoting the compliance programme, including reporting channels, within their business area through a variety of means. These include mandatory annual Code of Conduct training; employee communications; training sessions; meetings between the Ethics and Compliance function, business area leadership teams and high-risk personnel; and Code of Conduct briefings to sales third parties, such as dealers and agents.

Cargotec does not require that a person reporting a concern has firm evidence of misconduct when filing the report but the report must be filed in good faith. Cargotec never imposes sanctions or other retaliation measures on the reporting person unless the report has been intentionally made with malice. Human resources is responsible for monitoring and reacting to attempts to sanction or disadvantage people who have raised a concern in good faith.

All reported cases are evaluated confidentially and investigated according to the company's Code of Conduct response process. Cargotec has a case-by-case approach to remedy and corrective action. As part of the related investigation process, the Ethics and Compliance function agrees with relevant management team members on appropriate corrective actions, such as improved controls, training, disciplinary actions or termination of third-party relationships. Similarly, appropriate and adequate means of remedy are determined based on the details of the case, the needs of the affected person or people, and local legislation. The Cargotec Leadership Team has a Code of Conduct panel that discusses compliance topics regularly and reviews the need for remedial and/or corrective measures.

Reporting and remedy process for health and safety incidents

As health and safety has been a long-standing priority for Cargotec, and because it is an operational and local topic managed by Cargotec's business areas and individual sites, the reporting and remedy processes for it differ from other material social topics. Reporting accidents, near-misses and safety observations is promoted throughout the organisation, so that improvements to existing ways of working can be made as swiftly and efficiently as possible. In addition, employees have the right to stop any hazardous work without fear of retaliation.

Employees and external employees can report safety observations through established reporting channels. If needed, employees can also report such cases to their line manager who then files them in the company's reporting system. All reports are reviewed, and appropriate action determined and taken by the responsible manager.

When a safety observation or injury is reported, the potential seriousness of the case determines the investigation process and the needed preventive and corrective action. Immediate corrective actions can include stopping the work until a safe way is defined. Long-term corrective actions can include improvements to working methods, changes to safety procedures and re-training.

Taking action on material impacts on own workforce

Human rights

During 2023, Cargotec finalised its first human rights impact assessment, which covered the company's entire value chain. The assessment was reviewed by an external expert organisation. The identified impacts and the external partner's feedback shed light on where Cargotec needs to focus on in its future human rights due diligence. Based on the learnings from this work, Cargotec will create a guideline to help its business areas plan and execute human rights due diligence as future independent companies, should the planned separation of Cargotec's core businesses take place. The new stand-alone companies will take the lead in further developing their own human rights due diligence processes, including conducting human rights impact assessments specifically for their operations and value chain.

During the year, Cargotec also took steps to further build internal awareness and competence on human rights. The company's human rights-related target for 2023 was to reach 100 percent completion rate on human rights training, as part of mandatory Code of Conduct training. As the Code of Conduct training was postponed to 2024 to be better aligned with the timeline of Cargotec's performance and development plan (PDP) process, so the target remains the same for 2024. However, human rights training was offered as an independent e-learning course to all employees. The completion rate was 61 percent by the end of 2023, covering those to whom the e-learning was assigned as mandatory, such as the Sourcing, Legal, Ethics and Compliance, and Sustainability functions, both on group level and in the business areas. Cargotec also organised an internal webinar on human rights, which was hosted by an external expert. In addition, as part of its updated Sustainability Policy, Cargotec created its first human rights policy, which was reviewed by the external expert organisation that reviewed the company's human rights impact assessment.

Health and safety

Health and safety activities are planned, implemented and monitored by Cargotec's business areas. In 2023, all three business areas took numerous actions to improve the safety of their employees. Kalmar, for example, organised safety leadership training for 80 leaders, where ten leaders also received train-the-trainer guidance to distribute the training further in the organisation. In addition, Kalmar and Hiab improved their processes for on-site safety walks to switch focus from compliance to behaviour change, and further developed their processes for analysing and investigating injuries. The business areas also developed and implemented a global safety management system, which enhances the transparency of reporting, incident investigation and preventive actions. The system is used to document inspections, audits and daily checks, which helps users make the right decisions, send action reminders to appointed persons and guide everyone through the same process. MacGregor's health and safety-related actions focused on enhancing safety awareness by, for example, running campaigns to increase the reporting of safety observations, establishing a global library for safety instructions and posters, and increasing safety communications.

During 2023, Cargotec also promoted employee health and wellbeing in numerous ways, including campaigns related to physical activity, time management and healthy eating habits. Kalmar and Hiab also used advanced software to analyse and improve work ergonomics. In addition, local programmes promoted topics, such as stopping smoking and eating regularly with the help of employer-subsidised food options.

Hiab launched its HiSkill crane operator training simulator in 2023. The safe operation of a crane requires technical knowledge, physical ability and situational awareness. The HiSkill simulator, powered by virtual reality, enables crane operators to improve all these skills without the added risk of accidents when training with an actual crane. HiSkill has been available in the United States since June 2023, with plans to expand to other markets in 2024.

All of Cargotec's business areas have planned health and safety actions for 2024. For example, Kalmar will continue to expand its safety leadership training with internal trainers. Kalmar will also focus on improving its safety approach during new product development. Hiab will, for example, improve the way risk assessments are used in operations and the system management tool to ensure high risk awareness among all employees. MacGregor will continue its ongoing actions and aim to further expand the global safety library and improve digital safety solutions.

Diversity, equity and inclusion

In 2023, Cargotec continued to prepare a group-wide current state analysis to understand the company's current status and future ambitions within DE&I. The company also collected internal stakeholder input on DE&I and began to raise awareness on the topic. However, the company's ambitious plans for further developing DE&I work were put on hold due to the planned separation of Cargotec's core businesses and the consequent shift in priorities. The company's business areas will be responsible for deciding how they proceed with their DE&I work as independent companies. Cargotec will share all its learnings and materials with the business areas to help them plan and execute this work.

Despite the pause on the overall DE&I work at Cargotec, some actions were taken during 2023 to strengthen the company's commitment to the topic. For example, gender neutral pronouns were taken into use in all of Cargotec's human resources policies as part of a bigger policy update project. In addition, the company continued to monitor DE&I-related questions in its annual employee engagement survey, Compass.

Targets and metrics in relation to own workforce

Health and safety

Cargotec's safety performance is monitored with a number of key performance indicators (KPIs). Cargotec's safety target for 2023 was to have an industrial injury frequency rate (IIFR, number of injuries per million hours worked) below 4.0 across the organisation. In 2023, the company's IIFR improved and was 3.8 (2022: 4.8), meaning the target was achieved. The IIFR improved significantly at assembly sites 2.1 (5.7) but worsened slightly at non-assembly sites to 5.1 (4.3). Cargotec's safety figures cover the company's own employees and certain external contractors (such as temporary employees and rental workforce), but they exclude subcontractors due to missing information on working hours. The company's target for 2024 is to lower the IIFR by 15 percent compared to the 2023 target (4.0).

Cargotec's total recordable injury frequency rate (TRIF) covers fatalities, lost time injuries, medical treatment injuries and restricted work cases. In 2023, the company's TRIF was 7.0.

Table 5: Work-related injuries

	2023	2022	2021
Industrial injury frequency rate, (IIFR, all operations)	3.8	4.8	6.0
Total recordable injury frequency rate (TRIF)	7.0	8.6	9.6
Number of recordable work-related accidents	146	178	196
Own workers covered by health and safety management system based on legal requirements and/or recognised standards (%)	69	76	83
Number of fatalities as a result of work-related injuries and ill health	0	1	0
Number of cases of recordable work-related ill health	18	36	21

During the year, the company recorded 18 cases of ill health, which were mainly related to recurring and relapsing muscular strains and back pain. The number of work-related accidents was 146, for which a more detailed description can be found in the GRI Index (403-9). No fatalities were recorded during 2023.

Employees and external workforce

Cargotec employed 11,391 people at the end of the year 2023 (31 Dec 2022: 11,526). The average number of employees in 2023 was 11,669 (1–12/2022: 11,405). Salaries and remunerations to employees totalled EUR 656 (608) million in 2023. For more detailed information related to the characteristics of Cargotec's employees, please see the GRI Index (indicators 2-7, 401 and 402).

In addition to its own employees, Cargotec has an external workforce that includes temporary employees, consultants and agency temps. Typically, these external workers are on a temporary, full-time contract. The external workforce does not include subcontractors where Cargotec is only purchasing predefined deliverables, such as products, or an ongoing service that is solely managed by the supplier (no Cargotec line manager appointed) and where the work may be performed by anyone provided by the supplier.

Table 6: Workers who are not employees

	2023	2022	2021
Total number of workers who are not employees	499	861	979

Composition of governance bodies and employees by gender and age group

Table 7: Composition of governance bodies and employees by gender and age group (%)

	Board of Directors	Leadership Team	Employees
By gender			
Male	38	67	79
Female	62	33	21
By age group			
Under 30 years old	0	0	14
30-50 years old	13	0	57
Over 50 years old	87	100	29

Employees receiving regular performance and career development reviews

During 2023, 95 percent of Cargotec office employees participated in performance reviews. Employees who do not have access to the company's human resource information system (mainly workers at production and service sites) are covered by a local performance and development plan process.

Incidents, complaints and severe human rights impacts and incidents

No cases related to severe human rights impacts were recorded in 2023. For more detailed information about cases that were reported and investigated in 2023, please see *Non-compliance incidents* under *Governance*.

Workers in the value chain

Policies related to value chain workers, including end-users

Cargotec's **Business Partner Code of Conduct** (BPCoC) covers partners in all parts of the company's value chain, but it puts more focus on the supply chain. The BPCoC has requirements for Cargotec's partners related to human rights, such as, health and safety and freedom of association. It also prohibits all forms of modern slavery, including forced and child labour and human trafficking. The BPCoC, which is approved by the Cargotec Leadership Team, is publicly available at cargotec.com. It is also part of the company's contracts with suppliers and general purchase conditions.

Cargotec's **Sustainability Policy** includes a commitment to respect internationally recognised human rights throughout the value chain and engage with impacted people to ensure adequate remedy.

Processes for engaging with, remediating negative impacts and providing grievance channels in relation to value chain workers, including end-users

Cargotec has included strict people-related sustainability requirements in its supplier onboarding and engagement processes. For more detailed information about these processes, and key actions taken and planned, please see *Management of relationships with suppliers* under *Governance*.

Cargotec requires in its Business Partner Code of Conduct that its suppliers and other partners maintain a reporting mechanism that gives their employees and other stakeholders an opportunity to raise concerns. Business partners must also ensure that appropriate procedures are in place to handle such cases, and be committed to correcting any non-compliance. Information on the existence of a grievance channel is requested in Cargotec's supplier self assessments. The matter is also checked during Cargotec's onsite audits of potential new suppliers and selected existing strategic suppliers.

Cargotec's own channel, SpeakUp, is available to all value chain workers for reporting concerns and potential misconduct. Cargotec promotes the SpeakUp line to its sales third parties, such as dealers and agents, through training that takes place during onboarding and/or monitoring. The company also promotes the SpeakUp line to suppliers as an option, if they do not have their own grievance channels in place. A more detailed description of the investigation process of reports filed through the SpeakUp line can be found in *Prevention and detection of non-compliance* under *Governance*.

In addition to the SpeakUp line, workers in the value chain can report their concerns and observations directly to their Cargotec contact. The company's representatives also interview supplier employees during site visits and audits, which are conducted for potential new suppliers and selected strategic suppliers. Moreover, supplier employees are interviewed as part of audits conducted on Cargotec's behalf by a third party. These audits, targeted mainly at high-risk suppliers, provide valuable third-party views of, for example, the working conditions at supplier sites.

If a case was identified where Cargotec caused or contributed to a human rights violation, the company would apply its case-specific approach to remedy and corrective action. The details of the case, the needs of the impacted person(s) and local legislation would determine the adequate means of remedy. At the same time, Cargotec is committed to not hindering an impacted person's access to other forms of remedy, such as legal proceedings. Where relevant, Cargotec can also cooperate with others to provide appropriate remedy to impacted people.

Targets and metrics related to value chain workers, including end-users

Cargotec's target for responsible sourcing is to improve the overall score in supplier sustainability self assessments and to conduct onsite audits with suppliers that present the highest risk in the assessments. Human rights and working conditions of supplier employees are included in the assessment. For more details on the target, see *Management of relationships with suppliers* under *Governance*.

Governance information

Cargotec conducts business in a complex global environment. Its industry is exposed to ethics and compliance risks related to, for example, doing business in remote locations, bidding for large projects and using sales intermediaries in countries where there are no Cargotec sales offices. At the same time, this vast value chain brings opportunities to Cargotec through, for example, supporting suppliers in improving their sustainability performance.

Behaving ethically is the responsibility of every employee at Cargotec and a requirement to the company's business partners. The role of Cargotec's management is to send a clear message from the top and enable the creation of structures which ensure that compliance risks are effectively assessed, controlled and mitigated.

Business conduct

Policies and actions related to business conduct and corporate culture

Cargotec's **Code of Conduct** (CoC) is the company's main instrument in setting and implementing an ethical corporate culture. The CoC helps people make informed decisions and find more information when in doubt.

The purpose of the company's **SpeakUp and Non-Retaliation instructions** is to encourage employees and other stakeholders to raise concerns related to suspected non-compliance with Cargotec's Code of Conduct, other policies or relevant laws and regulations. The instructions state that Cargotec never imposes sanctions or other retaliation measures on the reporting person unless the report has been intentionally made with malice. The non-retaliation clause also applies to those who have refused to act unethically, even if that led to loss of business. The instructions apply to all of Cargotec's employees, business units and subsidiaries globally.

Cargotec's **Anti-Corruption Policy, Business Partner Code of Conduct, Export Controls Policy**, **Trade Sanctions Policy** as well as instructions related to gifts and hospitality and conflicts of interest further guide the company's efforts against unethical or corrupt business practices. The practical implementation of these policies and instructions is guided by Cargotec's compliance programme which is based on the main principles of detecting, preventing and responding to potential misconduct.

Cargotec's Ethics and Compliance function supports the company's business areas with proactive advice, information and training and by conducting internal investigations. Through mandatory e-learning courses, Cargotec trains its employees on ethics and compliance-related topics and provides exercises and examples that help employees with ethical dilemmas. The courses are accessible to employees who have personal company email addresses and access to the Cargotec intranet. In addition, onsite training workshops are arranged for employees without an email address or access to the intranet. In 2023, the mandatory Code of Conduct training was postponed to Q1/2024.

In 2023, Cargotec launched comprehensive e-learning courses on three priority topics: sanctions and export controls; anti-corruption; and human rights. These courses were assigned mandatory for specific roles in risk areas, but all employees are encouraged to complete them.

During 2023, Cargotec's Ethics and Compliance function organised several targeted workshops and training sessions for functions at higher risk of non-compliance, including local management, sales, HR and project services teams. The sessions were held in Europe, Middle East and Africa (EMEA), Asia-Pacific (APAC) and the Americas, both in person and online, and focused on anti-corruption, third-party risk, conflict of interest, fraud, as well as trade sanctions and export controls. Cargotec also continued to provide anti-corruption training to high-risk business partners that have completed the company's Third Parties in Sales Management process.

In addition to personnel training, the company's Board of Directors' receives an annual update on compliance, which includes anti-corruption topics. Ethics and compliance is also a regular topic in the Board's Audit and Risk Committee meetings.

Management of relationships with suppliers

Through its purchasing power, the company can influence suppliers and support them in improving their performance related to, for example, human rights and the environment. At the same time, Cargotec recognises that the components and services it purchases may impact people and the environment.

Cargotec's responsible sourcing programme focuses on identifying and mitigating sustainability risks in the entire supply chain and is systematically managed throughout the company's business areas. The main policies and processes to support the programme include:

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

During the supplier approval process, new suppliers must meet pre-requirements and pass an audit conducted by Cargotec before they can be approved as suppliers. The pre-requirements include committing to the BPCoC; a risk assessment conducted by Cargotec; and a supplier self assessment on a third-party platform. In the audits, approximately 20 percent of the checklist questions are related to the supplier's management of labour and human rights, anti-corruption and the environment.

If any non-compliance of Cargotec's BPCoC is found during assessments or audits, for new suppliers or existing strategic ones, the company decides on corrective measures and timeframes together with the supplier. The priority is always to collaborate with the supplier to improve their sustainability performance. However, if the partner is unwilling to take the mutually agreed corrective action, Cargotec has the right to not approve the new supplier or terminate an existing contract.

During 2023, Cargotec continued to follow up on the requirements of its Business Partner Code of Conduct (BPCoC). One of the most important tools in this work is the supplier self assessment, provided by a third party, which the company uses to evaluate the sustainability performance of its suppliers. The assessment is mandatory for all new suppliers, while selected strategic direct suppliers take it annually, if they have a low score or the assessment has an update. In 2023, Cargotec also added a group of strategic indirect suppliers (providing services and materials not used in company products) to the scope of those taking the self assessment. The self assessment questionnaire was updated by the provider during the year to include additional questions on topics, such as grievance mechanisms, climate strategies and targets, and due diligence processes. Suppliers also received improvement recommendations through the platform used for the assessment questionnaire.

The 2023 target for responsible sourcing was to have 90 percent of strategic suppliers complete the sustainability self assessment and reach an improved combined average score (54% in 2022). The target was achieved with 90 percent strategic suppliers completing the assessment and achieving an overall score of 57 percent. For 2024, the target for the improved combined average score is 60 percent or above.

To support suppliers with the lowest self assessment scores, Cargotec commissioned third-party onsite audits, focusing on human rights, with 15 suppliers during 2023. The audited suppliers received a tailored corrective action plan and are implementing them. The main improvement areas were related to health and safety. During 2024, Cargotec will follow up on the implementation of the action plans and continue the third-party audits of suppliers with low scores.

In 2023, Cargotec continued to support suppliers with driving decarbonisation in their operations and improving their own supplier management processes. To do this, the company continued to share information, tools and best practices on relevant topics. Cargotec also organised training sessions in all responsible sourcing programmes: supply chain decarbonisation, hazardous substance management, responsible minerals and Business Partner Code of Conduct (including assessments of supplier compliance of the BPCoC).

Cargotec is a member of the cross-industry platform Responsible Minerals Initiative (RMI) which aims to support responsible mineral sourcing globally by developing business practices. The RMI provides tools for increasing the transparency of the origin of conflict minerals and cobalt used in the value chain, including a due diligence tool and the Responsible Minerals Assurance Process (RMAP) to audit smelters and refiners.

Cargotec has identified sourcing categories and suppliers whose products present the highest risk of containing critical minerals. As part of its due diligence, the company requests these suppliers to provide information on the smelters and refiners they work with. Cargotec aims to only purchase minerals that come from RMI-audited smelters and refiners. In 2023, the company began this process with cobalt and mica, in addition to conflict minerals included earlier (tungsten, tantalum, tin and gold; often referred to as 3TGs).

Cargotec's long-term goal is to minimise and eventually eliminate hazardous substances from its products. The company uses an industry-led blockchain web database that helps communicate legal obligations to the authorities regarding REACH, SCIP and other regulations, but also supports related dialogue with suppliers. This work continued in 2023.

Prevention and detection of non-compliance

All suspected misconduct, including cases related to corruption and bribery, is subject to review and a potential investigation, assessed by Cargotec's Ethics and Compliance (E&C) function. To secure the anonymity of people reporting through the company's SpeakUp line throughout the investigation process, the E&C function submits follow-up questions via the channel, when needed.

All suspected incidents of misconduct, regardless of reporting channel or whether it was reported by an employee or a value chain worker, are handled confidentially by people specifically appointed by the E&C function. The E&C function may conduct investigations on its own and/or assign them to other authorised employees or functions, such as Human Resources, IT or Health and Safety. The person or team assigned to conduct the investigation must not be closely associated with the case, the reporting person (when identity is known) or the suspected wrong-doer. All investigations are conducted in an objective and neutral manner and in compliance with applicable laws and regulations.

The person or team responsible for the investigation can access all relevant documents, systems and premises and is allowed to conduct any interviews necessary. All employees are expected to cooperate in an investigation. The employee suspected of misconduct is given an opportunity to respond to the allegations.

Non-compliance incidents

During 2023, 78 reports (2022: 93 reports) of alleged misconduct were made to Cargotec's Ethics and Compliance function. The function decided to open an investigation in 16 cases (2022: 31). Of these, three cases (2022: 5) were related to possible conflict of interest issues, while two cases (2022: 9) were related to workplace environment, and three (2022: 2) to export controls or sanctions issues. Other cases were related to unethical business conduct, financial integrity or other policy violations. In addition, nine cases related to workplace environment were handled by Human Resources.

During the year, a total of 24 investigations were completed by Ethics and Compliance and improvement actions were initiated. In 75 percent of the completed cases (2022: 73%), the allegations were substantiated at least partly, with some cases resulting in disciplinary actions, such as warnings and personnel dismissals, and corrective actions, such as policy and process improvements.

In June 2019, the National Bureau of Investigation in Finland reported that it has been working on a preliminary investigation regarding a suspected aggravated fraud in connection to Cargotec's MacGregor business area. The suspected financial fraud was detected by Cargotec in an internal review and the investigation request was made to the National Bureau of Investigation. In 2020, the District Attorney pressed charges against former MacGregor employees. The case hearing took place in early 2021, and the verdict was rendered by the District Court of Turku on March 8, 2022, awarding criminal liability for three defendants and financial compensation for Cargotec and MacGregor. The case was appealed and the hearing in the Turku Appellate Court took place in 2023. The verdict is still pending. Cargotec has a zero tolerance policy for misconduct, and is fully supporting the judicial process. Neither MacGregor nor Cargotec are suspected of criminal actions.

In 2022, Cargotec and its subsidiary MacGregor USA, Inc. made a voluntary self-disclosure to US authorities regarding compliance with certain export regulations related to information management in the context of MacGregor's US Government business. In 2023, US authorities gave a no-penalty decision on the matter. MacGregor signed a Letter of Undertaking, committing itself to take action to improve its export controls programme. The provision of EUR 18 million made in 2022 was reversed in the third quarter of 2023.

Internal control, risks and risk management

Internal control and risk management

The objective of Cargotec's internal control is to ensure that the company's operations are efficient and profitable, that risk management is adequate and appropriate, and that financial and other information produced is reliable. Cargotec's internal control is based on the company's Code of Conduct and Internal Controls Framework. With respect to the financial reporting process, these are supported by policies and guidelines, as well as with the internal financial reporting process and communication. Cargotec's Internal Control Policy, revised in 2023 and approved by the Board of Directors, specifies the applicable control principles, procedures and responsibilities. Similar 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's Internal Audit is to provide 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. Internal Audit helps and supports the business organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. To ensure the independence of the Internal Audit function, the Head of Internal Audit reports functionally to the Board of Directors' 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 company's 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 Cargotec's overall risk appetite and ensures that the organisation has sufficient risk management and control. The President and 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 group 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 President and 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. During 2023, Cargotec's risk management framework was reviewed for alignment with the new Corporate Sustainability Reporting Directive (CSRD). Climate-related risks and opportunities are identified and assessed with the help of the general corporate risk management process as well as a dedicated climate-related risk management process, created by group sustainability and strategy teams. The process is described in the Board of Directors report. Financial risks are managed centrally by the Corporate Treasury and reported to corporate management and the Audit and Risk Management Committee on a regular basis.

Short-term risks and uncertainties

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

High inflation and interest rates, weak consumer confidence, as well as increased uncertainty are slowing down economic growth. Availability of components and raw materials improved towards the end of the year 2023. However, disruptions in the supply chain are still possible, especially due to the recent events in the Middle East.

The above risk factors can affect Cargotec's operations. Component availability problems as well as increased labour and energy costs could elevate manufacturing costs and increase challenges to control costs and pass them on to the prices of end products.

In a changing market situation, demand for Cargotec's solutions might be lower than in previous years. Customers may also try to postpone or cancel orders or demand lower prices. Despite planned cost savings, lower production volumes could impact Cargotec's profitability margins negatively. There is also uncertainty related to achieving the planned cost savings.

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

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

In addition to economic growth, for example, Hiab's demand is also impacted by the development of the construction market. Economic uncertainty as well as high prices and interest rates, and the availability challenges of building materials can have a negative effect on construction activity, which in turn can negatively impact the demand for Hiab's solutions. A significant share of Hiab's orders are from the United States. Even though cash flows are hedged for the existing order book, the weakening of the US dollar could in the longer term weaken Hiab's results. Similarly, a stronger dollar can improve Hiab's results. Hiab's solutions are installed on trucks, and truck delivery bottlenecks can have a negative impact on Hiab's sales development.

MacGregor's market development is affected by the tightening emission regulation for ships and related uncertainty. The increases in the new vessel construction costs and high amounts of order bookings at shipyards may slow down new vessel orders. Global decarbonisation targets have led to a fall in investments by the oil industry, which has long been reflected in decreased offshore vessel investments. However, increase in contracting for wind turbine installations and service vessels is estimated to partly compensate for that in the future. Project executions face risks related to schedule, cost and delivery guarantees, especially those related to offshore business and new product developments. Downward revision of market estimates or rising interest rates could result in an impairment of MacGregor's goodwill.

In November 2022, Cargotec's Board of Directors concluded that MacGregor will not be part of Cargotec's portfolio in the future. Taking into account MacGregor's losses in recent years and significant project cost overruns in the offshore business, in the sale alternative the buyer's view of the company's value may differ significantly from Cargotec's estimate, which could result in a write-down of MacGregor's book value.

In April 2023, Cargotec announced that its Board of Directors had decided to investigate and initiate a process to potentially separate Cargotec's core businesses Kalmar and Hiab into two standalone companies. The planned actions can include risks related to the retention of skilled personnel, customer relationships, the execution of potential transactions, and costs, for example. Changes in operating models, combined with tightening tax regulation, may lead to additional tax payments.

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

The reduction of emissions related to the use of Cargotec's products can only be achieved if there is sufficient demand for low-emission products. In order to achieve this, Cargotec must succeed in developing and selling low-emission products. Cargotec's product development has a critical role in achieving this. Cargotec has invested heavily to electrify its product offering and customers are increasingly choosing low-emission products although the majority of products sold are still based on combustible engine technology. In the future, Cargotec's product offering may be based on multiple low-emission technologies, which may increase complexity and cost.

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

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

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

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

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

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

Shares, market capitalisation and trading

Share capital, own shares and share issue

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of December 2023. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089.

On 23 March 2023, Cargotec's Board of Directors decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to the performance period 2020–2022 of Cargotec's share-based incentive programme, 2020–2022 restricted shares programme, first instalment of the restricted share programme 2022–2024 and first instalment of the restricted share unit programme 2022–2024.

In the share issue, 224,797 own class B shares held by the company were transferred on 31 March 2023 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 these programmes are available in the stock exchange releases published on 6 February 2020 and 13 May 2022.

The decision on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting on 23 March 2023. 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.

On 20 July 2023, Cargotec announced that the Board of Directors had decided to exercise the authorisation of the Annual General Meeting on 23 March 2023 to repurchase the company's own shares. According to the decision, Cargotec will repurchase 400,000 class B shares to be used as reward payments for Cargotec's share-based incentive programmes. The shares will be purchased at public trading on Nasdaq Helsinki Ltd. at the market price. According to the authorisation given to the Board of Directors by the Annual General Meeting, the maximum amount of shares that can be acquired is 952,000 class A shares and 5,448,000 class B shares. Cargotec repurchased 400,000 own shares at an average price of EUR 42.8460 between 21 July–18 August 2023.

At the end of December 2023, Cargotec held a total of 407,043 own class B shares, accounting for 0.63 percent of the total number of shares and 0.27 percent of the total number of votes. The number of outstanding class B shares totalled 54,775,036.

Market capitalisation and trading

At the end of 2023, the total market value of class B shares on Nasdaq Helsinki was EUR 2,887 (2,271) 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 3,389 (2,668) million, excluding own shares held by the company. The class B share closed at EUR 52.70 (41.32) on the last trading day of December on Nasdaq Helsinki. The volume-weighted average share price in 2023 was EUR 45.68 (34.82), the highest quotation being EUR 55.15 (48.46) and the lowest EUR 35.28 (24.90). During the period, a total of 22 (44) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,020 (1,541) million. In addition, class B shares were traded in several alternative marketplaces.

At the end of the period, the number of registered shareholders was 38,363. The number of Finnish household shareholders was 36,464, corresponding to around 17 percent ownership of Cargotec's listed B shares. At the end of the period, around 29 percent of Cargotec's listed B shares were nominee registered or held by non-Finnish holders.

Share-based incentive programmes

Share-based incentive programmes

During the financial year 2023, Cargotec had several share-based incentive programmes in place for the group's key employees. By the end of the year, the Board of Directors of Cargotec Corporation had established the following share-based incentive programmes:

- In December, the Board of Directors resolved to establish a new share-based incentive programme directed to the key employees of Cargotec. The programme includes calendar years 2024–2026 as a performance period. Rewards from the performance period 2024–2026 will be paid partly in Cargotec's class B shares and partly in cash in 2027. The rewards to be paid on the basis of the performance period 2024–2026 will amount up to an approximate maximum total of 222,000 Cargotec's class B shares. The programme is directed to approximately 100 key employees, including the members of Cargotec Leadership Team. The performance period includes three measuring periods of one calendar year. For the key employees of the business areas Kalmar and Hiab, the potential reward of the programme from the first measuring period 2024 will be based on the business areas' earning per share (EPS). For the Cargotec Corporate key employees, the performance criteria is Cargotec's earning per share (EPS).
- Also in December, the Board of Directors resolved to establish a new restricted shares programme for calendar years 2024–2026. As a part of total compensation,

additional restricted share grants can be allocated for selected key employees. The rewards to be paid on the basis of the programme will amount up to an approximate maximum total of 20,000 Cargotec's class B shares.

- In February, the Board of Directors resolved to establish a new share-based incentive programme directed to the key employees of Cargotec. The programme includes calendar years 2023–2025 as a performance period. Rewards from the performance period 2023–2025 will be paid partly in Cargotec's class B shares and partly in cash in 2026. The rewards to be paid on the basis of the performance period 2023–2025 will amount up to an approximate maximum total of 200,000 Cargotec's class B shares. The programme is directed to approximately 100 key employees, including the members of Cargotec Leadership Team. The performance period includes three measuring periods of one calendar year. For the key employees of the business areas Kalmar and Hiab, the potential reward of the programme from the first measuring period 2023 will be based on the business areas' earnings per share (EPS). For the Cargotec Corporate key employees, the performance criteria is Cargotec's earnings per share (EPS).
- Also in February, the Board of Directors resolved to establish a new restricted shares programme for calendar years 2023–2025. As a part of total compensation, additional restricted share grants can be allocated for selected key employees. The rewards to be paid on the basis of the programme will amount up to an approximate maximum total of 24,000 Cargotec's class B shares.
- In April, the Board of Directors decided on a new incentive programme for the group's key employees for years 2023–2025. The reward from the programme is conditional on the achievement of strategic goals set by the Board of Directors. The reward is paid in the beginning of 2025. The shares received as a reward from the programme may not be sold, transferred, pledged or otherwise assigned during a lock-up period which ends six months after the reward payment. The programme is intended for approximately 50 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 268,750 Cargotec's class B shares.

At the end of 2023, the following share-based incentive programmes established by the Board of Directors of Cargotec during the past financial years were in operation:

- Performance share programme 2020–2024, performance period 2021–2023. For its third measuring period 2023, the potential reward will be based on the eco portfolio share in orders received for the key employees of the business areas Kalmar, Hiab and MacGregor. For Cargotec Corporate key employees, the performance criterion is Cargotec's eco portfolio share in orders received. The programme is directed to approximately 100 key employees. The rewards to be paid on the basis of the performance period will amount up to an approximate maximum total of 278,500 Cargotec's class B shares.
- Performance share programme 2020–2024, performance period 2022–2024. For its second measuring period 2023, the potential reward will be based on the business areas' service gross profit for the key employees of the business areas Kalmar, Hiab and MacGregor. For Cargotec Corporate key employees, the performance criterion will be Cargotec's service gross profit. The programme is directed to approximately 100 key employees. The rewards to be paid on the basis of the performance period will amount up to an approximate maximum total of 280,000 Cargotec's class B shares.
- Restricted share unit programme 2022–2024. The reward is conditional on the achievement of strategic goals set by the Board of Directors. The programme is intended for approximately 60 Cargotec group's key employees, including selected Leadership Team members. The rewards to be allocated on the basis of the programme will amount up to an approximate maximum total of 108,000 Cargotec's class B shares.
- Restricted share programme 2020–2024, earnings period 2021–2023. The share allocation for the performance period amounts up to an approximate maximum total of 46,000 Cargotec's class B shares.
- Restricted share programme 2020–2024, earnings period 2022–2024. The share allocation for the performance period amounts up to an approximate maximum total of 31,000 Cargotec's class B shares.

Information about the impact which the planned separation of Cargotec's core businesses Kalmar and Hiab into standalone companies will have on the incentive programmes will be provided in due course when additional information about the separation and its progress is provided.

Governance

Board of Directors, President and CEO

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

Leadership Team

On 20 December 2022, Cargotec announced that CEO Mika Vehviläinen had informed Cargotec's Board of Directors of his intention to retire from Cargotec during 2023, in accordance with the terms of his CEO service contract. The Board initiated a search for a successor and in February 2023, announced that it had appointed Casimir Lindholm as Cargotec's new President and CEO. Casimir Lindholm started in his position on 1 April 2023.

On 16 August 2023, Cargotec announced that, as part of the demerger planning and listing readiness, Cargotec's Board of Directors had decided to strengthen the presidency of Kalmar, and had agreed with Michel Van Roozendaal that he will step down as President of Kalmar and as member of Cargotec Leadership Team effective immediately. Following this, the Board appointed Cargotec's President and CEO Casimir Lindholm to also act as interim President of Kalmar. In addition, it was announced that Mikael Laine, SVP Strategy, will act as interim COO of Kalmar business area in addition to his current role.

On 9 November 2023, Cargotec's Board of Directors appointed Sami Niiranen, M.Sc. Mining, born 1972, as the President of Kalmar as of May 2024 at the latest. Sami Niiranen will also become a member of the Cargotec Leadership Team and, if the demerger is pursued, he shall also be proposed as the President and CEO of the proposed standalone Kalmar. Cargotec's President and CEO Casimir Lindholm will hold his interim position as Kalmar President until Sami Niiranen has started in his position.

On 31 December 2023, Cargotec's Leadership Team consisted of Casimir Lindholm, President and CEO and interim President, Kalmar; Mikko Puolakka, Executive Vice President, CFO; Mikko Pelkonen, Senior Vice President, Human Resources; Mikael Laine, Senior Vice President, Strategy and interim COO, Kalmar; Soili Mäkinen, Senior Vice President, Sustainable Business Development; Outi Aaltonen, Senior Vice President, General Counsel; Carina Geber-Teir, Senior Vice President, Communications; Scott Phillips, President, Hiab; and Leif Byström, President, MacGregor.

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting was held on 23 March 2023 in Helsinki, Finland. The Annual General Meeting approved a distribution of a dividend of EUR 1.34 for each of class A shares and a dividend of EUR 1.35 for each outstanding class B shares. The dividend was paid to shareholders who on the record date of the dividend distribution, 27 March 2023, were registered as shareholders in the company's shareholder register. The dividend payment day was 4 April 2023.

The meeting adopted the financial statements and consolidated financial statements, and approved the remuneration report. The meeting granted discharge from liability to the members of the Board of Directors and to the CEO for the financial year 1 January–31 December 2022.

The number of the Board members was confirmed at eight (8). The current Board members Jaakko Eskola, Ilkka Herlin, Teresa Kemppi-Vasama, Johanna Lamminen and Kaisa Olkkonen were re-elected to the Board of Directors. Raija-Leena Hankonen-Nybom, Tapio Kolunsarka and Ritva Sotamaa were elected as new members of the Board of Directors.

The yearly remuneration of the Board of Directors was confirmed as follows: EUR 95,000 will be paid to the Chair of the Board, EUR 70,000 to the Vice Chair, EUR 70,000 to the Chair of the Audit and Risk Management Committee, and EUR 55,000 to the other Board members. In addition, EUR 1,000 will be paid 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 on a quarterly basis and Cargotec will cover the transfer taxes related to the Board remuneration paid in shares. In addition, travel expenses of the members of the Board of Directors are reimbursed in accordance with the company's travel policy.

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

The Annual General Meeting approved the amendments of the articles of association as follows: (i) Section 9 to be changed in its entirety as follows: The company shall have at least one (1) and no more than two (2) auditors. The auditor must be an auditor approved by the Finnish Patent and Registration Office, and the principal auditor must be an authorised public accountant. The term of office of auditor(s) elected by the Annual General Meeting lasts until the end of the Annual General Meeting following their election; (ii) To be added to Section 12: The Board of Directors may resolve on organising a general meeting without a meeting venue whereby the shareholders shall exercise their power of decision in full in real time during the meeting by the use of telecommunication connections and technical means (remote meeting); (iii) To be removed from Section 12: The Annual General Meeting must be held annually on a date to be decided by the Board of Directors within three months of the end of the financial period.

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.

The Annual General Meeting authorised the Board of Directors 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 Limited Liability Companies Act. The authorisation shall remain in effect for a period of 18 months following the date of decision of the Annual General Meeting and it will supersede the previous one.

The Annual General Meeting authorised the Board of Directors to decide on donations to science, research and/or charity up to a maximum of EUR 100,000. The authorisation is valid until the end of the next Annual General Meeting.

Cargotec published a stock exchange release on the decisions taken at the AGM on 23 March 2023. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Organisation of the Board of Directors

On 23 March 2023, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected in its organising meeting Jaakko Eskola to continue as Chair of the Board. Ilkka Herlin was re-elected as Vice Chair of the Board. The Board also elected the Chairs 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, will continue as Secretary to the Board. Cargotec published a stock exchange release on the Board of Directors' organising meeting on 23 March 2023.

On 16 August 2023, the Board of Directors decided to establish a Demerger Committee to oversee the preparations for listing readiness and corporate governance matters for the potential standalone Kalmar. On 9 November 2023, the Board nominated Jaakko Eskola, the Chair of Cargotec's Board, as the Chair of the Demerger Committee. The Demerger Committee consists of Jaakko Eskola, Teresa Kemppi-Vasama and Tapio Kolunsarka. The Demerger Committee members will also remain as members of Cargotec's Board of Directors. Cargotec published stock exchange releases on 16 August 2023 and 9 November 2023 concerning the Demerger Committee's purpose and composition.

Cargotec published a stock exchange release on the Board of Directors' organising meeting on 23 March 2023, and on the establishment of the Demerger Committee on 16 August 2023. Stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Board of Directors' authorisations

The Annual General Meeting of 23 March 2023 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.

The Annual General Meeting of 23 March 2023 authorised the Board of Directors 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 Limited Liability Companies Act. The authorisation shall remain in effect for a period of 18 months following the date of decision of the Annual General Meeting and it will supersede the previous one.

Loans, liabilities and commitments to related parties

Cargotec had no loans, liabilities or commitments to its related persons and their related parties on 31 December 2023.

Board of Directors' proposal on the distribution of profit

The parent company's distributable equity on 31 December 2023 was EUR 491,839,387.70. The Board of Directors proposes to the Annual General Meeting convening on 30 May 2024 that of the distributable profit, a dividend of EUR 2.14 for each of the 9,526,089 class A shares and EUR 2.15 for each of the 54,775,036 outstanding class B shares be paid, totalling EUR 138,152,157.86. The remaining distributable equity, EUR 353,687,229.84 will be retained and carried forward.

The dividend shall be paid to shareholders who on the record date for dividend distribution, 3 June 2024, are registered as shareholders in the company's shareholder register. The dividend payment date proposed by the Board of Directors is 10 June 2024.

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

There were no material events after the reporting period.

Outlook for 2024

Cargotec estimates[8] Hiab's comparable operating profit margin in 2024 to be above 12 percent, Kalmar's comparable operating profit margin in 2024 to be above 11 percent, and MacGregor's comparable operating profit in 2024 to improve from 2023 (EUR 33 million).

Annual General Meeting 2024

The Annual General Meeting of Cargotec Corporation will be held on Thursday, 30 May 2024.

[8] The business area 2024 profitability outlook is presented using the same principles which are applied in the 2023 external financial reporting.

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Consolidated statement of income

MEUR	Note	1 Jan–31 Dec 2023	%	1 Jan–31 Dec 2022	%
Sales	2.1, 2.2	4,568.8		4,088.6	
Cost of goods sold		-3,463.5		-3,230.5	
Gross profit		**1,105.3**	**24.2**	**858.1**	**21.0**
Selling and marketing expenses		-213.5		-199.9	
Research and development expenses		-98.3		-99.8	
Administration expenses		-309.4		-279.7	
Restructuring costs	2.4	-14.6		-91.3	
Other operating income	2.3	39.9		51.9	
Other operating expenses	2.3	-36.7		-140.2	
Share of associated companies' and joint ventures' result	7.2	11.1		7.0	
Operating profit	2.1, 2.3, 2.4, 3.1, 6.4	**483.8**	**10.6**	**106.1**	**2.6**
Finance income	2.5	12.0		4.4	
Finance expenses	2.5	-42.8		-31.6	
Profit before taxes		**453.0**	**9.9**	**79.0**	**1.9**
Income taxes	4.1	-104.3		-55.8	
Profit for the period		**348.7**	**7.6**	**23.2**	**0.6**
Profit for the period attributable to:					
Shareholders of the parent company		346.9		23.9	
Non-controlling interest		1.8		-0.7	
Total		**348.7**		**23.2**	
Earnings per share for profit attributable to the shareholders of the parent company:	2.6				
Basic earnings per share, EUR		5.38		0.37	
Diluted earnings per share, EUR		5.37		0.37	

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

Consolidated statement of comprehensive income

MEUR	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit for the period		**348.7**	**23.2**
Other comprehensive income			
Items that cannot be reclassified to statement of income:			
Actuarial gains (+) / losses (-) from defined benefit plans	3.4	-7.4	27.7
Gains (+) / losses (-) on designated share investments measured at fair value		-	-11.0
Taxes relating to items that cannot be reclassified to statement of income	4.1	1.5	-5.6
Items that can be reclassified to statement of income:			
Gains (+) / losses (-) on cash flow hedges		19.9	-59.3
Gains (+) / losses (-) on cash flow hedges transferred to statement of income		-19.2	65.9
Translation differences		-22.5	11.3
Taxes relating to items that can be reclassified to statement of income	4.1	-0.5	-2.3
Share of other comprehensive income of associates and JV, net of tax		0.7	-0.8
Other comprehensive income, net of tax		**-27.4**	**25.8**
Comprehensive income for the period		**321.2**	**49.0**
Comprehensive income for the period attributable to:			
Shareholders of the parent company		319.5	49.7
Non-controlling interest		1.7	-0.6
Total		**321.2**	**49.0**

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

Consolidated balance sheet

MEUR	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Goodwill	6.1	878.1	892.1
Intangible assets	6.2	118.4	124.8
Property, plant and equipment	6.3	444.9	420.0
Investments in associated companies and joint ventures	7.2	76.6	74.6
Share investments	8.2	0.0	0.0
Loans receivable and other interest-bearing assets*	8.2	0.1	4.5
Deferred tax assets	4.2	122.2	128.6
Derivative assets	8.2, 8.5	-	1.1
Other non-interest-bearing assets	5.3, 8.2	5.8	7.2
Total non-current assets		**1,646.0**	**1,652.9**
Current assets			
Inventories	5.2	1,033.8	1,013.3
Loans receivable and other interest-bearing assets*	8.2	3.4	2.8
Income tax receivables		18.5	39.0
Derivative assets	8.2, 8.5	54.0	39.5
Accounts receivable	5.3, 8.2	723.8	734.7
Contract assets	2.2, 5.3	47.3	104.0
Other non-interest-bearing assets	5.3	164.9	151.2
Cash and cash equivalents*	8.2, 8.3	684.7	451.9
Total current assets		**2,730.4**	**2,536.4**
Total assets		**4,376.5**	**4,189.3**

*Included in interest-bearing net debt.

MEUR	Note	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity attributable to the shareholders of the parent company			
Share capital		64.3	64.3
Share premium		98.0	98.0
Translation differences		-56.4	-34.0
Fair value reserves		-2.5	-3.5
Reserve for invested unrestricted equity		35.3	52.8
Retained earnings		1,613.6	1,350.0
Total equity attributable to the shareholders of the parent company	3.2, 8.6	**1,752.3**	**1,527.6**
Non-controlling interest		1.5	0.7
Total equity		**1,753.8**	**1,528.3**
Non-current liabilities			
Interest-bearing liabilities*	8.2, 8.4, 9.1	708.2	750.9
Deferred tax liabilities	4.2	21.9	30.6
Pension obligations	3.4	89.0	82.2
Provisions	5.5	5.6	6.4
Other non-interest-bearing liabilities	5.4, 8.2	87.1	74.8
Total non-current liabilities		**911.8**	**944.9**
Current liabilities			
Current portion of interest-bearing liabilities*	8.2, 8.4, 9.1	142.9	74.9
Other interest-bearing liabilities*	8.2, 8.4	15.6	11.7
Provisions	5.5	154.9	176.2
Income tax payables		54.3	52.9
Derivative liabilities	8.2, 8.5	26.0	7.4
Accounts payable	5.4	511.2	617.1
Contract liabilities	2.2	374.5	291.1
Other non-interest-bearing liabilities	5.4, 8.2	431.5	484.8
Total current liabilities		**1,710.9**	**1,716.1**
Total equity and liabilities		**4,376.5**	**4,189.3**

*Included in interest-bearing net debt.

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

Consolidated statement of changes in equity

		Equity attributable to the shareholders of the parent company								
MEUR	Note	Share capital	Share premium	Translation differences	Fair value reserve	Reserve for invested unrestricted equity	Retained earnings	Total	Non-controlling interest	Total equity
Equity 1 Jan 2023		**64.3**	**98.0**	**-34.0**	**-3.5**	**52.8**	**1,350.0**	**1,527.6**	**0.7**	**1,528.3**
Profit for the period							346.9	346.9	1.8	348.7
Cash flow hedges					0.9			0.9	-	0.9
Translation differences				-22.4				-22.4	0.0	-22.5
Actuarial gains / losses from defined benefit plans	3.4, 4.1						-5.9	-5.9	-	-5.9
Comprehensive income for the period*		**-**	**-**	**-22.4**	**0.9**	**-**	**341.0**	**319.5**	**1.7**	**321.2**
Dividends paid	8.6						-86.9	-86.9	-0.3	-87.3
Treasury shares acquired						-17.5		-17.5		-17.5
Share-based payments	3.2						9.6	9.6		9.6
Transactions with owners of the company		**-**	**-**	**-**	**-**	**-17.5**	**-77.4**	**-94.9**	**-0.3**	**-95.2**
Transactions with non-controlling interests							0.0	0.0	-0.6	-0.6
Equity 31 Dec 2023		**64.3**	**98.0**	**-56.4**	**-2.5**	**35.3**	**1,613.6**	**1,752.3**	**1.5**	**1,753.8**

*Net of tax.

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

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

*Net of tax.

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

Consolidated statement of cash flows

MEUR	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Net cash flow from operating activities			
Profit for the period		348.7	23.2
Depreciation, amortisation and impairment	6.4	114.9	203.9
Finance income and expenses	2.5	30.8	27.2
Income taxes	4.1	104.3	55.8
Change in non-interest bearing receivables		35.8	-112.6
Change in non-interest bearing liabilities		-50.5	283.2
Change in inventories		-31.8	-238.9
Change in net working capital		-46.5	-68.3
Other adjustments		-8.0	-10.6
Cash flow from operations before finance items and taxes		**544.2**	**231.2**
Interest received		11.9	4.3
Interest paid		-25.3	-19.4
Dividends received		-	0.2
Other finance items		-10.1	-6.7
Income taxes paid		-84.7	-49.2
Net cash flow from operating activities		**435.9**	**160.4**
Net cash flow from investing activities			
Acquisitions of businesses, net of cash acquired	7.1	-25.7	-0.1
Disposals of businesses, net of cash sold	7.1	11.1	15.1
Investments in associated companies and joint ventures	7.2	-	-0.9
Investments in intangible assets and property, plant and equipment	6.2, 6.3	-81.1	-66.2
Disposals of intangible assets and property, plant and equipment	2.3, 6.2, 6.3	31.6	25.3
Cash flow from investing activities, other items		2.4	32.8
Net cash flow from investing activities		**-61.8**	**6.1**

MEUR	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Net cash flow from financing activities			
Treasury shares acquired		-17.5	-1.2
Repayments of lease liabilities	8.4	-46.9	-43.1
Proceeds from long-term borrowings	8.4	50.9	-
Repayments of long-term borrowings	8.4	-38.2	-87.5
Proceeds from short-term borrowings	8.4	10.6	-
Repayments of short-term borrowings	8.4	-3.9	-3.3
Dividends paid	8.6	-87.3	-70.4
Net cash flow from financing activities		**-132.1**	**-205.5**
Change in cash and cash equivalents		**242.0**	**-39.0**
Cash and cash equivalents, and bank overdrafts 1 Jan	8.3	445.4	488.2
Effect of exchange rate changes		-6.6	-3.8
Cash and cash equivalents, and bank overdrafts 31 Dec		**680.8**	**445.4**
Bank overdrafts 31 Dec	8.3	3.8	6.5
Cash and cash equivalents 31 Dec		**684.7**	**451.9**

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

Notes to the consolidated financial statements

1. ACCOUNTING PRINCIPLES

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

These consolidated financial statements were approved for publishing by the Board of Directors on 31 January 2024. 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 2023 have been used in preparation of the financial statements.

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

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

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

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

Accounting principle	Note or note section
Segment reporting	2.1 Segment information
Revenue recognition and contract assets and liabilities	2.2 Revenue recognition
Government grants	2.3 Other operating income and expenses
Interest income and expense	2.5 Finance income and expenses
Earnings per share	2.6 Earnings per share
Share-based payments	3.2 Share-based payments
Pension obligations	3.4 Post-employment benefits
Income taxes	4. Income taxes
Inventories	5.2 Inventories
Accounts receivable	5.3 Accounts receivable and other non-interest-bearing assets
Provisions	5.5 Provisions
Goodwill	6.1 Goodwill
Intangible asset and research and development costs	6.2 Intangible assets
Property, plant and equipment	6.3 Property, plant and equipment
Impairments	6.4 Depreciation, amortisation and impairment charges
Consolidation principles, foreign currency transactions, foreign subsidiaries, business acquisitions and disposals, joint ventures and associated companies, and non-current assets held for sale	7. Group structure
Financial assets, cash and cash equivalents, financial liabilities, offsetting financial assets and liabilities, derivative financial instruments and hedge accounting, profit distribution and treasury shares	8. Capital structure and financial instruments
Leases	9.1 Leases
Contingent liabilities and commitments	9.2 Contingent liabilities and commitments

New accounting standards in 2023

Starting from 1 January 2023, Cargotec has applied the following new standards and amendments:

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

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

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

Amendments to IAS 12, International Tax Reform—Pillar Two Model Rules. Pillar 2 is the OECD's initiative to address tax challenges related to the digitalisation of the global economy by introducing Global Anti-Base Erosion (GloBE) rules and a related 15% global minimum tax. The European Union's Council Directive (EU) 2022/2523 entered into force in December 2022, according to which the EU Member States shall transpose the GloBE rules into their domestic law by 31 December 2023.

According to the IASB's published amendments to IAS 12, Cargotec has applied the exception provided in IAS 12 paragraph 4A and has neither recognised nor disclosed information about deferred tax assets or liabilities related to Pillar 2 income taxes.

Pillar 2 rules have been enacted, but are not yet in effect for the financial year 2023, in several countries where Cargotec has operations, including Finland where Cargotec Corporation is incorporated. Based on the impact analysis performed, income taxes concerning Pillar 2 are not expected to have a material impact on the income taxes of the group. However, there is uncertainty regarding how and when the jurisdictions where Cargotec operates will implement the Pillar 2 rules, and how different authorities will interpret the global rules. Therefore, the impact of Pillar 2 rules on the income taxes of the group may differ from Cargotec's current estimate.

The amendments that became effective in the year 2023 had no material impact on the reported figures.

New or amended IFRS standards and interpretations from 2024

In 2024 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 1.1.2024

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

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback. The amendment clarifies the accounting and measurement of a sale and leaseback transaction in particular related to the value of right of use asset that the seller-lessee measures based on the economic interest retained.

Amendments to IAS 7 and IFRS 7, Supplier Finance Arrangements.

The amendment instructs to provide more information about the use of supplier financing arrangements, their scope, and the effect on the reported figures. Cargotec has supplier financing arrangements with certain financiers and its suppliers. In the arrangements, Cargotec receives a longer than normal payment period for its trade payables covered by the program, and suppliers receive payment faster than the normal payment period.

Effective from 1.1.2025 or later

Amendments to IAS 21, Lack of Exchangeability

The amendment helps to identify a situation where the currency cannot be considered freely exchangeable and instructs in these situations to take this into account in the exchange rate used in reporting and to provide additional information on the matter.

1.2 Estimates and assumptions requiring management judgement

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

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

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

2. FINANCIAL PERFORMANCE

2.1 Segment information

Accounting principles

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

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

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

Hiab is a leading provider of smart and sustainable on-road load handling solutions with customers operating in logistics, construction and a variety of industries. Hiab's premium equipment includes HIAB, EFFER and ARGOS loader cranes, MOFFETT and PRINCETON truck mounted forklifts, LOGLIFT forestry cranes, JONSERED recycling cranes, MULTILIFT skiploaders and hooklifts, GALFAB roll-off cable hoists, and tail lifts under the ZEPRO, DEL and WALTCO brands. As the industry pioneer, Hiab continues to make load handling smarter, safer and more sustainable to build a better tomorrow.

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

Operating segments

Segment results

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

1 Jan–31 Dec 2023 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Equipment	1,430.0	1,334.5	379.5	3,143.9	0.0	3,143.8
Services	573.9	452.1	353.7	1,379.7	-0.4	1,379.3
Software	45.7	-	-	45.7	0.0	45.7
Total sales	**2,049.6**	**1,786.5**	**733.1**	**4,569.3**	**-0.4**	**4,568.8**
Depreciation and amortisation	53.2	37.6	16.4	107.2	7.2	114.4
Impairment charges	0.0	0.0	0.5	0.5	-	0.5
Share of associated companies' and joint ventures' result	9.0	-	2.1	11.1	-	11.1
Operating profit	**264.2**	**252.1**	**31.8**	**548.2**	**-64.4**	**483.8**
% of sales	12.9%	14.1%	4.3%	-	-	10.6%
Restructuring costs and other items affecting comparability	15.2	-0.1	0.8	16.0	13.6	29.6
Comparable operating profit	**279.4**	**252.1**	**32.6**	**564.1**	**-50.8**	**513.3**
% of sales	13.6%	14.1%	4.5%	-	-	11.2%
Finance income and expenses	-	-	-	-	-	-30.8
Profit before taxes	**-**	**-**	**-**	**-**	**-**	**453.0**
EBITDA	**317.4**	**289.8**	**48.8**	**656.0**	**-57.2**	**598.7**

1 Jan–31 Dec 2022 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate administration, support functions and eliminations	Cargotec total
Sales						
Equipment	1,344.2	1,167.0	267.7	2,778.8	-0.9	2,778.0
Services	551.5	411.4	301.0	1,264.0	-0.4	1,263.5
Software	47.1	-	-	47.1	0.0	47.1
Total sales	**1,942.8**	**1,578.4**	**568.7**	**4,089.9**	**-1.3**	**4,088.6**
Depreciation and amortisation	48.5	35.5	23.2	107.1	8.5	115.6
Impairment charges	0.0	-	88.3	88.3	0.0	88.3
Share of associated companies' and joint ventures' result	6.3	-	0.7	7.0	-	7.0
Operating profit	**142.1**	**217.1**	**-190.2**	**169.0**	**-62.9**	**106.1**
% of sales	7.3%	13.8%	-33.4%	-	-	2.6%
Restructuring costs and other items affecting comparability	47.0	3.9	142.7	193.6	16.6	210.2
Comparable operating profit	**189.2**	**220.9**	**-47.5**	**362.6**	**-46.3**	**316.4**
% of sales	9.7%	14.0%	-8.3%	-	-	7.7%
Finance income and expenses	-	-	-	-	-	-27.2
Profit before taxes	**-**	**-**	**-**	**-**	**-**	**79.0**
EBITDA	**190.6**	**252.5**	**-78.7**	**364.5**	**-54.4**	**310.1**

* Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2023. The restated comparable operating profit will also include the impacts of the purchase price allocation, which amounted to EUR 16 million in 2022. Of these items, EUR 1 million were related to Kalmar, EUR 3 million to Hiab, and EUR 12 million to MacGregor.

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 2023 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and eliminations	Cargotec total
Goodwill	260.2	238.4	379.5	878.1	-	878.1
Intangible assets	12.9	17.9	75.1	105.9	12.4	118.4
Property, plant and equipment	268.8	140.3	27.0	436.0	8.9	444.9
Investments in associated companies and joint ventures	48.8	-	27.8	76.6	0.0	76.6
Share investments	-	0.0	0.0	0.0	0.0	0.0
Working capital receivables	789.1	793.5	373.5	1,956.2	51.3	2,007.5
Unallocated assets, interest-bearing	-	-	-	-	688.1	688.1
Unallocated assets, non-interest-bearing	-	-	-	-	162.8	162.8
Total assets	**1,379.8**	**1,190.1**	**882.9**	**3,452.8**	**923.6**	**4,376.5**
Working capital liabilities	694.9	383.8	523.0	1,601.8	76.9	1,678.6
Unallocated liabilities, interest-bearing	-	-	-	-	866.7	866.7
Unallocated liabilities, non-interest-bearing	-	-	-	-	77.3	77.3
Total liabilities	**694.9**	**383.8**	**523.0**	**1,601.8**	**1,020.9**	**2,622.7**
Operative capital employed	684.8	806.3	359.9	1,851.1	-4.2	1,846.9
Capital expenditure	79.7	44.1	10.3	134.0	3.0	137.0

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

Orders

	Orders received		Order book	
MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022	31 Dec 2023	31 Dec 2022
Kalmar	1,705.2	2,080.6	1,024.1	1,427.8
Hiab	1,466.2	1,806.7	798.5	1,184.9
MacGregor	815.5	975.6	988.4	927.3
Eliminations	-0.2	-0.5	1.1	0.7
Total	**3,986.8**	**4,862.4**	**2,812.2**	**3,540.7**

Number of employees

	Average		At the end of year	
	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022	31 Dec 2023	31 Dec 2022
Kalmar	5,041	4,979	4,907	5,012
Hiab	3,932	3,697	3,877	3,778
MacGregor	1,938	1,928	1,853	1,978
Corporate administration and support functions	758	801	754	758
Total	**11,669**	**11,405**	**11,391**	**11,526**

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 2023 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and eliminations	Cargotec total
Finland	49.4	33.7	10.7	93.9	0.0	93.9
Other EMEA (Europe, Middle East, Africa)	772.9	911.5	281.3	1,965.7	-0.3	1,965.5
USA	735.0	613.7	50.7	1,399.4	0.0	1,399.4
Other Americas	215.9	88.0	14.1	318.0	-0.1	317.9
China	53.5	4.6	118.1	176.1	0.0	176.1
Other Asia-Pacific	222.9	135.0	258.2	616.1	0.0	616.1
Total	**2,049.6**	**1,786.5**	**733.1**	**4,569.3**	**-0.4**	**4,568.8**

1 Jan–31 Dec 2022 MEUR	Kalmar	Hiab	MacGregor	Segments total	Corporate adminis-tration, support functions and eliminations	Cargotec total
Finland	29.4	32.0	6.6	68.0	-0.3	67.7
Other EMEA (Europe, Middle East, Africa)	772.2	840.5	242.0	1,854.8	-0.4	1,854.3
USA	651.4	456.4	49.4	1,157.2	0.0	1,157.2
Other Americas	194.3	115.0	11.9	321.2	-0.1	321.1
China	72.8	5.0	84.6	162.5	-	162.5
Other Asia-Pacific	222.6	129.5	174.2	526.3	-0.5	525.8
Total	**1,942.8**	**1,578.4**	**568.7**	**4,089.9**	**-1.3**	**4,088.6**

Non-current assets and goodwill*

MEUR	31 Dec 2023	31 Dec 2022
Finland	69.5	70.0
Other EMEA (Europe, Middle East, Africa)	399.8	431.6
Americas	66.7	57.4
Asia-Pacific	103.9	60.5
Goodwill	878.1	892.1
Total	**1,518.0**	**1,511.6**

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

Capital expenditure

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Finland	10.3	7.8
Other EMEA (Europe, Middle East, Africa)	90.0	81.3
Americas	31.0	14.5
Asia-Pacific	5.7	10.1
Total	**137.0**	**113.6**

Number of employees

MEUR	31 Dec 2023	31 Dec 2022
Finland	1,044	1,019
Other EMEA (Europe, Middle East, Africa)	6,723	6,882
Americas	1,591	1,550
Asia-Pacific	2,033	2,075
Total	**11,391**	**11,526**

2.2 Revenue recognition

Accounting principles

Revenue recognition

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

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

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

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

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

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

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

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

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

Contract assets and liabilities

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

Estimates and assumptions requiring management judgement

Revenue recognition

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

Revenue related to long-term service contracts and separately identified construction contracts is recognised on an over time basis in accordance with the percentage of completion. Application of the percentage of completion method is allowed if the delivered machine is considered to have no alternative use for Cargotec, and at all times during the project Cargotec has a right to payment regarding the work already performed. Revenue recognised on reporting date in accordance with the over time model is either based on the cumulative costs in relation to the contract's estimated total costs, or an estimate of the construction contract's physical stage of completion. If the estimate of the final outcome of the contract changes, the recognition of revenue and profit is adjusted in the period the change has come to attention and can be estimated. The expected loss from the construction contract is expensed immediately. In 2023, approximately 10.7 (2022: 11.2) percent of sales was recognised on an over time basis.

1 Jan–31 Dec 2023 MEUR	Kalmar	Hiab	MacGregor	Internal sales	Cargotec total
Equipment sales	1,430.0	1,334.5	379.5	0.0	3,143.8
Service sales	573.9	452.1	353.7	-0.4	1,379.3
Software sales	45.7	-	-	0.0	45.7
Total sales	**2,049.6**	**1,786.5**	**733.1**	**-0.4**	**4,568.8**
Recognised at a point in time	1,801.8	1,771.8	506.8	-0.4	4,080.0
Recognised over time	247.8	14.7	226.4	-	488.8

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

Contract assets and liabilities

Contract assets MEUR	2023	2022
Contract assets 1 Jan	104.0	111.1
Translation differences	-4.4	-1.5
Transfers to receivables	-259.2	-162.3
Companies acquired and sold	11.3	-
Change in provision for doubtful accounts and impairments +/-	0.0	0.0
Progress, cost estimate and price adjustments	195.7	156.6
Contract assets 31 Dec	**47.3**	**104.0**
Contract assets not expected to be invoiced within the next 12 months	-	0.0

Contract liabilities MEUR	2023	2022
Contract liabilities 1 Jan	291.1	217.2
Translation differences	-1.3	-3.5
Revenue recognised from contract liability on 1 Jan	-160.0	-131.5
Companies acquired and sold	0.0	-0.3
Cash received/paid less revenue recognised	244.7	209.1
Contract liabilities 31 Dec	**374.5**	**291.1**
Contract liabilities not expected to be recognised as revenue within the next 12 months	49.6	4.0

Transaction price allocated to remaining performance obligations related to customer contracts

Transaction price allocated to remaining performance obligations related to ongoing customer contracts is on the reporting date EUR 2,812.2 (31 Dec 2022: 3,540.7) million, of which 82% (83%) is expected to be recognised as revenue during the next 12 months.

2.3 Other operating income and expenses

Accounting principles

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 2023	1 Jan–31 Dec 2022
Gain on disposal of businesses	0.1	2.4
Gain on disposal of intangible assets and property, plant and equipment	4.5	3.5
Customer finance related other income	28.8	28.0
Rental income	1.8	2.4
Other income	4.6	15.7
Total	**39.9**	**51.9**

Other operating expenses

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Loss on disposal of intangible assets and property, plant and equipment	0.5	0.3
Customer finance related other expenses	28.7	27.6
Business combinations related expenses	1.2	2.6
Merger plan with Konecranes Plc	-	12.4
The planned partial demerger of Cargotec Corporation	14.4	-
Other expenses*	-8.1	97.2
Total	**36.7**	**140.2**

* In 2022, MacGregor booked a EUR 18 million provision for possible consequences related to a project delivered to the U.S. Government; as these did not actualise, the provision was released in 2023.

Operating profit includes exchange rate differences on forward contracts designated as cash flow hedges, total EUR 19.2 (2022: -65.9) million, of which EUR 15.9 (-76.6) million in sales and EUR 3.3 (10.7) 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 (2022: no effect).

In addition, operating profit includes EUR -0.7 (2022: 3.2) 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 2023	1 Jan–31 Dec 2022
Audit	3.8	3.5
Tax advice	0.0	0.0
Other services	0.7	1.1
Total	**4.5**	**4.7**

The table above presents the fees to Ernst & Young globally. In 2023 non-audit fees for Ernst & Young Oy were EUR 0.6 (2022: 1.1) million.

2.4 Restructuring costs and other items affecting comparability

Restructuring costs

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

Other items affecting comparability

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

1 Jan–31 Dec 2023 MEUR	Note	Kalmar	Hiab	MacGregor	Other	Total
Restructuring costs						
Employment termination costs		1.1	-	5.1	-	6.1
Impairments of inventories		0.3	-	-1.2	-	-1.0
Restructuring-related disposals of businesses	7.1	-	0.6	1.0	-	1.6
Other restructuring costs		-0.1	-0.7	8.7	-	7.9
Restructuring costs, total		**1.2**	**-0.1**	**13.5**	**-**	**14.6**
Other items affecting comparability						
Expenses related to business disposals, acquisitions and integration	7.1	-	-	0.5	-	0.5
The planned partial demerger of Cargotec Corporation		14.0	0.0	0.0	13.6	27.6
Other costs***		-	-	-13.2	-	-13.2
Other items affecting comparability, total		**14.0**	**0.0**	**-12.7**	**13.6**	**14.9**
Restructuring costs and other items affecting comparability, total		**15.2**	**-0.1**	**0.8**	**13.6**	**29.6**

1 Jan–31 Dec 2022 MEUR	Note	Kalmar	Hiab	MacGregor	Other	Total
Restructuring costs						
Employment termination costs		3.7	0.8	4.3	0.6	9.4
Impairments of owned non-current assets*		-	-	23.6	-	23.6
Impairments of inventories		2.1	-	3.0	-	5.0
Restructuring-related disposals of businesses	7.1	-	0.4	-	-	0.4
Other restructuring costs**		35.6	2.4	14.0	1.0	53.0
Restructuring costs, total		**41.4**	**3.6**	**44.8**	**1.5**	**91.3**
Other items affecting comparability						
Expenses related to business disposals, acquisitions and integration	7.1	0.2	0.3	2.0	2.0	4.5
Merger plan with Konecranes Plc	9.4	-1.1	-	-	10.7	9.6
Impairment of MacGregor's goodwill	2.7, 6.1	-	-	63.4	-	63.4
Other costs***		6.5	-	32.5	2.4	41.4
Other items affecting comparability, total		**5.7**	**0.3**	**97.9**	**15.1**	**118.9**
Restructuring costs and other items affecting comparability, total		**47.0**	**3.9**	**142.7**	**16.6**	**210.2**

* Cargotec reviewed in 2022 MacGregor's offering, ongoing projects and growth estimates. Based on the review, the company decided to discontinue the business activities related to fishery and research vessels as well as offshore mooring solutions. As a result, a EUR 25 million write-down was booked to intangible assets. In addition to that, other restructuring cost booked due to this decision amounted to EUR 12 million.

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

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

*** In 2022, Cargotec and its subsidiary MacGregor USA, Inc. made a voluntary self-disclosure to US authorities regarding compliance with certain export regulations related to information management in the context of MacGregor's US Government business. MacGregor then booked an approximately EUR 18 million provision to cover possible consequences. In 2023, relevant US authorities resolved the matter without monetary penalty, and Cargotec thereby released the provision in 2023. Additionally in 2022, EUR 14 million were recorded in expert and other expenses related to Cargotec's renewed strategy.

Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2023. The restated comparable operating profit will also include the impacts of the purchase price allocation, which amounted to EUR 15.7 million in 2022.

2.5 Finance income and expenses

Accounting principles

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

Finance income

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Interest income on financial assets measured at amortised cost	12.0	4.3
Other finance income	0.0	0.1
Total	**12.0**	**4.4**

Finance expenses

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Interest expenses on financial liabilities measured at amortised cost	18.2	11.4
Interest expenses on leases	8.2	7.3
Arrangement and commitment fees relating to interest-bearing loans	1.2	2.5
Forward contracts interest component	13.4	7.0
Other finance expenses	0.0	0.0
Exchange rate differences, net	1.9	3.4
Total	**42.8**	**31.6**

Other finance expenses includes EUR -0.2 (2022: -0.7) million of reversals of earlier booked impairment losses related to loan receivables.

Exchange rate differences included in finance income and expenses

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Exchange rate differences on interest-bearing receivables and loans	-4.0	-24.0
Exchange rate differences on derivative instruments	2.1	20.6
Total	**-1.9**	**-3.4**

2.6 Earnings per share

Accounting principles

Earnings per share

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

Diluted earnings per share is calculated by taking into account potential dilutive ordinary shares related to equity-settled share-based incentive schemes. The shares granted under the incentive schemes are contingently issuable, and therefore, are considered like options when calculating the diluted earnings per share. Shares and share options are dilutive when their subscription price, including the value of the employee's yet undelivered service, is lower than the average share price during the reporting period. Dilutive effect is the difference between the number of shares to be issued and the number of shares that would have been issued at the average share price of the reporting period.

	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit attributable to the shareholders of the parent company, MEUR		346.9	23.9
Weighted average number of shares during financial period, ('000)*		64,441	64,479
Basic earnings per share, EUR		**5.38**	**0.37**

	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit attributable to the shareholders of the parent company, MEUR		346.9	23.9
Weighted average number of shares during financial period, ('000)*		64,441	64,479
Effect of share-based incentive programmes, ('000)	3.2	210	194
Diluted weighted average number of shares during financial period, ('000)		64,652	64,674
Diluted earnings per share, EUR		**5.37**	**0.37**

* Due to the lock-up period in the restricted share unit programme 2022-2024 and the restricted shares programme 2020-2024 the average number of shares used in the earnings per share calculation differs from the average amount of outstanding shares during year 2023.

2.7 Prevailing economic uncertainty

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

High inflation and interest rates, weak consumer confidence, as well as increased uncertainty are slowing down economic growth. Availability of components and raw materials improved towards the end of the year 2023. However, disruptions in the supply chain are still possible, especially due to the recent events in the Middle East.

The above risk factors can affect Cargotec's operations. Component availability problems as well as increased labour and energy costs could elevate manufacturing costs and increase challenges to control costs and pass them on to the prices of end products.

In a changing market situation, demand for Cargotec's solutions might be lower than in previous years. Customers may also try to postpone or cancel orders or demand lower prices. Despite planned cost savings, lower production volumes could impact Cargotec's profitability margins negatively. There is also uncertainty related to achieving the planned cost savings.

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

Cargotec's sales to Russia, Belarus, and Ukraine have been low. Cargotec complies with the sanctions imposed on Russia and is retrieting from the country, however, it is difficult to estimate when it can be finalised. In May 2023, Hiab sold its Russian subsidiary Hiab RUS LLC to the company's executive management. At the time of reporting, the assets of Cargotec's Russian subsidiary totalled EUR 5.9 million, which mainly consisted of cash and cash equivalents. In addition, Cargotec's subsidiaries outside of Russia had trade receivables from Russia totalling EUR 0.9 million. Cargotec has a provision of EUR 4.0 million related to the above-mentioned balance sheet items.

MacGregor goodwill impairment testing

MacGregor's goodwill impairment testing was renewed on 31 December 2023 due to the low level of MacGregor's recoverable amount in relation to the assets being tested. Cargotec announced in November 2022 that MacGregor will not be part of Cargotec's portfolio in the future. Cargotec continues to focus on a turnaround of the business and is looking for a solution for MacGregor in 2024. As a result of the decision, the recoverable amount of the MacGregor segment is determined in the goodwill impairment testing based on the fair value less costs to sell. The testing indicated that the recoverable amount exceeded the tested assets by a EUR 142.0 million (December 31, 2022: EUR 63.4 million impairment). The post-tax WACC (weighted average cost of capital) used in the testing was 7.7 (9.0) percent.

Based on the performed impairment testing, no impairment loss has been recorded. However, MacGregor's recoverable amount remains low relative to testable assets and is sensitive to changes in WACC and forecasts. In addition, in the sale alternative, the refinement of MacGregor's fair value may lead to a further impairment of goodwill.

The goodwill of the MacGregor segment was EUR 379.5 (December 31, 2022: 392.6) million at the time of reporting. As part of MacGregor's impairment testing, sensitivity analyses have been performed for the key assumptions based on three different scenarios. The changes tested in the analyses are a 2 percentage point increase in the discount rate in the first scenario, a 10 percent decrease in turnover and a 2 percentage point decrease in operating profit margin throughout the estimation period in the second scenario, and the combined effect of the previous scenarios in the third scenario. The results of the sensitivity analysis are presented in the table below.

MacGregor goodwill sensitivity analysis

		Sensitivity analysis scenarios and results		
		Scenario 1	Scenario 2	Scenario 3
	Recoverable amount in excess of book value of assets, MEUR	WACC +2 percentage points	Sales -10 percent and operating profit -2 percentage points	Sales -10 percent, operating profit -2 percentage points and WACC +2 percentage points
31 Dec 2023	142.0	No impairment*	Impairment**	Impairment
31 Dec 2022	0.0	Impairment*	Impairment**	Impairment

* Threshold for impairment was WACC + 2.1 percentage points (31.12.2022: any increase in WACC)
** Threshold for impairment was estimation period sales -10 percent and operating profit -0.9 percentage points (31.12.2022: any decline in estimation period sales or operating profit)

Due to the current level of excess value of MacGregor's recoverable amount compared to the book value of assets, should the scenarios considered in the sensitivity analysis realise, the amount to be written off would be; EUR 0 (31 Dec 2022: 142) million in the first scenario, EUR 96 (257) million in the second, and EUR 151 (306) million in the third.

Goodwill impairment testing of Kalmar and Hiab

As part of the annual goodwill impairment testing, the recoverable amounts of the Kalmar and Hiab segments were determined based on value in use. The pre-tax WACC used in the testing was 12.3 (2022: 13.9) percent for Kalmar and 11.6 (2022: 13.7) percent 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.

Financial risks related to climate change

Cargotec is exposed to climate-related risks via environmental, regulatory, and technological changes, and due to the commitments it has made to reduce emissions. Evaluation of the financial impacts of climate change on Cargotec is complicated because the occurrence and timing of the resulting effects are difficult to predict, let alone quantify. On the other hand, the impacts of climate-related regulation, changing technologies, and the commitments made by Cargotec are already visible and thus easier to analyse. Cargotec is committed to reducing the carbon dioxide emissions of its value chain by 25% by 2025 and 50% by 2030 compared to the 2019 emission level. In order to succeed in this, Cargotec must reduce not only emissions related to its own operations but also emissions generated in its supply chain and the use of the sold equipment. By the end of 2023, Cargotec has not succeeded in reducing the total emissions of its operations compared to the comparison year, mainly due to the fact that, despite the strong growth in sales of electric and hybrid equipment, their total volume has so far not been sufficient to compensate for the emission effect of the demand for diesel machines.

To reduce emissions generated in its supply chain, Cargotec must reduce emissions through its whole supply chain from raw materials to components and manufacturing, which may result in changes in the suppliers used, limit the number of potential suppliers, and increase costs. Regarding the supply chain, the most significant source of emissions is the steel used in the equipment, the replacement of which with lower emission solutions is being actively investigated. Of these, the use of fossil-free steel has been limited by its price and availability, and the use of recycled steel, in addition to availability, by the quality requirements set for it.

In its own operations, Cargotec has succeeded in reducing emissions, for example by investing in energy efficiency and renewable energy technology and by reducing work-related travel. These improvements are also expected to bring cost savings. Reduction of emissions related to the use of Cargotec's products can only be achieved if there is sufficient demand for low-emission products. In order to achieve this, Cargotec must succeed in developing and selling low-emission products. Cargotec's product development has a critical role in achieving this. Cargotec has invested heavily to electrify its product offering and customers are increasingly choosing low-emission products although the majority of products sold are still based on combustible engine technology. In the future, Cargotec's product offering may be based on multiple low-emission technologies, which may increase complexity and cost.

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

3. EMPLOYEE BENEFITS

3.1 Personnel expenses

MEUR	Note	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Wages and salaries		631.8	597.7
Equity-settled share-based payments	3.2	9.6	4.7
Cash-settled share-based payments	3.2	14.2	5.1
Pension costs	3.4	77.8	68.7
Other statutory employer costs		81.0	85.7
Total		**814.5**	**761.9**

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 principles

Share-based payments

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

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

Restricted share unit programme 2023–2025

The incentive programme is targeted to the members of the Leadership team and other key persons. The reward of the programme is conditional on the achievement of the strategic goals determined by the Board of Directors and continuity of employment. The reward is paid in the beginning of 2025. The shares paid as a reward of the programme may not be sold, transferred, pledged or otherwise given away during the restriction period which ends six months after the reward payment. The reward is granted and paid in Cargotec's class B shares, in addition to which Cargotec pays the taxes and tax-related expenses related to the reward.

	2023
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–60.000 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	19.6
Initial number of participants	48
Participants fullfilling the minimum earnings criteria on 31 Dec 2023	38
Number of class B shares granted	267,500
Number of class B shares forfeited in 2023	16,250
Number of class B shares subject to vesting conditions on 31 Dec 2023	251,250

Share-based incentive programme 2023–2025

Incentive programme for the years 2023–2025 is targeted to the members of the Leadership Team and other key persons. The programme consists of three annually granted incentive programme periods in which rewards are conditional on the fulfilment of a three-year service condition and performance conditions tied to financial targets that are separately set for each year. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. The reward is paid after each three-year incentive programme period based on fulfilment of the vesting criteria.

	2023
First year earnings criteria	Earnings per share
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–19,200 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	9.1
Initial number of participants	98
Participants fullfilling the minimum earnings criteria on 31 Dec 2023	94
Number of class B shares granted	194,200
Number of class B shares forfeited in 2023	12,080
Number of class B shares subject to vesting conditions on 31 Dec 2023	182,120

Restricted shares incentive programmes 2023-2025

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. The reward will be paid evenly in three installments, in spring 2024, spring 2025 and spring 2026. Shares paid as a reward for the first and second installments of the program may not be sold, transferred, pledged or otherwise given away during the restriction period, which ends on 31 December 2025. In addition, earnings criteria based on financial targets may be set for the first year of the engagement periods. The reward is granted and paid in Cargotec class B shares in addition to which Cargotec pays taxes and tax-related expenses related it.

	2023
Earnings criteria	Service condition
Expected total cost of the programme on grant date, MEUR	0.9
Initial number of participants	8
Number of participants on 31 Dec 2023	7
Number of class B shares granted	9,050
Number of class B shares forfeited in 2023	1,750
Number of class B shares subject to vesting conditions on 31 Dec 2023	7,300

Restricted share unit programme 2022-2024

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

	2022
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–29,350 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	5.5
Initial number of participants	55
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	52
Participants fullfilling the minimum earnings criteria on 31 Dec 2023	47
Number of class B shares granted	106,450
Number of class B shares forfeited in 2022	2,800
Number of class B shares forfeited in 2023	4,900
Number of class B shares paid in 2023	51,825
Number of class B shares subject to vesting conditions on 31 Dec 2022	103,650
Number of class B shares subject to vesting conditions on 31 Dec 2023	46,925

Share-based incentive programme 2020–2024

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

	2022	2021	2020
First year earnings criteria	Comparable operating profit	Comparable operating profit	Comparable operating profit, Navis' sales, cloud transformation
Second year earnings criteria	Service business gross profit	Service business gross profit	Service business gross profit
Third year earnings criteria		Development of ecoportfolio products	Climate programme roadmap and development of ecoportfolio products
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–24,500 shares and a cash portion for taxes	0–23,100 shares and a cash portion for taxes	0–24,400 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	6.1	11.8	5.4
Initial number of participants	91	114	151
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	-	-	147
Participants fullfilling the minimum earnings criteria on 31 Dec 2021	-	111	95
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	86	99	85
Participants fullfilling the minimum earnings criteria on 31 Dec 2023	81	89	Ended
Number of class B shares granted	230,820	276,870	359,590
Number of class B shares forfeited in 2020	-	-	7,980
Number of class B shares forfeited in 2021	-	16,620	102,748
Number of class B shares forfeited in 2022	8,460	93,771	67,068
Number of class B shares forfeited in 2023	44,095	25,591	859
Number of class B shares paid in 2021 related to sale of Navis	-	-	15,924
Number of class B shares paid in 2023	3,413	5,150	165,011
Number of class B shares subject to vesting conditions on 31 Dec 2020	-	-	351,610
Number of class B shares subject to vesting conditions on 31 Dec 2021	-	260,250	232,938
Number of class B shares subject to vesting conditions on 31 Dec 2022	222,360	166,479	165,870
Number of class B shares subject to vesting conditions on 31 Dec 2023	174,852	135,738	Ended

Share-based bridge incentive programme 2020–2023

Share-based bridge incentive programme is targeted to key persons selected by the Board of Directors. The vesting criteria in the programme are the completion of Cargotec's and Konecranes' merger and a service condition that ends one year after completion of the merger. Rewards are granted and paid in Cargotec class B shares in addition to which Cargotec pays taxes and tax-related expenses related to it. Rewards are paid after completion of the merger and are subject to a lock-up period that ends as the service condition is fulfilled. Due to the cancellation of the merger, the vesting criteria of the programme was not met.

	2020
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–7,521 shares and a cash portion for taxes
Expected total cost of the programme on grant date, MEUR	5.7
Initial number of participants	66
Participants fullfilling the minimum earnings criteria on 31 Dec 2020	66
Participants fullfilling the minimum earnings criteria on 31 Dec 2021	63
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	-
Number of class B shares granted	98,289
Number of class B shares forfeited in 2020	-
Number of class B shares forfeited in 2021	8,427
Number of class B shares forfeited in 2022	89,862
Number of class B shares subject to vesting conditions on 31 Dec 2020	98,289
Number of class B shares subject to vesting conditions on 31 Dec 2021	89,862
Number of class B shares subject to vesting conditions on 31 Dec 2022	-

Matching share programme 2019–2022

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

	2019
Earnings criteria	Service condition, shareholding condition
Range of reward per participant based on the level of participation and fulfilment of the earnings criteria	0–24,770 shares and cash for taxes
Expected total cost of the programme on grant date, MEUR	6.0
Initial number of participants	7
Participants fullfilling the minimum earnings criteria on 31 Dec 2021	6
Participants fullfilling the minimum earnings criteria on 31 Dec 2022	Ended
Number of class B shares granted	98,413
Number of class B shares forfeited in 2021 and earlier	3,906
Number of class B shares forfeited in 2022	-
Number of class B shares paid in 2021 and earlier	65,604
Number of class B shares paid in 2022	28,903
Number of class B shares subject to vesting conditions on 31 Dec 2021	28,903
Number of class B shares subject to vesting conditions on 31 Dec 2022	Ended

Restricted shares incentive programmes 2020-2024

Restricted incentive programme is targeted to key persons selected by the Board of Directors. The programme consists of three annually granted engagement periods in which rewards are conditional on the fulfilment of a three-year service condition. In addition, earnings criteria based on financial targets may be set for the first year of the engagement periods. The reward is granted and paid in Cargotec class B shares in addition to which Cargotec pays taxes and tax-related expenses related it. Rewards are paid after the end of the vesting period. No rewards were granted under the programme during 2021. The allocations of the program covering the years 2022-2024 will be paid evenly in three installments in spring 2023, spring 2024 and spring 2025. Shares paid as a reward for the first and second installments of this period may not be sold, transferred, pledged or otherwise given away during the restriction period, which ends in spring 2025.

	2022	2021	2020
Earnings criteria	Service condition	-	Service condition
Expected total cost of the programme on grant date, MEUR	0.7	-	0.3
Initial number of participants	8	-	2
Number of participants on 31 Dec 2020	-	-	2
Number of participants on 31 Dec 2021	-	-	3
Number of participants on 31 Dec 2022	8	-	3
Number of participants on 31 Dec 2023	11	-	Ended
Number of class B shares granted	13,950	-	6,460
Number of class B shares forfeited in 2020	-	-	-
Number of class B shares forfeited in 2021	-	-	-
Number of class B shares forfeited in 2022	-	-	2,482
Number of class B shares forfeited in 2023	1,533	-	-
Number of class B shares paid in 2023	3,983	-	3,978
Number of class B shares subject to vesting conditions on 31 Dec 2020	-	-	2,482
Number of class B shares subject to vesting conditions on 31 Dec 2021	-	-	3,968
Number of class B shares subject to vesting conditions on 31 Dec 2022	11,950	-	3,978
Number of class B shares subject to vesting conditions on 31 Dec 2023	12,417	-	Ended

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

	Recognised as cost during the period		Recognised as provision on 31 Dec	
MEUR	2023	2022	2023	2022
Restricted share unit programme 2023–2025	6.3	-	3.6	-
Share-based incentive programme 2023–2025	2.3	-	1.3	-
Restricted shares incentive programmes 2023–2025	0.2	-	0.2	-
Restricted share unit programme 2022–2024	4.5	2.7	2.2	1.8
Share-based incentive programme 2020–2024	11.4	10.7	9.6	11.1
Share-based bridge incentive programme 2020–2023	-	-3.3	-	-
Matching share programme 2019–2022	-	0.0	-	-
Restricted shares incentive programmes 2020–2024	0.6	0.3	0.3	0.2
Total	**25.5**	**10.3**	**17.1**	**13.1**

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 2023	1 Jan–31 Dec 2022
Wages, salaries and other short-term employee benefits	6.9	5.6
Share-based payments	11.2	5.0
Post-employment benefits	-	0.1
Termination benefits	0.5	0.4
Total	**18.6**	**11.1**

The composition of Cargotec's Leadership Team has changed during 2023 and 2022.
The remuneration of the Leadership Team members is included in the key management compensation information from the appointment date or until the end of the membership. On 31 December 2023, Leadership Team consisted of President and CEO Casimir Lindholm and nine (31 Dec 2022: CEO Mika Vehviläinen and nine) other members.

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

	The CEO *		Other members of the Leadership Team	
Number of class B shares paid	2023	2022	2023	2022
Restricted share unit programme 2022-2024, first installment	14,675	-	16,200	-
Share-based incentive programme 2020-2024, earnings period 2020-2022	18,810	-	61,835	-
Restricted shares incentive programme 2020-2022	-	-	1,562	-
Restricted shares incentive programme 2022-2024, first installment	-	-	3,983	-
Matching share programme 2019–2022, third installment	-	8,258	-	16,516
Total	**33,485**	**8,258**	**83,580**	**16,516**

* Mika Vehviläinen

At the end of 2023, the CEO is a participant to the share-based incentive programme 2023-2025 and restricted share unit programme 2023-2025. Other members of the Leadership team are participants to the share-based incentive programme 2020-2024 (eight members in earnings period 2021-2023 and seven members in earnings period 2022-2024), restricted share incentive programme 2022-2024 (seven members), restricted share unit programme 2022-2024 (five members), share-based incentive programme 2023-2025 (seven members), restricted share incentive programme 2023-2025 (seven members) ja restricted share unit programme 2023-2025 (six members).

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

The President and CEO Casimir Lindholm's pension is provided according to the statutory Finnish Employees Pensions Act, for which a pension cost of EUR 0.1 million was recorded in 2023. Also other Finnish members of the Leadership Team are entitled to a statutory pension, additionally in 2022 was paid to one member of the Leadership Team a EUR 0.5 million supplemental pension payment. Their retirement age for the Leadership Team members is determined in line with the statutory pension scheme. They have a period of notice of 6 months and are entitled to compensation for termination of employment, corresponding to 6 to 12 months' salary.

For Cargotec's previous CEO Mika Vehviläinen pension was provided according to the statutory Finnish Employees Pensions Act, for which a pension cost of EUR 0.1 (2022: 0.1) million was recorded in year 2023. Additionally, he was entitled to a supplemental defined contribution pension benefit in Finland, for which a pension cost of EUR 0.7 million was paid in year 2022. No supplemental pension benefit was paid in 2023. According to the pension agreement, he was entitled to retire at the age of 65 and if his service would end before the retirement age of 65, he was entitled to begin taking the supplemental pension at the age of 62. In 2022, due to the cancellation of the planned merger of Cargotec and Konecranes, his retention incentive programme extended in 2020 was cancelled and the accrued expenses for the programme were reversed through profit or loss. The value of the retention programme was EUR 1.5 million, and the payment under the programme would have been paid as a one-off payment to his supplemental pension plan after the completion of the merger.

Cargotec had no loans, liabilities or commitments to persons belonging to Cargotec's top management at the end of the financial year 2023 or 2022.

Salaries and remunerations paid

1,000 EUR		1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Casimir Lindholm*	President and CEO (as of 1 April 2023), Member of the Board (until 1 April 2023)	537.7	61.3
Mika Vehviläinen*	CEO (until 31 March 2023)	3,672.2	1,521.1
Jaakko Eskola	Chairman of the Board (as of 27 May 2022), Member of the Board (until 27 May 2022)	118.3	91.2
Ilkka Herlin	Vice Chairman of the Board (as of 27 May 2022), Chairman of the Board (until 27 May 2022)	92.5	79.8
Tapio Hakakari	Vice Chairman of the Board (until 27 May 2022), Member of the Board (until 27 May 2022)	-	6.0
Raija-Leena Hankonen-Nybom	Member of the Board (as of 23 March 2023)	68.8	-
Teresa Kemppi-Vasama	Member of the Board	79.2	62.3
Tapio Kolunsarka	Member of the Board (as of 23 March 2023)	59.4	-
Johanna Lamminen	Member of the Board	74.2	57.3
Kaisa Olkkonen	Member of the Board	75.2	62.3
Teuvo Salminen	Member of the Board (until 23 March 2023)	21.5	73.5
Heikki Soljama	Member of the Board (until 23 March 2023)	16.8	57.3
Ritva Sotamaa	Member of the Board (as of 23 March 2023)	58.4	-

* 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 principles

Pension obligations

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

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

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

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

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

Estimates and assumptions requiring management judgement

Defined benefit plans

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

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

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

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

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

MEUR	2023	2022
Present value of unfunded obligations	88.4	80.5
Present value of funded obligations	31.7	31.3
Fair value of benefit plan assets	33.5	33.2
Net liability	**86.6**	**78.6**
Net liability on balance sheet	89.0	82.2
Net asset on balance sheet	2.3	3.6
Expense related to defined contribution plans	61.8	61.8
Expense related to defined benefit plans and other post-employment benefits	5.9	6.9
Expense in the statement of income	**67.6**	**68.7**
Remeasurement of defined pension benefits and other post-employment benefits	-5.9	22.1
Remeasurement in the statement of comprehensive income	**-5.9**	**22.1**

Expected contributions to defined benefit plan assets during the next reporting period is EUR 5.7 (31 Dec 2022: EUR 5.6) million. The weighted average duration of the defined benefit obligations was 16.5 (16.0) years.

Reconciliation of the net defined benefit obligation

MEUR	Present value of plan obligation	Fair value of plan assets	Total
1 Jan 2023	111.8	-33.2	78.6
Current service cost	3.2	-	3.2
Interest expense (+) / income (-)	4.1	-1.4	2.7
Past service cost	0.0	-	0.0
Remeasurements:			
Return on plan assets, excluding amounts of interest	-	0.0	0.0
Actuarial gain (-) / loss (+) from change in demographic assumptions	1.3	-	1.3
Actuarial gain (-) / loss (+) from change in financial assumptions	0.1	-	0.1
Experience adjustment gain (-) / loss (+)	4.5	-	4.5
Foreign exchange rate gains (-) / losses (+)	0.9	0.3	1.1
Contributions by employer	0.0	-1.0	-1.0
Contributions by plan participants	0.0	-0.3	-0.3
Benefits paid	-5.6	2.2	-3.5
Settlements	-0.1	-	-0.1
31 Dec 2023	**120.1**	**-33.5**	**86.6**

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

Allocation of plan assets and liabilities geographically

MEUR	Sweden	United Kingdom	Norway	Other countries	Total
Present value of plan liability:					
2023	84.4	13.3	5.8	16.6	120.1
2022	76.4	12.5	6.0	16.8	111.8
Fair value of plan assets:					
2023	6.8	15.5	4.1	7.1	33.5
2022	6.1	15.9	4.2	7.0	33.2

Allocation of plan assets

MEUR	2023	2022
Debt instruments	6.2	3.6
Investment funds	2.9	2.8
Qualifying insurance policies	4.5	4.6
Equity instruments	4.0	4.5
Other assets	15.8	17.7
Total plan assets	**33.5**	**33.2**

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 2023 (2022)	3.3 (3.7)	4.5 (4.8)	3.7 (3.2)	3.2 (3.0)
Expected rate of salary increases 2023 (2022)	1.9 (2.3)	3.1 (3.0)	3.8 (3.8)	3.3 (3.7)
Expected pension growth rate 2023 (2022)	1.6 (2.0)	3.5 (3.5)	2.8 (2.3)	4.2 (4.1)

*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	2023	2022
0.5%-point increase in the principal assumption		
Discount rate	-7.6	-7.1
Expected rate of salary increases	2.5	2.3
Expected pension growth rate	6.1	5.4
0.5%-point decrease in the principal assumption		
Discount rate	8.5	7.6
Expected rate of salary increases	-2.3	-2.3
Expected pension growth rate	-5.6	-4.9
Change in the life expectancy		
Effect of 1 year increase in the life expectancy	3.8	3.4
Effect of 1 year decrease in the life expectancy	-3.8	-3.7

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 92 (31 Dec 2022: 91) 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 principles

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.

Pillar 2

Pillar 2 is the OECD's initiative to address tax challenges related to the digitalisation of the global economy by introducing Global Anti-Base Erosion (GloBE) rules and a related 15% global minimum tax. The European Union's Council Directive (EU) 2022/2523 entered into force in December 2022, according to which the EU member states shall transpose the GloBE rules into their domestic law by 31 December 2023. However, Finland among several other EU member states has not adopted the GloBE rules by the end of 2023.

According to the IASB's published amendments to IAS 12, Cargotec has applied the exception provided in IAS 12 paragraph 4A and has neither recognised nor disclosed information about deferred tax assets or liabilities related to Pillar 2 income taxes.

Estimates and assumptions requiring management judgement

Income taxes

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

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

Pillar 2 rules have been enacted, but are not yet in effect for the financial year 2023, in several countries where Cargotec has operations, including Finland where Cargotec Corporation is incorporated. Income taxes calculated based on Pillar 2 are not estimated to have a material impact on the income taxes of the group.

4.1 Income tax reconciliation

Taxes in statement of income

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Current year tax expense	111.0	79.9
Change in current year's deferred tax assets and liabilities	-0.7	-12.4
Tax expense for previous years	-6.0	-11.7
Total	**104.3**	**55.8**

Reconciliation of effective tax rate

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Profit before taxes	453.0	79.0
Tax calculated at Finnish tax rate (20%)	90.6	15.8
Effect of different tax rates in foreign subsidiaries	4.3	0.8
Tax expense for previous years	-6.0	-11.7
Tax-exempt income and non-deductible expenses	-0.1	16.0
Realisability of deferred tax assets	12.4	30.9
Withholding tax, non-creditable	2.2	4.9
Change in uncertain tax positions	1.1	-0.3
Effect of changes in tax rates	0.0	-0.6
Other	-0.1	0.0
Total taxes in statement of income	**104.3**	**55.8**
Effective tax rate, %	23.0	70.6

Taxes relating to components of other comprehensive income

	1 Jan–31 Dec 2023			1 Jan–31 Dec 2022		
MEUR	Before taxes	Taxes	After taxes	Before taxes	Taxes	After taxes
Cash flow hedges	1.5	-0.5	0.9	5.8	-2.3	3.5
Translation differences	-22.5	-	-22.5	11.3	-	11.3
Actuarial gains (+) / losses (-) from defined benefit plans	-7.4	1.5	-5.9	27.7	-5.6	22.1
Designated share investments measured at fair value	-	-	-	-11.0	-	-11.0
Total other comprehensive income	**-28.4**	**1.0**	**-27.4**	**33.7**	**-7.9**	**25.8**

4.2 Deferred tax assets and liabilities

MEUR	31 Dec 2023	31 Dec 2022
Deferred tax assets and liabilities		
Intangible assets, property, plant and equipment, and inventory	12.4	32.0
Provisions and accruals	45.4	26.1
Tax losses and credits carried forward	37.4	39.4
Other temporary differences	5.1	0.5
Deferred taxes, net asset	**100.3**	**98.0**
Deferred tax assets*	122.2	128.6
Deferred tax liabilities*	21.9	30.6

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

Reconciliation of deferred taxes

MEUR	2023	2022
Deferred taxes, net asset 1.1.	98.0	102.8
Recognised in statement of income	3.6	2.6
Recognised in other comprehensive income	1.0	-7.9
Companies acquired and sold	-2.5	0.0
Translation differences	0.2	0.4
Deferred taxes, net asset 31.12.	**100.3**	**98.0**

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 2023, Cargotec had EUR 538.4 (31 Dec 2022: 496.2) million of tax losses carried forward, tax credits and other temporary differences for which no deferred tax assets were recognised because the realisation of the tax benefit is not probable. Tax losses carried forward, tax credits and other temporary differences amounting to EUR 34.3 (31 Dec 2022: 12.4) million will expire during the next five years and EUR 504.1 (31 Dec 2022: 483.9) 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 2023, Cargotec had income tax payables of EUR 1.4 (31 Dec 2022: 0.4) million to reflect uncertainty related to taxes.

A deferred tax liability on undistributed profits of subsidiaries located in countries where distribution generates tax consequences is recognised when it is likely that the earnings will be distributed in the foreseeable future. On 31 December 2023, Cargotec had EUR 347.5 (31 Dec 2022: 216.5) 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 2023	31 Dec 2022
Inventories	5.2	1,033.8	1,013.3
Operative derivative assets		35.9	44.5
Accounts receivable	5.3	723.8	734.7
Contract assets	5.3	47.3	104.0
Other operative non-interest-bearing assets		166.6	154.6
Working capital assets		**2,007.5**	**2,051.0**
Provisions	5.5	-160.5	-182.6
Operative derivative liabilities		-33.0	-38.4
Pension obligations	3.4	-89.0	-82.2
Accounts payable	5.4	-511.2	-617.1
Contract liabilities	5.4	-374.5	-291.1
Other operative non-interest-bearing liabilities		-510.4	-553.4
Working capital liabilities		**-1,678.6**	**-1,764.7**
Total		328.9	286.2

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 principles

Inventories

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

Estimates and assumptions requiring management judgement

Inventories

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

31 Dec 2023 MEUR	Gross value	Obsolescence	Net value on balance sheet
Raw materials and supplies	512.6	-68.6	444.0
Work in progress	265.5	-0.5	264.9
Finished goods	330.3	-38.4	291.9
Advance payments paid for inventories	33.0	-	33.0
Total	**1,141.3**	**-107.5**	**1,033.8**

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

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

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

5.3 Accounts receivable and other non-interest-bearing assets

Accounting principles

Accounts receivable and contract assets

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

Accounts receivable and contract assets are initially recognised at fair value less expected credit losses and subsequently at amortised cost less expected credit losses. Credit risk is evaluated based on systematic and continuous monitoring of receivables as part of the credit risk control. Credit loss allowance is recognised based on expected credit losses that is measured based on both historical and forward-looking credit loss assessment. The backward-looking credit loss assessment is determined mechanically by using a provision matrix in which the impairment is determined based on risk weights derived from the historical credit losses and ageing of customer receivables. The forward-looking credit loss assessment is determined by a forward-looking analysis under which additional impairment exceeding the first component of credit loss allowance may be recognised for a receivable or group of receivables. Impairments and allowances are recognised in the statement of income under cost of goods sold. Bad debts are written off upon an official announcement of liquidation or bankruptcy confirming that the receivable will not be collected.

Estimates and assumptions requiring management judgement

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

Customer receivables and other non-interest-bearing assets

MEUR	Note	31 Dec 2023	31 Dec 2022
Non-current			
Other non-interest-bearing assets	8.2	5.8	7.2
Current			
Accounts receivable	8.2	723.8	734.7
Contract assets	2.2, 8.2	47.3	104.0
Other non-interest-bearing assets		164.9	151.2
Total current		**936.0**	**989.8**
Total accounts receivable and other non-interest-bearing assets		**941.8**	**997.0**

Muut korottomat saamiset

MEUR	Note	31 Dec 2023	31 Dec 2022
Non-current			
Other non-interest-bearing assets	8.2	5.8	7.2
Current			
VAT receivable		103.7	96.5
Deferred interests	8.2	0.3	0.1
Receivables related to business combinations and disposals	8.2	2.2	2.5
Other deferred assets		58.7	52.1
Total current		**164.9**	**151.2**
Total other non-interest-bearing assets		**170.6**	**158.4**

Expected credit losses from accounts receivable and contract assets

		Expected credit losses			
31 Dec 2023 MEUR	Gross value	Based on historical risk assessment	Based on forward-looking risk assessment	Average rate of allowance	Net value on balance sheet
Accounts receivable not due and contract assets	558.6	-0.2	-0.9	0%	557.4
1–90 days overdue	167.7	-0.8	-2.6	-2%	164.4
91–360 days overdue	51.7	-3.8	-5.3	-18%	42.6
Over 360 days overdue	16.9	-4.9	-5.2	-60%	6.8
Total	**794.9**	**-9.7**	**-14.0**	**-3%**	**771.2**

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

Movement in the loss allowance for accounts receivable and contract assets

	Credit loss allowance	
MEUR	**2023**	**2022**
Allowance 1 Jan	15.5	17.5
Translation differences	-0.5	-0.4
Companies acquired and sold	-0.1	0.3
Increase of allowance	10.2	2.9
Use of allowance	-1.4	-4.4
Reversed allowance	0.0	-0.5
Other changes	0.0	0.0
Balance 31 Dec	**23.7**	**15.5**

Credit losses recognised in the statement of income

	Credit loss allowance	
MEUR	**2023**	**2022**
Movement in the loss allowance during the period	10.2	2.4
Directly recognised credit losses	3.2	1.0
Total	**13.4**	**3.4**

5.4 Accounts payable and other non-interest-bearing liabilities

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

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

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

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

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

Accounts payable and other non-interest-bearing liabilities

MEUR	Note	31 Dec 2023	31 Dec 2022
Non-current			
Other non-interest-bearing liabilities	8.2	87.1	74.8
Current			
Accounts payable	8.2	511.2	617.1
Contract liabilities	2.2	374.5	291.1
Other non-interest-bearing liabilities		431.5	484.8
Accounts payable and other non-interest-bearing liabilities		**1,404.4**	**1,467.7**

Other non-interest-bearing liabilities

MEUR	Note	31 Dec 2023	31 Dec 2022
Non-current			
Buy-back obligations from customer finance arrangements	8.2	75.0	69.5
Other liabilities	8.2	12.1	5.3
Non-current other non-interest-bearing liabilities		**87.1**	**74.8**
Current			
Accrued salaries, wages and employment costs		147.9	122.3
Late cost reservations		53.8	66.2
Cost accruals related to construction contracts		19.3	55.3
Prepaid rents from customer finance arrangements		72.7	65.2
VAT liabilities		40.8	60.7
Accrued interests	8.2	5.7	4.7
Liabilities related to business combinations	8.2	2.4	1.5
Other accrued expenses		88.9	108.9
Current other non-interest-bearing liabilities		**431.5**	**484.8**
Total other non-interest-bearing liabilities		**518.7**	**559.6**

Comparison figures in 2022 have been regrouped.

5.5 Provisions

Accounting principles

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 judgment

Provisions

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

2023 MEUR	Product warranties	Claims	Re-structuring	Onerous contracts	Others	Total
Provisions 1 Jan	83.4	10.3	38.6	24.0	26.4	182.6
Translation differences	-0.6	-0.5	-0.9	-1.1	-0.5	-3.5
Increases	29.5	1.5	16.2	7.9	7.1	62.2
Companies acquired and sold	0.1	-	-	-	-	0.1
Provisions used	-14.8	-5.3	-22.8	-4.2	-5.7	-52.9
Reversals of provisions	-5.3	-2.0	-0.4	-1.4	-18.9	-28.0
Provisions 31 Dec	**92.2**	**3.9**	**30.7**	**25.2**	**8.4**	**160.5**

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

MEUR	31 Dec 2023	31 Dec 2022
Non-current provisions	5.6	6.4
Current provisions	154.9	176.2
Total	**160.5**	**182.6**

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 1–2 years.

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

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

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

Other provisions include various items, e.g. related to personnel. In 2022, MacGregor booked a EUR 18 million provision for possible consequences related to a project delivered to the U.S. Government; as these did not actualise, the provision was released in 2023.

6. INTANGIBLE AND TANGIBLE ASSETS

6.1 Goodwill

Accounting principles

Goodwill

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

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

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

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

Estimates and assumptions requiring management judgment

Impairment testing of goodwill and intangible assets

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

MEUR	2023	2022
Book value 1 Jan	892.1	966.8
Translation differences	-16.8	-16.1
Impairment	-	-63.4
Companies acquired	4.9	4.8
Companies sold	-2.1	-
Book value 31 Dec	**878.1**	**892.1**

Impairment testing of goodwill

MEUR	31 Dec 2023	31 Dec 2022
Kalmar	260.2	268.1
Hiab	238.4	231.4
MacGregor	379.5	392.6
Total	**878.1**	**892.1**

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

The recoverable amounts of the cash generating units (CGU) are determined based on the value-in-use calculations for Kalmar and Hiab, and regarding MacGregor, based on fair value less cost to sell due to the decision announced by Cargotec in November 2022 to divest MacGregor in the future after the market situation and MacGregor's profitability have improved. The main difference between the models is that the fair value model is based on estimated post-tax cash flows reflecting assumptions that market participants would apply in pricing the asset whereas the value in use model is based on estimated pre-tax cash flows and assumptions reflecting current use. In both models, the future cash flow projections used in the calculations are based on the strategic plans approved by the top management and the Board of Directors and taking into account the prevailing risks and uncertainties in the market environment. Cash flow forecasts cover five years, of which the last year is used to derive the terminal value. The value of the last year of the forecast period is determined by extrapolating it based on the average development over the past years and the esimated development over the forecasted period, by taking into account the cyclical nature of the CGU's business. Cash flows beyond the forecast horizon have been projected using a growth rate that is based on an estimate of the long-term growth rate of the industries, taking into account the OECD long-term growth projections but capped by the level of risk-free rate used in the calculations. Long-term growth rate of 2.0 (2022: 2.0) percent has been applied for all segments.

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 have affected positively in financial performance, and the ongoing profit improvement programmes are expected to further improve the profitability in the coming years. Cash flow projections in the analyses reflect typical working capital build-up in upturns and release during downturns in the Kalmar and Hiab segments. MacGregor's business model ties little working capital, but the estimated timing of orders and related advances received have been taken into account in cash flow estimates.

The discount rate used in the impairment testing is the weighted average cost of capital (WACC) determined for each segment that reflects the total cost of equity and debt, and the market risks related to the segment. Components of WACC are a risk-free interest rate based on the average of government bond yields weighted by the sales of a cash-generating unit in respective countries, market risk premium, comparable peer industry beta, gearing, and credit spread. In the impairment testing based on value-in-use, the WACC is determined on a pre-tax basis whereas, in the impairment testing based on fair value less cost to sell, the WACC is determined on a post-tax basis. The discount rates used in the impairment testing were determined in the same way as last year. The pre-tax WACC used by Kalmar and Hiab was 12.3 (2022: 13.9) percent and 11.6 (13.7) percent respectively. The post-tax WACC used for MacGregor was 7.7 (2022: 9.0) percent. The changes in discount rates from the previous year mainly reflect decrease in the market risk premium.

Based on the performed impairment tests, no impairment was recorded in 2023. In 2022, a EUR 63.4 million impairment was recorded in MacGregor's goodwill in the last quarter due to several factors. MacGregor launched a restructuring program in the fourth quarter of 2022 to ramp down businesses related to fishing and research vessels and offshore mooring solutions. In addition, the value decreased due to the reassessment of risk level and growth forecasts related to MacGregor's business. In addition to the write-down of goodwill, MacGregor made a EUR 25.0 million write-down of intangible assets, which were mainly related to the offshore business within the scope of the restructuring program. Kalmar's and Hiab's impairment tests showed no impairment in 2022.

MacGregor goodwill sensitivity analysis

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 2023 and 2022 indicated no risk of impairment for the Hiab and Kalmar segments. The results of MacGregor segment's sensitivity analysis are presented in the table below.

		Sensitivity analysis scenarios and results		
	Recoverable amount in excess of book value of assets, MEUR	WACC +2 percentage points	Sales -10 percent and operating profit -2 percentage points	Sales -10 percent, operating profit -2 percentage points and WACC +2 percentage points
31 Dec 2023	142,0	No impairment*	Impairment**	Impairment
31 Dec 2022	0,0	Impairment*	Impairment**	Impairment

* * Threshold for impairment was WACC + 2.1 percentage points (31.12.2022: any increase in WACC)
** Threshold for impairment was estimation period sales -10 percent and operating profit -0,9 percentage points (31.12.2022: any decline in estimation period sales or operating profit)

Due to the current level of excess value of MacGregor's recoverable amount compared to the book value of assets, should the scenarios considered in the sensitivity analysis realise, the amount to be written off would be; EUR 0 (31 Dec 2022: 142) million in the first scenario, EUR 96 (257) million in the second, and EUR 151 (306) million in the third.

MacGregor's goodwill has been tested for impairment in the years 2023 and 2022 on a quarterly basis. In 2023, the portion of the recoverable amount exceeding the carrying amount of assets was at its lowest EUR 68 million at the end of the first quarter (2022: EUR 0 million at the end of the fourth quarter). The value is sensitive to changes in WACC and forecasts, so the downside risk is still significant, although it has decreased since 2022. As MacGregor's sales process progresses, goodwill testing will switch to using purchase offers received, which may differ significantly from the company's own determined value.

6.2 Intangible assets

Accounting principles

Intangible assets

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

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

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

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

Research and development costs

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

Estimates and assumptions requiring management judgment

Amortisation periods applied for the intangible assets

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

2023 MEUR	Developed technology	Acquired technology	Customer relationships and trademarks	Others*	Total
Acquisition cost 1 Jan	106.5	88.6	176.9	14.7	386.8
Translation differences	-0.2	-1.6	-4.4	-0.1	-6.1
Additions	0.0	0.3	-	3.6	3.9
Disposals	-	-1.3	-	-3.8	-5.2
Reclassifications	3.1	0.5	3.8	-6.5	0.9
Companies acquired and sold	-	9.3	1.1	-	10.4
Acquisition cost 31 Dec	**109.5**	**95.9**	**177.4**	**7.9**	**390.7**
Accumulated amortisation and impairment 1 Jan	-88.2	-70.0	-98.7	-5.1	-262.0
Translation differences	0.1	1.4	3.7	0.0	5.3
Amortisation during the financial period	-4.4	-4.9	-7.6	0.0	-17.0
Impairment charges	-	-	-	-	0.0
Disposals	-	1.3	-	0.0	1.3
Reclassifications	-0.9	-0.1	-0.5	0.6	-0.9
Companies acquired and sold	-	1.0	-	-	1.0
Accumulated amortisation and impairment 31 Dec	**-93.3**	**-71.3**	**-103.2**	**-4.4**	**-272.3**
Book value 31 Dec	**16.2**	**24.6**	**74.2**	**3.4**	**118.4**

*Includes EUR 3.3 million of intangible assets under construction.

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

*Includes EUR 6.2 million of intangible assets under construction.

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 2023, the book value of the intangible assets with indefinite useful life amounted to EUR 36.9 (31 Dec 2022: 36.9) million.

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

6.3 Property, plant and equipment

Accounting principles

Property, plant and equipment

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

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

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

Estimates and assumptions requiring management judgment

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

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

	Owned assets				Right-of-use assets		
2023 MEUR	Land and buildings	Machinery and equipment	Equipment leased to others	Others*	Land and buildings	Machinery and equipment	Total
Acquisition cost 1 Jan	184.8	263.2	206.6	8.3	216.8	67.0	946.8
Translation differences	0.3	-0.7	-2.1	0.1	-3.1	-1.0	-6.5
Additions	4.2	12.5	42.7	17.7	32.0	24.0	133.1
Disposals	-15.3	-8.8	-38.8	-2.2	-7.1	-13.3	-85.4
Reclassifications	2.3	6.7	4.8	-10.3	0.1	-0.1	3.5
Companies acquired and sold	-	15.9	-	0.1	7.3	0.9	24.2
Acquisition cost 31 Dec	**176.4**	**288.8**	**213.2**	**13.8**	**246.1**	**77.4**	**1 015.7**
Accumulated depreciation and impairment 1 Jan	-91.5	-211.2	-82.0	0.0	-103.7	-38.4	-526.8
Translation differences	0.8	0.6	1.0	0.0	1.8	0.5	4.8
Depreciation during the financial period	-6.0	-17.7	-27.9	-	-27.6	-18.2	-97.4
Impairment charges	0.0	-	-	0.0	-0.5	-	-0.5
Disposals	9.3	7.8	24.3	-	4.1	12.4	58.0
Reclassifications	-0.1	1.1	0.5	-	0.2	0.1	1.7
Companies acquired and sold	-	-10.5	-	-	0.0	-0.1	-10.5
Accumulated depreciation and impairment 31 Dec	**-87.4**	**-229.9**	**-84.2**	**0.0**	**-125.6**	**-43.7**	**-570.8**
Book value 31 Dec	**89.0**	**58.9**	**129.0**	**13.8**	**120.5**	**33.8**	**444.9**

*Includes EUR 13.8 million of assets under construction.

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

*Includes EUR 8.3 million of assets under construction.

6.4 Depreciation, amortisation and impairment charges

Accounting principles

Impairments

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

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

An impairment loss related to other assets is recognised in the statement of income when the carrying amount of an asset exceeds its recoverable amount. A previously recognised impairment loss is reversed only if there has been a significant change in the estimates used to determine the recoverable amount. The impairment loss can only be reversed to the extent that the carrying value of an asset is returned to a level where it would have been without the recognised impairment loss.

Estimates and assumptions requiring management judgment

Impairment testing

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

Depreciation, amortisation and impairment by function

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Cost of goods sold	75.9	67.3
Sales and marketing	12.0	13.2
Research and development	6.8	9.4
Administration	19.4	25.3
Restructuring	0.3	25.0
Other*	0.6	63.7
Total	**114.9**	**203.9**

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

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

7. GROUP STRUCTURE

Accounting principles

Consolidation principles

The consolidated financial statements comprise the financial statements of Cargotec's parent company and its subsidiaries in which the parent exercises control. Control is achieved when Cargotec is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. When less than a majority of the voting or similar rights of an investee are held, all relevant facts and circumstances are considered in assessing whether Cargotec has control over an investee. Cargotec reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes in the relevant elements of control. Consolidation of a subsidiary begins when Cargotec obtains control over the subsidiary and ceases when the control is lost. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. In acquiring non-controlling interests' shares in subsidiaries, the difference between any consideration paid and the share of net assets acquired in the subsidiary is recorded in equity. Gains and losses realised on disposals to non-controlling interests are also recorded in equity. Distribution of net income for the period to the equity holders of the parent company and to non-controlling interests is presented in the statement of income. Equity attributable to non-controlling interest is disclosed as a separate item on the balance sheet.

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

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

Foreign currency transactions

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

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

Foreign subsidiaries

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

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

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

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

7.1 Acquisitions and disposals of businesses

Accounting principles

Businesses acquisitions
The acquisition method of accounting is used to account for all business combinations in which Cargotec obtains control of the acquired business regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a business is the fair value of the assets transferred, the liabilities incurred and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. If a contingent consideration is classified as a financial liability, it is measured at fair value on each reporting date, and the changes in the fair value are recognised in the statement of income. Contingent consideration classified as equity is not revalued.

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

If a business combination is achieved in stages, the previously held equity interest is revalued at fair value at the acquisition date. Any gains or losses arising from remeasurement are recognised in the statement of income. Acquisition-related costs are expensed as incurred.

Estimates and assumptions requiring management judgment

Businesses acquisitions

Net assets acquired through business combinations are measured at fair value. The consideration exceeding the value of net assets acquired is recognised as goodwill. The measurement of fair value of the acquired net assets is based on market values of similar assets (property, plant and equipment), and valuation techniques based on expected cash flows and returns (intangible assets) . The valuation, which is based on prevailing repurchase value, expected cash flows or estimated sales price, requires management judgement, estimates and assumptions. Management trusts that the applied estimates and assumptions are sufficiently reliable for determining fair values.

Business disposals

Sales of businesses require management judgment in determining when the planned transaction is sufficiently probable that the main benefit of the assets to be sold is expected to be derived from their sale rather than their use. When considering this, the management's commitment to the transaction is taken into account and the probability of the transaction being realized is considered. When the management's commitment and certainty about the completion of the transaction is sufficient, the business to be transferred is reported either as a disposal group or as a discontinued operation, depending on its significance for the segment to which it belongs. Evaluating the significance may require management judgment. The change in reporting requires that the assets held for sale are tested for impairment by comparing their book value with the expected sales price less cost to sell. When measuring the profit impact of the sale, the net assets to be transferred include the portion of the goodwill allocated to the sale. The amount of goodwill to be allocated is based on the effect that the business being sold is estimated to have on the recoverable amount of the segment to which it belongs. If the transfer is expected to be loss-making, the value of the assets to be transferred is impaired by starting with the goodwill and then, if necessary, extending the impairment to the group of other non-current assets. For the aforementioned reasons, the processing of business sales includes elements that require management judgment, estimates and assumptions.

Acquisitions in 2023

In September, Kalmar acquired the product rights for the product line of electric terminal tractors from Lonestar Specialty Vehicles (LSV) in the United States for a purchase price of EUR 9.5 million. The transaction was accounted for as an asset acquisition in which EUR 9.2 million of the purchase price was allocated to technology-related intangible assets and EUR 0.3 million to prototype machines. In addition, Kalmar entered into a manufacturing contract with LSV for the production of the acquired electric terminal tractor product range. Acquired product line had no material impact in the reported revenues of the year 2023.

Hiab acquired in January the share capitals of Olsbergs Hydraulics Aktiebolag and Olsbergs Electronics AB at a purchase price of EUR 19.1 million of which the EUR 1.9 million share is conditional and expected to be paid in 2024. Olsbergs is the technological leader in the design and manufacture of hydraulic valves and remote control systems. Its solutions are used to manoeuvre Hiab's truck mounted loader cranes and forestry cranes. Via acquisition, Hiab is insourcing these components and has better capabilities to further develop them in an integrated manner with other crane components. In determining the fair values, EUR 3.3 million of intangible assets and EUR 4.9 million of goodwill, which is not tax deductible, were identified. As a result of the acquisition, approximately 100 employees transferred to Hiab. Acquisition had no material impact on Hiab's revenue or operating profit in 2023.

Acquired net assets and goodwill related to Olsbergs acquisition
MEUR

Intangible assets	3.3
Property, plant and equipment	13.6
Inventories	4.7
Accounts receivable and other non-interest-bearing assets	3.3
Cash and cash equivalents	0.9
Accounts payable and other non-interest-bearing liabilities	-1.9
Interest-bearing liabilities	-8.2
Deferred tax liabilities	-1.6
Net assets	**14.1**
Purchase price, payable in cash	17.1
Purchase price, conditional	1.9
Total consideration	**19.1**
Goodwill	**4.9**
Purchase price, paid in cash	17.1
Cash and cash equivalents acquired, including overdrafts	-0.9
Cash flow impact	**16.2**

Disposals in 2023

In December, Hiab sold its Spanish subsidiary Hiab Iberia S.L.U. at a sales price of EUR 6.1 million, of which EUR 2.1 million will be paid during the first quarter of 2024. With the transaction, Hiab transferred its spare parts business in Spain to its partner Mulder Maquinaria S.L.U. The transaction had no material effect on the reported figures.

In November, MacGregor sold its 51% ownership in the UK-based Flintstone Technology Limited to Bridon International Ltd. The transaction had no material effect on the reported figurest.

In October, MacGregor sold the Voyage Data Recorder and Maritime Data Engine businesses to Danelec Electronics A/S. The transaction had no material effect on the reported figures.

In May, Hiab sold its Russian subsidiary Hiab RUS LLC to the company's executive management. The company has mainly sold Hiab equipment and related services to the Russian market. The transaction had no material effect on the reported figures.

Disposals in 2022

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

7.2 Joint ventures and associated companies

Accounting principles

Joint ventures and associated companies

Joint ventures are joint arrangements in which the parties that have joint control of the arrangement have rights to the net assets of the arrangement based on the ownership interest held. Associated companies are entities over which Cargotec has significant influence based on right to participate in the financial and operating policy decision-making but over which Cargotec has no control or joint control. Investments in joint ventures and associated companies are accounted for in the consolidated financial statements under the equity method. Investments in joint ventures and associated companies are initially recognised on the balance sheet at the acquisition cost, which includes goodwill and intangible assets identified on acquisition as well as the costs for acquiring or establishing the joint venture or associated company. Subsequently, the value of investment is adjusted in accordance with changes in the net assets of the investee in proportion to Cargotec's ownership, and in accordance with the 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. Any change in other comprehensive income of those investees is presented as part of the Cargotec's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, Cargotec recognises its share of any changes, when applicable, in the statement of changes in equity.

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

The carrying amount of investments in joint ventures and associated companies is reviewed on a regular basis and if any impairment in value has occurred, it is written down in the period in which these circumstances are identified. If Cargotec's share of the joint venture's or associated company's losses exceeds its interest in the company, the carrying amount is written down to zero. After this, losses are reported only if Cargotec is committed to fulfilling the obligations of the joint venture or associated company.

Estimates and assumptions requiring management judgement

Assessment of joint control and significant influence

Cargotec applies judgement in determining an appropriate method to account for its ownership in the investees. Cargotec's investments in joint arrangements are classified as joint ventures based on shared control, rights to net assets of the arrangement, and other relevant circumstances related to the arrangements. Cargotec's investments in associated companies include investments, in which Cargotec's voting rights are normally more than 20 percent. Accounting for the investment as an associated company is based on Cargotec's significant influence in the investee. Where indicators for shared control, or significant influence are not unambiguous, management applies judgement in determining the appropriate consolidation method.

	Joint ventures		Associated companies		Total	
MEUR	2023	2022	2023	2022	2023	2022
Book value 1 Jan	35.3	38.0	39.3	35.7	74.6	73.7
Translation differences	-2.3	-0.1	-0.3	-1.8	-2.6	-1.9
Share of net income	2.1	0.7	9.0	6.3	11.1	7.0
Share of other comprehensive income	-	-	0.7	-0.8	0.7	-0.8
Impairment	-	-4.0	-	-	-	-4.0
Dividend income	-	-0.2	-	-	-	-0.2
Additions	-	1.0	-	-	-	1.0
Disposals	-7.3	-	-	-	-7.3	-
Book value 31 Dec	**27.8**	**35.3**	**48.8**	**39.3**	**76.6**	**74.6**

Equity-accounted investments

31 Dec 2023 MEUR	Country*	Classification	Assets	Liabilities	Sales	Profit for the period	Shareholding (%) Parent company	Shareholding (%) Group
Haida-MacGregor Jiangyin Sealing Co., Ltd.	China	Joint venture	7.4	0.9	9.3	1.0	-	25.0
CSSC Nanjing Luzhou MacGregor Machinery Co., Ltd	China	Joint venture	3.5	3.3	2.9	0.1	-	49.0
CSSC MacGregor Marine Equipment Co., Ltd.	China	Joint venture	52.6	45.5	47.3	2.6	-	50.0
TTS SCM Marine and Offshore Machinery Co., Ltd.	China	Joint venture	43.6	36.8	34.3	1.0	-	50.0
Bruks Siwertell Group AB	Sweden	Associated company	167.8	64.5	206.0	19.0	-	47.2
Other equity-accounted investments			3.8	1.3	6.4	-0.3		

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

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

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

Changes in joint ventures and associated companies in 2023

In April, Hiab completed the closure of the joint venture Sinotruk Hiab (Shandong) Equipment Co., Ltd. Termination of the company had no material profit impact.

The sale of TTS Hua Hai Ships Equipment (Shanghai) Co., Ltd. (THH) to CSSC was completed in March. The transaction had no material profit impact.

Changes in joint ventures and associated companies in 2022

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

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

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

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

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

Summarised financial information about material joint ventures and associated companies

Summarised balance sheets at 31 Dec	CSSC MacGregor Marine Equipment Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2023	2022	2023	2022
Non-current assets	7.2	7.6	61.6	60.1
Cash and cash equivalents	20.0	12.8	27.7	18.9
Other current assets	25.4	18.6	78.5	74.0
Total assets	**52.6**	**39.0**	**167.8**	**153.0**
Non-current financial liabilities	-	-	4.3	2.9
Other non-current liabilities	1.2	0.8	16.7	16.7
Current financial liabilities	44.3	33.3	0.0	5.4
Other current liabilities*	-	-	43.4	44.7
Total liabilities	**45.5**	**34.1**	**64.5**	**69.7**
Net assets	**7.1**	**4.9**	**103.3**	**83.3**

* Accounts payable are included in other current liabilities.

Summarised statements of income	CSSC MacGregor Marine Equipment Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2023	2022	2023	2022
Sales	47.3	23.7	206.0	186.2
Depreciation, amortisation and impairments	0.4	0.4	3.0	2.7
Finance income	0.2	-	2.1	1.2
Finance expenses	-0.3	-0.4	-1.2	-1.3
Profit before taxes	2.6	0.0	23.8	17.2
Income taxes	0.0	0.0	-4.8	-3.9
Profit for the period	**2.6**	**0.0**	**19.0**	**13.4**
Other comprehensive income	-	-	1.5	-1.8
Comprehensive income for the period	**2.6**	**0.0**	**20.5**	**11.5**
Dividends received	**-**	**-**	**-**	**-**

Reconciliation of summarised information

	CSSC MacGregor Marine Equipment Co., Ltd.		Bruks Siwertell Group AB	
MEUR	2023	2022	2023	2022
Net assets 1 Jan	4.9	2.2	83.3	75.7
Profit for the period	2.6	0.0	19.0	13.4
Other comprehensive income for the period	-	-	1.5	-1.8
Additions/disposals	-	2.8	-	-
Dividends	-	-	0.0	0.0
Translation differences	-0.4	-0.2	-0.5	-3.9
Net assets 31 Dec	**7.1**	**4.9**	**103.3**	**83.3**
Cargotec's share of net assets	3.6	2.4	48.8	39.3
Goodwill	16.5	17.9	0.0	0.0
Book value 31 Dec	**20.1**	**20.3**	**48.8**	**39.3**

7.3 Subsidiaries

31 Dec 2023	Country	Shareholding (%) Parent company	Shareholding (%) Group
Cargotec Argentina S.R.L.	Argentina		100
Cargotec Australia Pty Ltd	Australia		100
Kalmar Equipment (Australia) Pty. Ltd.	Australia		100
Inver Port Services Pty. Ltd.	Australia		100
MacGregor Australia Pty Ltd	Australia		100
Kalmar Austria GmbH	Austria		100
Hiab Austria GmbH	Austria		100
Cargotec Belgium NV	Belgium	100	100
Hiab Belgium SA	Belgium	100	100
MacGregor Belgium NV	Belgium		100
Cargotec Brazil Servicos e Comércio de Equipamentos para Movimentacao de Cargas Ltda	Brazil		100
Hiab Brasil Guindastes e Servicos Ltda	Brazil		100
MLS Servicos Offshore e Navais Ltda	Brazil		100
Cargotec Bulgaria EOOD	Bulgaria		100
Kalmar Bulgaria EOOD	Bulgaria		100
Waltco Lift Inc.	Canada		100
Kalmar Chile S.A.	Chile		100
China Crane Investment Holdings Limited	China		100
Cargotec Asia Limited	China		100
Cargotec Industries (China) Co., Ltd	China		100
Cargotec (Shanghai) Trading Company Limited	China		100
Kalmar Port Machinery (Shenzhen) Co., Ltd	China		100
MacGREGOR (Shanghai) Trading Co., Ltd.	China		100
MacGregor (Tianjin) Co., Ltd	China		100
TTS Marine Shanghai Co. Ltd.	China		100
MacGregor (HKG) Limited	China		100
Kalmar Colombia S.A.S.	Colombia		100
MacGregor Croatia d.o.o.	Croatia		100
MacGregor Cyprus Limited	Cyprus		100
ISMS Holdings Limited	Cyprus		100

31 Dec 2023	Country	Shareholding (%) Parent company	Shareholding (%) Group
HATLAPA (Eastmed) Limited	Cyprus		100
HATLAPA Filtration Technology (HFT) Ltd.	Cyprus		73
MacGregor Denmark A/S	Denmark		100
Zepro Danmark A/S	Denmark		100
MacGREGOR BLRT Baltic OÜ	Estonia		51
Cargotec Holding Finland Oy	Finland	100	100
Cargotec Finland Oy	Finland		100
Hiab Holding Finland Oy	Finland	100	100
Hiab Finland Oy	Finland		100
Cargotec Solutions Oy	Finland	100	100
MacGregor Finland Oy	Finland		100
Hiab France SAS	France	100	100
Kalmar France SAS	France		100
MacGregor France S.A.S.	France		100
Cargotec Advanced Germany GmbH	Germany		100
Kalmar Germany GmbH	Germany		100
Hiab Germany GmbH	Germany		100
MacGregor Germany GmbH et Co. KG	Germany		100
HATLAPA Verwaltungsgesellschaft mbH	Germany		100
TTS NMF GmbH	Germany		100
MacGregor Greece Ltd	Greece		100
TTS Greece Ltd.	Greece		100
Cargotec India Private Limited	India		100
MacGregor Marine India Private Limited	India		100
PT Kalmar Pacific Indonesia	Indonesia		100
Kalmar Lift and Handling Equipment Ireland Limited	Ireland		100
Cargotec Engineering Ireland Ltd	Ireland		100
Kalmar Italia S.r.l.	Italy		100
Hiab Italia S.r.l.	Italy		100
MacGregor Italy S.r.l.	Italy		100
Cargotec Japan Ltd	Japan		100

31 Dec 2023	Country	Shareholding (%) Parent company	Shareholding (%) Group
MacGregor Japan Ltd	Japan		100
MacGREGOR BLRT Baltic UAB	Lithuania		51
Cargotec Terminal Solutions (Malaysia) Sdn Bhd	Malaysia		100
Bromma (Malaysia) Sdn. Bhd.	Malaysia		100
MacGregor Malaysia Sdn. Bhd.	Malaysia		100
Kalmar Mexico Equipos S.A. de C.V.	Mexico		100
Kalmar Maghreb S.A.	Morocco		100
Cargotec Advanced Netherlands B.V.	Netherlands		100
Kalmar Netherlands B.V.	Netherlands		100
Cargotec Holding Netherlands B.V.	Netherlands	100	100
Hiab Benelux B.V.	Netherlands		100
MacGregor Netherlands Holding B.V.	Netherlands		100
MacGregor Netherlands B.V.	Netherlands		100
Kalmar New Zealand Ltd	New Zealand		100
Hiab Norway AS	Norway		100
Kalmar Norway AS	Norway	100	100
MacGregor Norway AS	Norway	100	100
Cargotec Services Panama, S.A.	Panama		100
Cargotec Panama, S.A.	Panama		100
Hiab Poland Sp. z o.o.	Poland		100
Cargotec Poland Sp. z.o.o.	Poland		100
MacGregor Poland Sp. z.o.o.	Poland		100
Kalmar Portugal, S.A.	Portugal		100
MacGregor Doha WLL	Qatar		49*
Cargotec RUS LLC	Russia		100
MacGregor doo Kragujevac	Serbia		100
Cargotec CHS Pte. Ltd.	Singapore		100
MacGregor Pte Ltd	Singapore	100	100
Cargotec Slovakia Spol. s.r.o.	Slovakia	100	100
Tagros d.o.o.	Slovenia	100	100
Kalmar Industries South Africa (Pty) Ltd	South Africa	100	100
Cargotec Korea Limited	South Korea		100
MacGregor Korea Co., Ltd.	South Korea		100

31 Dec 2023	Country	Shareholding (%) Parent company	Shareholding (%) Group
Kalmar Spain Cargo Handling Solutions S.A.	Spain		100
Hiab Cranes, S.L. Unipersonal	Spain		100
Cargotec Sweden AB	Sweden	100	100
Hiab AB	Sweden		100
Hiab Sweden AB	Sweden		100
Olsbergs Hydraulics Aktiebolag	Sweden		100
Olsbergs Electronics AB	Sweden		100
MacGregor Sweden AB	Sweden		100
TTS Marine AB	Sweden		100
Z-Lyften Produktion AB	Sweden		100
Kalmar Turkey Yuk Tasima Sistemleri Anonim Şirketi	Turkey		100
Kalmar Middle East DMCC	United Arab Emirates		100
Bromma Middle East DMCC	United Arab Emirates		100
MacGregor (ARE) LLC	United Arab Emirates		49*
MacGregor (ARE) Gulf LLC	United Arab Emirates		49*
Hiab Limited	United Kingdom	100	100
Del Equipment (U.K.) Limited	United Kingdom		100
Kalmar Limited	United Kingdom	100	100
MacGregor (GBR) Limited	United Kingdom		100
Player and Cornish Marine Limited	United Kingdom		100
Cargotec Holding, Inc.	USA	100	100
Cargotec International, Inc.	USA		100
Hiab USA Inc.	USA		100
Kalmar Solutions LLC	USA		100
Kalmar USA Holding, Inc.	USA		100
Kalmar USA Inc.	USA		100
Cargotec Crane and Electrical Services Inc.	USA		100
MacGregor USA Inc.	USA		100
MacGregor Viet Nam Co., Ltd	Vietnam		100

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

8. CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

8.1 Financial risk management

Organisation of finance function and financial risk management

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

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

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

Currency risk

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

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

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

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

31 Dec 2023 MEUR	EUR	USD	SEK	PLN	NOK	CNY	Others
Balance sheet items	-19.3	93.4	-6.7	11.3	-9.6	-17.7	-54.8
Hedges	111.3	-486.8	90.0	27.3	58.6	163.9	42.0
Balance sheet exposure	**92.0**	**-393.4**	**83.3**	**38.6**	**49.0**	**146.2**	**-12.8**
Order book and purchases	-115.0	426.0	-81.9	-52.8	-48.0	-146.7	9.8
Net exposure	**-23.0**	**32.6**	**1.4**	**-14.2**	**1.0**	**-0.5**	**-3.0**

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

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

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

Foreign exchange rate fluctuations have an effect on the consolidated income and equity. The effect in the statement of income arises from foreign currency denominated financial assets and liabilities in the subsidiaries' balance sheets, including derivatives for which hedge accounting is not applied. The effect in equity arises from derivatives under hedge accounting from which the fair value fluctuations related to changes in exchange rates are recognised in the fair value reserve of the other comprehensive income. Foreign exchange rate impact in the fair value reserve is expected to be offset by the corresponding opposite impact in the value of the hedged item when recognised in the statement of income. The majority of the hedges mature and the hedged cash flows realise within the next year. Cargotec has recognised the following currency pairs to be the most significant and estimated their impact on profit before taxes and on other comprehensive income through sensitivity analysis. Sensitivity analysis assumes that cash is held at subsidiaries functional currency.

	Profit before taxes		Other comprehensive income	
MEUR	2023	2022	2023	2022
USD appreciates 10% against the euro	-4.3	-1.8	-19.5	-32.5
SEK appreciates 10% against the euro	3.0	3.9	2.7	-3.1
USD depreciates 10% against the euro	4.3	1.8	19.5	32.5
SEK depreciates 10% against the euro	-3.0	-3.9	-2.7	3.1

Net investments in non-euro area subsidiaries cause translation differences, recognised in the consolidated equity (translation risk). Translation risk is mitigated by managing the capital structure so that the effect of foreign exchange rate fluctuations on debt and equity are in balance. Cargotec Treasury regularly monitors the translation exposure and evaluates the materiality of the risk position. The impact of the translation risk from currencies to Cargotec's gearing is evaluated not to be significant and hedging the translation risk has not been considered necessary.

31 Dec 2023 MEUR	USD	PLN	NOK	SGD	SEK
Translation exposure	221.1	220.0	254.6	201.1	293.1
Translation risk	**221.1**	**220.0**	**254.6**	**201.1**	**293.1**

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

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 2023, Cargotec's consolidated interest-bearing debt totalled EUR 866.7 (31 Dec 2022: 837.5) million, of which EUR 349.3 (348.9) million were fixed rate corporate bonds, and EUR 177.6 (164.6) million were lease liabilities. The rest, EUR 339.8 (324.0) million, consisted of fixed and floating rate loans, short term loans, bank overdrafts and other interest-bearing liabilities. On 31 December 2023, the average interest duration of interest-bearing debt excluding lease liabilities was 12 (19) months.

The EUR 688.1 (31 Dec 2022: 459.2) million investment portfolio consisted mainly of short-term deposits and bank account balances. Interest-bearing loan receivables totalled EUR 3.3 (7.0) million and finance lease receivables EUR 0.2 (0.3) million. The average interest duration of the interest bearing assets was less than one month (less than one month).

Based on the sensitivity analysis, a one percentage point increase/decrease in the interest rates would have decreased/ increased net interest cost by EUR 1.2 (31 Dec 2022: 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 6.5 (31 Dec 2022: increased/decreased by EUR 7.9) 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 2023 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	688.1	-	-	-	-	688.1
Non-current loans from financial institutions	-301.5	-	-25.0	-	-	-326.5
Corporate bonds	-100.0	-	-99.9	-149.5	-	-349.3
Lease liabilities	-21.5	-21.5	-32.4	-23.7	-78.5	-177.6
Current interest-bearing liabilities and other interest-bearing liabilities**	-13.3	-	-	-	-	-13.3
Net	**251.9**	**-21.5**	**-157.2**	**-173.2**	**-78.5**	**-178.6**

* Including cash and cash equivalents
** Including bank overdrafts

31 Dec 2022 MEUR	0–6 mths	6–12 mths	12–24 mths	24–36 mths	Later	Total
Loans receivable and other interest-bearing assets*	457.9	1.3	-	-	-	459.2
Non-current loans from financial institutions	-249.8	-	-	-25.0	-	-274.8
Corporate bonds	-	-	-99.9	-99.8	-149.3	-348.9
Lease liabilities	-18.7	-18.7	-29.5	-21.6	-76.2	-164.6
Current interest-bearing liabilities and other interest-bearing liabilities**	-11.7	-37.5	-	-	-	-49.2
Net	**177.6**	**-54.8**	**-129.3**	**-146.3**	**-225.5**	**-378.3**

* Including cash and cash equivalents
** Including bank overdrafts

Other market risks

In addition to financial risks managed by the treasury function, Cargotec is exposed to price and supply risks mainly relating to raw material and component purchases. Business units are responsible for identifying and mitigating the risks as well as possible hedging measures. Risks are managed through careful selection of suppliers, long-term cooperation with key suppliers and contract terms.

Cargotec has evaluated that the discontinuation of LIBOR reference rates and transition to alternative risk free rates will not have material impact on Cargotec financing agreements or financial risk management operations.

Liquidity and funding risks

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

Liquidity risk is managed by retaining long-term liquidity reserves exceeding the level of short-term liquidity requirement. On 31 December 2023, the liquidity reserves, including cash and cash equivalents and long-term undrawn credit facilities, totalled EUR 1,114.7 (31 Dec 2022: 781.9) 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 2023, repayments of short- and long-term interest-bearing liabilities due within the following 12 months totalled EUR 158.5 (86.6) million, of which EUR 42.9 (37.4) million are leasing liabilities.

On 31 December 2023, Cargotec held a total of EUR 430.0 (31 Dec 2022: 330.0) million of undrawn long-term revolving credit facilities, of which EUR 330.0 million will mature in December 2027 and includes two one-year extension options, and EUR 100.0 million will mature in November 2025 with one-year extension option. According to the facility agreements, Cargotec has a right to withdraw funds on three business days' notice on agreed terms.

In connection with the planned separation of Kalmar, the EUR 100.0 million of the undrawn long-term revolving credit facility is transferable to Kalmar. In addition, Cargotec held a EUR 50.0 million long-term revolving credit facility where availability is subject to the completion of the planned demerger as well as fulfillment of certain customary conditions precedent.

Additionally, to fulfil short-term cash management requirements, Cargotec holds available short-term bank overdraft facilities of EUR 94.0 (31 Dec 2022: 95.5) million and a EUR 150.0 (150.0) million domestic Commercial Paper facility which on 31 December 2023 was unused (unused). Cargotec's total liquidity position includes EUR 96.7 (94.3) million of cash and cash equivalents in different currencies subject to currency-related or other regulatory restrictions, and, therefore, these balances may not be utilised outside these countries within a short period of time. Nevertheless, these restricted balances are typically available for immediate use locally in these countries and therefore these balances are included in cash and cash equivalents.

Total liquidity

MEUR	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	684.7	451.9
Committed long-term undrawn revolving credit facilities	430.0	330.0
Repayments of interest-bearing liabilities during next 12 months	-158.5	-86.6
Total liquidity	**956.2**	**695.3**

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 revolving credit facilities include a covenant restricting the corporate capital structure. According to the covenant, the relation between net debt and equity (gearing) must be retained below 125 percent. According to management assessment, Cargotec is in good position regarding liquidity and there are no significant concentrations of risks relating to refunding.

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

Maturities of financial liabilities

31 Dec 2023 MEUR	2024	2025	2026	2027	2028	Later	Total
Derivatives							
Currency forward contracts, outflow	-3,999.7	-	-	-	-	-	-3,999.7
Currency forward contracts, inflow	4,026.9	-	-	-	-	-	4,026.9
Derivatives, net	**27.2**	**-**	**-**	**-**	**-**	**-**	**27.2**
Interest-bearing liabilities							
Repayments of loans from financial institutions and other interest bearing liabilities	-15.6	-124.8	-149.6	-49.9	-	-	-339.8
Repayments of corporate bonds	-100.0	-99.9	-149.5	-	-	-	-349.3
Repayments of lease liabilities	-42.9	-32.4	-23.7	-18.0	-12.7	-47.8	-177.6
Total interest charges	-22.1	-17.6	-10.0	-4.8	-2.1	-5.2	-61.9
Accounts payable and other non-interest bearing liabilities	-519.4	-35.9	-15.9	-15.2	-9.9	-10.3	-606.5
Total	**-672.7**	**-310.6**	**-348.7**	**-87.9**	**-24.7**	**-63.3**	**-1,507.9**

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

Credit and counterparty risks

The business units are responsible for managing the operational credit risks. Because of the diverse and global clientele, Cargotec is not exposed to significant credit risk concentrations. Credit risk related to sales contracts is mitigated by using payment terms that are based on advance payments, bank guarantees or other guarantees, and by monitoring the creditworthiness of customers. Credit risks related to large contracts are shared with financial institutions, insurance companies or export guarantee institutions, when feasible. More information on accounts receivable is presented in note 5.3, Accounts receivable and other non-interest-bearing assets.

The Treasury Committee sets financial counterparty limits based on their solvency and creditworthiness. Cargotec Treasury actively reviews counterparty risks and, if needed, may reject a counterparty with immediate effect. Only large financial institutions with a high credit rating are accepted as counterparties. Deposits of liquidity reserves and trading in financial instruments are only accepted with counterparties confirmed by the Treasury Committee.

Cargotec's total credit risk exposure on 31 December 2023 including credit risk related to both on-balance sheet and off-balance sheet items amounted to EUR 1,590.3 (31 Dec 2022: 1,421.6) million. From the total exposure, EUR 29.1 (34.6) million relates to financial assets measured at fair value through profit or loss.

Credit risk position

31 Dec 2023		Credit risk			
MEUR	Note	Low	Increased	High	Total
On-balance sheet credit risk from customer contracts					
Accounts receivable	5.3	674.5	42.6	6.8	723.8
Contract assets	5.3	47.3	-	-	47.3
Total		**721.8**	**42.6**	**6.8**	**771.2**
On-balance sheet credit risk from other financial assets					
Loans receivable and other interest-bearing assets	8.2	3.3	0.2	-	3.5
Derivative assets (risk after ISDA netting)	8.5	29.1	-	-	29.1
Equity warrants	8.5	-	-	-	-
Other non-interest-bearing assets	5.3	8.2	-	-	8.2
Cash and cash equivalents	8.3	678.9	-	5.8	684.7
Total		**719.5**	**0.2**	**5.8**	**725.5**
Off-balance sheet credit risk from contracts with customers					
Customer financing	9.2	8.3	-	-	8.3
Operating lease receivables	9.1	85.4	-	-	85.4
Total		**93.7**	**-**	**-**	**93.7**
Total credit risk exposure		**1,535.0**	**42.8**	**12.6**	**1,590.3**

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

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, including changes in the credit loss allowance, amounted to EUR 15.6 (2022: 2.7) million of which EUR 13.4 (3.4) million relates to credit losses from customer receivables disclosed in note 5.3, Accounts receivable and other non-interest-bearing assets and EUR 2.2 (-0.7) million of impairment losses related to loan receivables.

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 29.1 (31 Dec 2022: 32.1) million for Cargotec and EUR 1.1 million (none) for the counterparties.

The maximum credit risk relating to cash and cash equivalents corresponds to their carrying amount. According to management assessment, no significant credit losses are anticipated on the investments of liquidity reserves. The off-balance sheet customer finance and operating lease receivables are collateralised, and, therefore, the related credit risk is considered to be low.

Operational risks of the treasury function

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

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

Capital structure management

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

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

MEUR	31 Dec 2023	31 Dec 2022
Interest-bearing liabilities	866.7	837.5
Lease liabilities included in interest-bearing liabilities	177.6	164.6
Loans receivable and other interest-bearing assets	-3.5	-7.3
Cash and cash equivalents	-684.7	-451.9
Interest-bearing net debt	**178.6**	**378.3**
Equity	1,753.8	1,528.3
Gearing	**10.2%**	**24.8%**

MEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Operating profit	483.8	106.1
Depreciation, amortisation and impairment	114.9	203.9
EBITDA	**598.7**	**310.1**
Interest-bearing net debt / EBITDA	**0.3**	**1.2**

8.2 Financial instruments by measurement category

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

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

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

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

Financial liabilities

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

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

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

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

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

Offsetting financial assets and liabilities

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

Estimates and assumptions requiring management judgement

Fair value of financial assets and liabilities

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

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

31 Dec 2023 MEUR	Note	Measured at cost or amortised cost	Measured at fair value through other comprehensive income	Measured at fair value through profit or loss	Total
Share investments		-	-	0.0	0.0
Loans receivable and other interest-bearing assets		3.5	-	-	3.5
Derivative assets	8.5	-	14.5	39.5	54.0
Accounts receivable and other non-interest-bearing assets	5.3	779.4	-	-	779.4
Cash and cash equivalents	8.3	684.7	-	-	684.7
Total financial assets		**1,467.5**	**14.5**	**39.5**	**1,521.5**
Interest-bearing liabilities	8.4	866.7	-	-	866.7
Derivative liabilities	8.5	-	3.1	22.9	26.0
Accounts payable and other non-interest-bearing liabilities	5.4	606.5	-	-	606.5
Total financial liabilities		**1,473.2**	**3.1**	**22.9**	**1,499.2**

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

Financial assets and liabilities measured at fair value through profit and loss consists of currency forward contracts. The comparison figure included also a loan receivable from Coast Autonomous Inc and the related equity warrant.

Financial assets and liabilities measured at fair value through other comprehensive income include foreign exchange forward contracts subject to hedge accounting. Fair value changes related to derivatives for which hedge accounting is applied are accumulated in other comprehensive income during hedge accounting and recycled to statement of income when hedge accounting related to sales transaction ceases, and to value of inventory when hedge accounting related to purchase transaction ceases. The recurring measurement of derivative instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables based on which these measurements are categorised in the fair value hierarchy as level 2 fair values.The fair values of other instruments measured at fair value through profit or loss are partly based on non-market based variables, and, therefore, these measurements are categorised in the fair value hierarchy as level 3 fair values. Other items are recognised on balance sheet at amortised cost and information about their fair values is presented under each respective note to the extent that the difference between the book value and fair value is significant.

Loans receivable and other interest-bearing assets mainly consist of term deposits. The comparison period figure included a EUR 5.4 million vendor loan related to the sale of Siwertell AB in 2018. The vendor loan was repaid during 2023. The carrying value of the Loans receivable and other interest-bearing asset includes EUR 2.4 million credit loss-related write-downs (31 Dec 2022: no write-downs).

8.3 Cash and cash equivalents

Accounting principles

Cash and cash equivalents

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

MEUR	31 Dec 2023	31 Dec 2022
Cash at bank and on hand	561.5	423.0
Short-term deposits	123.2	28.9
Cash and cash equivalents in total	**684.7**	**451.9**

Cash and cash equivalents include a total of EUR 96.7 (31 Dec 2022: 94.3) million worth of cash and cash equivalents in different countries and currencies, which are subject to transfer restrictions but can be used in local business, or transferred with a delay excluding cash and cash equivalents worth EUR 5.8 (8.4) million in Russia. More information about Cargotec's risks related to Russia is presented in note 2.7 Prevailing financial uncertainty.

Cash and cash equivalents in the statement of cash flows

MEUR	31 Dec 2023	31 Dec 2022
Cash and cash equivalents	684.7	451.9
Bank overdrafts used	-3.8	-6.5
Cash and cash equivalents in the statement of cash flows	**680.8**	**445.4**

8.4 Interest-bearing liabilities

Book value of interest-bearing liabilities

MEUR	Note	31 Dec 2023	31 Dec 2022
Non-current			
Loans from financial institutions		299.2	249.8
Schuldschein loans		25.0	25.0
Corporate bonds		249.3	348.9
Lease liabilities	9.1	134.7	127.2
Total		**708.2**	**750.9**
Current			
Loans from financial institutions		2.2	-
Schuldschein loans		-	37.5
Corporate bonds		100.0	-
Lease liabilities	9.1	42.9	37.4
Other interest bearing liabilities		9.5	5.2
Bank overdrafts used		3.8	6.5
Total		**158.5**	**86.6**
Total interest-bearing liabilities		**866.7**	**837.5**

On 31 December 2023, the average interest rate of long-term liabilities was 3.6 (31 Dec 2022: 2.6) percent. The average interest rate of short-term liabilities was 3.4 (3.6) percent.

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

Corporate bonds and other fixed interest rate loans

			Fair value, MEUR		Book value, MEUR	
Loan period	Coupon rate, %	Nominal value	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
2018–2023	*	37.5 MEUR	-	36.7	-	37.5
2017–2024	Fixed 2.38	100.0 MEUR	99.6	97.4	100.0	99.9
2018–2025	*	25.0 MEUR	24.0	23.2	25.0	25.0
2019–2025	Fixed 1.25	100.0 MEUR	97.2	92.5	99.9	99.8
2019–2026	Fixed 1.63	150.0 MEUR	142.2	130.9	149.5	149.3

* Interest terms are considered confidential information between the contractual parties

Reconciliation of interest-bearing liabilities

MEUR	Note	Non-current interest-bearing liabilities including repayments	Lease liabilities and current interest-bearing liabilities	Bank overdrafts used	Total interest-bearing liabilities
1 Jan 2023		661.1	169.9	6.5	837.5
Cash flows		12.8	-40.1	-2.6	-30.0
New and changed lease agreements		-	54.1	-	54.1
Companies acquired and sold	7.1	-0.9	8.1	0.0	7.2
Translation differences		0.0	-2.6	-0.1	-2.7
Effective yield adjustment		0.5	-	-	0.5
Total interest-bearing liabilities, 31 Dec 2023		**673.5**	**189.3**	**3.8**	**866.7**

MEUR	Note	Non-current interest-bearing liabilities including repayments	Lease liabilities and current interest-bearing liabilities	Bank overdrafts used	Total interest-bearing liabilities
1 Jan 2022		748.0	170.9	0.6	919.5
Cash flows		-87.5	-46.4	6.0	-127.9
New and changed lease agreements		-	44.7	-	44.7
Companies acquired and sold	7.1	-	-	-	-
Translation differences		-	0.7	-0.1	0.6
Effective yield adjustment		0.7	-	-	0.7
Total interest-bearing liabilities, 31 Dec 2022		**661.1**	**169.9**	**6.5**	**837.5**

8.5 Derivatives

Accounting principles

Derivative financial instruments and hedge accounting

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

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

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

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

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

31 Dec 2023 MEUR	Nominal value	Positive fair value	Negative fair value	Net fair value
Non-current				
Equity warrants	0.0	0.0	-	0.0
Total	**0.0**	**0.0**	**-**	**0.0**
Current				
Currency forwards, cash flow hedge accounting	2,313.9	14.5	3.1	11.4
Currency forwards, other	1,706.3	39.5	22.9	16.6
Total	**4,020.2**	**54.0**	**26.0**	**28.1**
Total derivatives	**4,020.2**	**54.0**	**26.0**	**28.1**

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

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

8.6 Equity

Accounting principles

Profit distribution

Profit distribution includes dividends and donations decided by the Shareholders' Meeting. The distribution of profits proposed by the Board of Directors is recognised as a liability and a deduction of equity once the distribution is approved by Cargotec Corporation's shareholders at the Annual General Meeting.

Treasury shares

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

Total equity consists of share capital, share premium, translation differences, fair value reserves, reserve for invested unrestricted equity, retained earnings and non-controlling interest. Share premium includes the amount exceeding the accounting par value of shares received by the company in connection with share subscriptions if the stock options had been decided on under the old Limited Liability Companies Act (29 Sep 1978/734). Translation differences include translation differences caused by translation of foreign subsidiaries' financial statements into euro, exchange rate gains and losses from the intercompany loan agreements that form part of a net investment. Fair value reserve includes hedge accounted component of fair value changes of derivatives under hedge accounting. Reserve for invested unrestricted equity includes transactions with treasury shares and share subscriptions with stock options. Retained earnings include profit for the period and previous periods. Paid dividends and donations approved by the Annual General Meeting are deducted from retained earnings. Additionally, retained earnings include actuarial gains and losses from defined benefit plans, gains and losses on designated share investments measured at fair value, and the cost of equity-settled share-based payments. Share-based payments are described in note 3.2 Share-based payments.

Shares and share capital

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

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

Number of shares	Class A shares	Class B shares	Total
Number of shares 1 Jan 2023	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2023	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2023	-	-407,043	-407,043
Number of shares outstanding 31 Dec 2023	**9,526,089**	**54,775,036**	**64,301,125**
Number of shares 1 Jan 2022	9,526,089	55,182,079	64,708,168
Number of shares 31 Dec 2022	**9,526,089**	**55,182,079**	**64,708,168**
Treasury shares 31 Dec 2022	-	-224,840	-224,840
Number of shares outstanding 31 Dec 2022	**9,526,089**	**54,957,239**	**64,483,328**

Dividend distribution

After 31 December 2023, the following dividends were proposed by the Board of Directors to be paid: EUR 2.14 per each class A share and EUR 2.15 per outstanding class B share, a total of EUR 138,152,157.86.

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 judgement, in particular, when determining the capitalised lease term. If a lease contract includes an option to prolong or purchase the leased asset, the decision to include or exclude the option in the value of the capitalised lease liability and right-of-use asset is based on an estimate of the likelihood to exercise the option. In practice, the probability to exercise an option is estimated from the needs of the business as part of the real estate management process and taking into account the contractual conditions, leasehold improvements made or needed, and the local market situation. Additional information about the right-of-use assets related to leases is disclosed in notes 6.3, Property, plant and equipment.

Cargotec leases property and equipment in most of the countries where it operates. Leased properties include land and buildings mainly for use as offices, manufacturing facilities, workshops, and warehouses. The average length of Cargotec's property leases on reporting date is 7.9 (31 December 2022: 8.7) 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 2.7 (31 December 2022: 2.5) 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 4.8 (31 December 2022: 5.4) percent.

Cargotec as lessee

MEUR	Note	31 Dec 2023	31 Dec 2022
Off-balance sheet leases			
Lease payments related to off-balance sheet leases			
Less than one year		2.2	5.7
One to two years		1.1	0.2
Two to three years		0.3	0.2
Three to four years		0.7	0.0
Four to five years		0.7	0.0
Over five years		3.1	-
Total		**8.0**	**6.1**
Off-balance sheet lease commitments on reporting date			
Lease payments related to short-term leases		1.3	3.0
Lease payments related to low-value leases		0.7	3.0
Lease payments related to leases not yet commenced		6.0	0.1
Total		**8.0**	**6.1**
On-balance sheet leases			
Lease payments related to on-balance sheet leases			
Less than one year		50.0	44.3
One to two years		37.7	34.9
Two to three years		27.6	25.9
Three to four years		20.8	18.4
Four to five years		14.8	14.3
Over five years		53.0	59.0
Total		**204.0**	**196.7**
Present value of lease payments related to on-balance sheet leases	8.4		
Less than one year		42.9	37.4
One to two years		32.4	29.5
Two to three years		23.7	21.6
Three to four years		18.0	14.9
Four to five years		12.7	11.3
Over five years		47.8	50.0
Total		**177.6**	**164.6**
Future interest expense related to on-balance sheet leases		26.4	32.1

MEUR	Note	31 Dec 2023	31 Dec 2022
Right-of-use assets	6.3		
Land and buildings		120.5	113.1
Machinery and equipment		33.8	28.6
Total		**154.3**	**141.8**
Leases in the statement of income			
Depreciation related to right-of-use assets	6.3	45.8	43.3
Land and buildings		27.6	27.9
Machinery and equipment		18.2	15.3
Interest expense on lease liabilities	2.5	8.2	7.3
Early termination gain (-) / loss (+)		2.0	-0.4
Impairment related to right-of-use assets	6.3	0.5	1.3
Land and buildings		0.5	1.3
Machinery and equipment		-	-
Rent expense from off-balance sheet leases:		9.8	9.8
Portion related to short-term leases		6.6	6.1
Portion related to low-value leases		3.2	3.6
Total		**66.2**	**61.2**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		9.8	9.8
Lease payments related to on-balance sheet leases		55.0	50.4
Total		**64.8**	**60.2**

Cargotec as lessor

MEUR	Note	31 Dec 2023	31 Dec 2022
Off-balance sheet leases			
Operating lease receivables			
Less than one year		29.1	28.0
One to two years		14.3	14.9
Two to three years		30.1	20.1
Three to four years		6.2	4.6
Four to five years		2.6	2.3
Over five years		3.0	0.9
Total		**85.4**	**70.8**
Property, plant and equipment related to off-balance sheet leases			
Land and buildings		1.7	2.0
Machinery and equipment	6.3	129.0	124.5
Total		**130.7**	**126.5**
On-balance sheet leases			
Finance lease receivables			
Less than one year		0.1	0.2
One to two years		0.1	0.1
Two to three years		0.0	0.0
Three to four years		-	-
Four to five years		-	-
Over five years		-	-
Total		**0.2**	**0.3**
Present value of finance lease receivables			
Less than one year		0.1	0.2
One to two years		0.1	0.1
Two to three years		0.0	0.0
Three to four years		-	-
Four to five years		-	-
Over five years		-	-
Total		**0.2**	**0.3**
Future interest income related to finance lease receivables		0.0	0.0

MEUR	Note	31 Dec 2023	31 Dec 2022
Finance lease receivables			
Land and buildings		0.0	0.1
Machinery and equipment		0.2	0.2
Total		**0.2**	**0.3**
Leases in the statement of income			
Rent income related to operating leases		33.0	34.0
Machinery and equipment		31.2	31.6
Land and buildings		0.6	0.9
Sublease of right-of-use assets		1.3	1.4
Selling profit or loss related to finance leases		1.6	1.7
Interest income related to finance leases		0.0	0.1
Total		**34.6**	**35.7**
Leases in the statement of cash flows			
Lease payments related to off-balance sheet leases		41.0	39.5
Lease payments related to on-balance sheet leases		0.2	0.4
Total		**41.2**	**39.8**

Cargotec's operating lease receivables mainly relate to container handling and industrial application equipment leased out under contracts with varying duration and conditions. The operating lease receivables also include future rent income from premises owned or subleased by Cargotec.

Rental income recognised in sales from operating leases was EUR 31.2 (2022: 31.6) million and rental income recognised in other operating income from operating leases was EUR 1.8 (2.4) million.

9.2 Contingent liabilities and commitments

Accounting principles

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

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

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

MEUR	31 Dec 2023	31 Dec 2022
Customer financing	8.3	10.0
Off-balance sheet leases	8.0	6.1
Other contingent liabilities	1.3	1.1
Total	**17.5**	**17.2**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from the ordinary course of business. The total amount of these guarantees on 31 December 2023 was EUR 404.3 (31 Dec 2022: 471.0) million.

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

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

9.3 Related-party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties also include 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 2023 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	0.0	4.5	4.5
Purchase of products and services	0.1	12.7	12.8
Finance income	0.1	-	0.1
Dividends received	-	-	-

1 Jan–31 Dec 2022 MEUR	Associated companies	Joint ventures	Total
Sale of products and services	-	5.6	5.6
Purchase of products and services	0.0	5.1	5.0
Finance income	0.5	-	0.5
Dividends received	-	0.2	0.2

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

Balances with associated companies and joint ventures

31 Dec 2023 MEUR	Associated companies	Joint ventures	Total
Loans receivable	-	-	-
Accounts receivable	-	2.2	2.2
Accounts payable	-	3.9	3.9

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

In 2023, Cargotec acquired software development consulting services with a value of EUR 0.1 million from an entity, which is controlled by a member of top management. Open accounts payable at the end of year 2023 was EUR 0.0 million.

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 Events after the reporting period

There were no material events after the reporting period.

KEY FIGURES

Key financial figures

Consolidated statement of income		2023	2022	2021	2020	2019
Sales	MEUR	4,569	4,089	3,315	3,263	3,683
Sales to outside of Finland	MEUR	4,475	4,021	3,244	3,184	3,607
Operating profit	MEUR	484	106	356	70	180
% of sales	%	10,6%	2,6%	10,7%	2,2%	4,9%
Comparable operating profit	MEUR	513	316[1]	215[1]	204[1]	264
% of sales	%	11,2%	7,7%[1]	6,5%[1]	6,2%[1]	7,2%
Profit before taxes	MEUR	453	79	333	34	146
% of sales	%	9,9%	1,9%	10,0%	1,1%	4,0%
Profit for the period	MEUR	349	23	247	8	89
% of sales	%	7,6%	0,6%	7,4%	0,2%	2,4%
Depreciation, amortisation and impairment	MEUR	115	204	117	144	134
Wages and salaries	MEUR	656	608	611	617	629

[1] Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2023. The restated comparable operating profit will also include the impacts of the purchase price allocation, which amounted to EUR 16 million in 2022, EUR 16 million in 2021 and EUR 23 million in 2020. Year 2019 is comparable.

Consolidated balance sheet and investments		2023	2022	2021	2020	2019
Equity	MEUR	1,754	1,528	1,547	1,301	1,427
Total assets	MEUR	4,376	4,189	4,027	3,888	4,227
Interest-bearing net debt	MEUR	179	378	414	682	774
Net working capital	MEUR	329	286	184	103	158
Capital expenditure in intangible assets and property, plant and equipment	MEUR	94	81	64	59	61
Capital expenditure in customer financing	MEUR	43	32	16	26	39
Capital expenditure, total % of sales	%	3,0%	2,8%	2,4%	2,6%	2,7%

Other key figures		2023	2022	2021	2020	2019
Return on equity (ROE)	%	21.2%	1.5%	17.3%	0.6%	6.3%
Return on capital employed (ROCE)[1]	%	19.9%	4.6%	14.5%	2.8%	7.3%
Equity to asset ratio	%	43.8%	39.2%	40.6%	35.3%	36.4%
Gearing	%	10.2%	24.8%	26.8%	52.4%	54.2%
Interest-bearing net debt / EBITDA		0.3	1.2	0.9	3.2	2.5
Orders received	MEUR	3,987	4,862	4,427	3,121	3,714
Order book	MEUR	2,812	3,541	2,847	1,824	2,089
Cash flow from operations before finance items and taxes	MEUR	544	231	169	296	361
Research and development costs	MEUR	98	100	102	105	102
% of sales	%	2.1%	2.4%	3.1%	3.2%	2.8%
of which capitalised	MEUR	-	-	2.8[1]	-	0.2
Average number of employees		11,669	11,405	11,232	12,066	12,470
Number of employees 31 Dec		11,391	11,526	11,174	11,552	12,587

[1] Year 2021 figure has been updated

Share-related key figures

		2023	2022	2021	2020	2019
Basic earnings per share	EUR	5.38	0.37	3.82	0.13	1.39
Diluted earnings per share	EUR	5.37	0.37	3.82	0.13	1.39
Equity per share	EUR	27.25	23.69	23.95	20.14	22.12
Dividend per class B share	EUR	2.15[4]	1.35	1.08	1.08	1.20
Dividend per class A share	EUR	2.14[4]	1.34	1.07	1.07	1.19
Total dividends	MEUR	138[4]	87	70	70	77
Dividend per earnings, class B share	%	39.9%[4]	364.3%	28.2%	855.3%	86.4%
Dividend per earnings, class A share	%	39.9%[4]	362.7%	28.0%	847.4%	85.9%
Effective dividend yield, class B share	%	4.1%[4]	3.3%	2.5%	3.2%	4.0%
Price per earnings, class B share		9.79	111.51	11.46	267.83	21.78
Development of share price, class B share						
Average share price	EUR	45.68	34.82	44.70	24.77	31.09
Highest share price	EUR	55.15	48.46	52.80	37.14	38.48
Lowest share price	EUR	35.28	24.90	33.60	15.15	24.12
Closing price at the end of period	EUR	52.70	41.32	43.84	33.82	30.24
Market capitalisation 31 Dec[1]	MEUR	3,389	2,689	2,828	2,182	1,950
Market capitalisation of class B shares 31 Dec[2]	MEUR	2,887	2,271	2,409	1,859	1,660
Trading volume, number of class B shares traded	('000)	22,331	44,306	36,795	53,902	28,772
Trading volume, number of class B shares traded	%	40.5%	78.5%	66.2%	93.2%	53.0%
Weighted average number of class A shares[3]	('000)	9,526	9,526	9,526	9,526	9,526
Number of class A shares 31 Dec[3]	('000)	9,526	9,526	9,526	9,526	9,526
Weighted average number of class B shares[2]	('000)	54,957	54,953	54,950	54,937	54,850
Number of class B shares 31 Dec[2]	('000)	54,775	54,957	54,957	54,957	54,878
Diluted weighted average number of class B shares[2]	('000)	55,125	55,148	55,043	54,982	54,951

Trading information is based on Nasdaq Helsinki Ltd statistics.

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

Calculation of key figures

IFRS key figures

Basic earnings per share (EUR)	=	Profit attributable to the shareholders of the parent company / Average number of outstanding shares during the period
Diluted earnings per share (EUR)	=	Profit attributable to the shareholders of the parent company / Average number of diluted outstanding shares during the period

Alternative performance measures

According to the ESMA Guidelines on Alternative Performance Measures, an Alternative Performance Measure (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. In addition to IFRS key figures, Cargotec uses the following alternative performance measures:

Key figure		Definition	Reason for use	Reconciliation
Operating profit (MEUR and % of sales)	=	Sales - cost of goods sold - selling and marketing expenses - research and development expenses - administration expenses - restructuring costs + other operating income - other operating expenses + share of associated companies' and joint ventures' result	Operating profit is used to measure business profitability. It describes the profitability of the business before taking into account financial items and taxes.	Statement of income
Comparable operating profit (MEUR and % of sales)	=	Operating profit excluding items significantly affecting comparability	Comparable operating profit is used to monitor and forecast profit development and set related targets. It is calculated by excluding items significantly affecting comparability from operating profit, which makes it easier to compare the profitability of the business at different time periods.	Note 2.1, Segment information
Items significantly affecting comparability (MEUR)	=	Items significantly affecting comparability include, in addition to restructuring costs, mainly capital gains and losses, gains and losses related to acquisitions and disposals, acquisition and integration costs including during years 2020-2022 costs related to the merger plan with Konecranes Plc, impairments and reversals of impairments of assets, insurance benefits, and expenses related to legal proceedings.	Factor used to calculate Comparable operating profit.	Note 2.4, Restructuring costs and other items affecting comparability

Key figure			Definition	Reason for use	Reconciliation
Cash flow from operations before finance items and taxes	=		Profit for the period + depreciation, amortisation and impairment + finance income and expenses + taxes + other adjustments + changes in net working capital	Represents cash flow from operations after income from sales less operating expenses. Measures the company's ability to meet its financial commitments, including interest payments, taxes, investments, and equity and debt payments. Used to monitor and forecast business performance.	Statement of cash flows
Interest-bearing net debt / EBITDA, last 12 months	=		$\frac{\text{Interest-bearing net debt}}{\text{EBITDA, last 12 months}}$	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 + contract assets + other operative non-interest-bearing assets - provisions - operative derivative liabilities - pension obligations - accounts payable - contract liabilities - other operative non-interest-bearing liabilities	Net working capital is used to follow the amount of capital needed for the business to operate. It does not include finance income and expenses, taxes nor non-current assets. Used as a factor to calculate Operative capital employed.	Note 5.1, Net working capital
Operative capital employed (MEUR)	=		Goodwill + intangible assets + property, plant and equipment + investments in associated companies and joint ventures + share investments + working capital receivables - working capital liabilities	Operative capital employed refers to the amount of capital needed for the business to operate and generate profits. t does not include taxes or finance income and expenses. Used to measure the efficiency with which the capital is used.	Note 2.1, Segment information
Investments	=		Additions to intangible assets and property, plant and equipment including owned assets and right-of-use assets, excluding assets acquired through business combinations	Investments refer to money used to acquire long-term assets. Used as a factor in cash flow calculation.	Note 6.2 Intangible assets; note 6.3 Property, plant and equipment
Return on equity (ROE) (%), last 12 months	=	100 x	$\frac{\text{Profit for the period, last 12 months}}{\text{Total equity (average for the last 12 months)}}$	Represents the rate of return that shareholders receive on their investments.	Profit for the period: Statement of income; Total equity: Balance sheet
Return on capital employed (ROCE) (%), last 12 months	=	100 x	$\frac{\text{Profit before taxes + finance expenses, last 12 months}}{\text{Total assets - non-interest-bearing debt (average for the last 12 months)}}$	Represents relative profitability or the rate of return that has been received on capital employed requiring interest or other return.	Profit before taxes and finance expenses: Statement of income; Total assets and non-interest-bearing debt: Balance sheet
Non-interest-bearing debt	=		Total assets - total equity - non-current interest-bearing liabilities - current portion of interest-bearing liabilities - current other interest-bearing liabilities	Used as a factor to calculate Return on capital employed (ROCE).	Balance sheet

Key figure		Definition	Reason for use	Reconciliation
Equity to asset ratio	= 100 x	Total equity / Total assets - contract liabilities	Used to measure solvency and describe the share of the company's assets financed by equity.	Balance sheet
Gearing (%))	= 100 x	Interest-bearing net debt / Total equity	Represents the company's indebtedness by measuring the amount of interest-bearing debt in proportion to equity capital. Some of Cargotec's loan agreements include a covenant restricting the corporate capital structure, measured by gearing.	Note 8.1, Financial risk management

In the calculation of the balance sheet related key figures the assets held for sale and liabilities related to assets held for sale are included in the applicable account groups, even though in the balance sheet they are presented on one row.

Share-related key figures

Key figure		Definition
Equity / share (EUR)	=	Total equity attributable to the shareholders of the parent company / Number of outstanding shares at the end of the period
Dividend / share (EUR)	=	Dividend for the period / Number of outstanding shares at the end of the period
Dividend / earnings (%)	= 100 x	Dividend for the period / share / Basic earnings per share
Effective dividend yield (%)	= 100 x	Dividend / share / Closing price for the class B share at the end of the period
Price / earnings (P/E)	=	Closing price for the class B share at the end of the period / Basic earnings per share
Average share price (EUR)	=	EUR amount traded during the period for the class B share / Number of class B shares traded during the period
Market capitalisation at the end of the period	=	Number of class B shares outstanding at the end of the period x closing price for the class B share at the end of the period + Number of class A shares outstanding at the end of the period x closing day average price for the class B share
Trading volume	=	Number of class B shares traded during the period
Trading volume (%)	= 100 x	Number of class B shares traded during the period / Average weighted number of class B shares during the period

Key exchange rates for euro

Closing rate	31 Dec 2023	31 Dec 2022
SEK	11.096	11.122
USD	1.105	1.067

Average rate	2023	2022
SEK	11.456	10.626
USD	1.082	1.056

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 2023	1 Jan–31 Dec 2022
Sales		**278,678,884.98**	**267,443,247.55**
Administration expenses	3, 4, 5	-304,754,404.15	-274,954,808.40
Other operating income		5,600,187.21	524,752.74
Operating loss / profit		**-20,475,331.96**	**-6,986,808.11**
Finance income and expenses	6	-31,824,449.16	-78,783,370.08
Loss / profit before appropriations and taxes		**-52,299,781.12**	**-85,770,178.19**
Group contributions		56,077,035.81	-
Income taxes	7	4,103,921.08	3,461,127.21
Loss / profit for the period		**7,881 ,175.77**	**-82,309,050.98**

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

Parent company balance sheet

EUR	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Non-current assets			
Intangible assets	8	12,448,297.30	16,384,419.83
Tangible assets	9	12,332.73	20,935.39
Investments			
Investments in subsidiaries	10	2,474,608,216.78	2,497,946,705.78
Other investments	10	3,559,320.83	3,559,320.83
Total non-current assets		**2,490,628,167.64**	**2,517,911,381.83**
Current assets			
Long-term receivables	11, 13	51,660,429.64	23,568,895.72
Short-term receivables	12, 13	820,443,827.54	714,393,250.10
Cash and cash equivalents		528,594,492.78	281,896,289.49
Total current assets		**1,400,698,749.96**	**1,019,858,435.31**
Total assets		**3,891,326,917.60**	**3,537,769,817.14**

EUR	Note	31 Dec 2023	31 Dec 2022
EQUITY AND LIABILITIES			
Equity			
Share capital		64,304,880.00	64,304,880.00
Share premium		97,992,301.08	97,992,301.08
Reserve for invested unrestricted equity		51,835,312.50	69,340,329.20
Retained earnings		432,122,899.43	601,379,732.32
Loss / profit for the period		7,881,175.77	-82,309,050.98
Total equity	14	**654,136,568.78**	**750,708,191.62**
Liabilities			
Non-current liabilities	13, 15	575,000,000.00	625,000,000.00
Current liabilities	13, 16	2,662,190,348.82	2,162,061,625.52
Total liabilities		**3,237,190,348.82**	**2,787,061,625.52**
Total equity and liabilities		**3,891,326,917.60**	**3,537,769,817.14**

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

Parent company cash flow statement

TEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Operating loss / profit	-20,475	-6,987
Adjustments to the operating loss / profit for the period	4,085	5,742
Change in working capital:		
Change in non-interest-bearing receivables	20,347	11,211
Change in non-interest-bearing payables	10,395	-12,480
Interest paid	-87,835	-24,684
Interest received	34,425	12,377
Dividends received	105,306	190,133
Income taxes paid	-	112
Other finance income and expenses	-6,828	-58
Cash flow from operating activities	**59,420**	**175,366**
Investments to tangible and intangible assets	-156	-231
Investments to subsidiaries and other companies	-62,068	-33,123
Cash flow from investing activities	**-62,224**	**-33,354**
Received and paid group contributions	-	970
Acquisition of treasury shares	-17,505	-1,205
Increase in loans receivable	-279,567	-324,393
Disbursement of loans receivable	198,467	347,680
Proceeds from short-term borrowings	1,735,566	636,259
Repayments of short-term borrowings	-1,312,362	-648,487
Proceeds from long-term borrowings	50,000	-
Repayments of long-term borrowings	-38,150	-87,500
Dividends paid	-86,948	-69,516
Cash flow from financing activities	**249,502**	**-146,190**
Change in cash and cash equivalents	246,698	-4,178
Cash and cash equivalents 1 Jan	281,896	286,074
Cash and cash equivalents 31 Dec	**528,594**	**281,896**

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

Notes to the Financial statements of the parent company

1. Accounting principles for the parent company financial statements

Basis of preparation
Cargotec Corporation's (1927402-8) financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

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

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

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

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

Intangible and tangible assets, amortisation and depreciation
Intangible and tangible assets are stated at original acquisition cost less accumulated amortisation and depreciation, and impairment. Amortisation and depreciation are recognised on a straight-line basis in accordance with a predetermined plan based on the estimated useful economic life of assets. The amortisation and depreciation periods based on expected useful economic lives are as follows:

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

Investments
Investments in the group companies and joint ventures are measured at acquisition cost less accumulated impairment. Other investments, for which fair value cannot be measured reliably due to non-existent public markets or lack of reliable valuation methods, are also mainly measured at acquisition cost less accumulated impairment.

Loans receivable
Loans receivable include mainly loans to group companies. Loans receivable are initially recognised at fair value, and subsequently measured at amortised cost less impairments in accordance with the effective interest method. Interest income from loans receivable is recognised as financial income based on the effective interest rate.

Cash and cash equivalents
Cash and cash equivalents include cash balances, short-term bank deposits and other short-term liquid investments with maturities up to three months.

Loans payable
Loans payable are initially recognised as a liability on the balance sheet at an amount received. Transaction costs and interests are recognised as finance expense in the income statement by applying the effective interest rate.

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

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

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

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

Equity

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

Statutory provisions

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

2. Finance risk management

The parent company manages the finance risks of the group and operates under the same policies and instructions as the group.

Currency risk

The parent company's treasury function operates as an internal bank for the group's subsidiaries. The parent company's currency exposure originates mainly from foreign currency funding given to subsidiaries and foreign currency loans taken by the parent company. In addition, the currency position includes internal forward agreements with the subsidiaries and external forward agreements. Foreign exchange differences arising from these transactions are booked in the income statement in the finance items. Furthermore, the parent company invoices the group companies for the services provided. Foreign exchange differences from these invoices are booked in the parent company's operating profit.

The parent company's open currency exposure on 31 December 2023 was, in absolute terms, EUR 11.4 (31 Dec 2022: 10.3) 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 finance 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 accounts payable and accounts receivable vary significantly between the parent company and the group.

Credit and counterparty risk

The parent company's accounts receivable and loans receivable originate mainly from the other group companies, and the parent company is therefore not exposed to a counterparty risk.

Parent company did not have external loans receivable at the end of 2023 or 2022. Cash and equivalents were EUR 528.6 (31 Dec 2022: 281.9) million. The parent company's cash and cash 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 derivative contracts 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, so it is subject to the same risk management goals as the group.

3. Personnel expenses

TEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Wages and salaries	29,141	21,112
Pension costs	2,510	2,790
Other statutory employer costs	1,382	469
Total	**33,033**	**24,371**

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

Average number of employees

	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
White-collar	132	207

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 682,070 (2022: 550,740).

The salaries and remunerations paid in 2023 to the current President and CEO, including base salary and fringe benefits totalled EUR 519,930. The President and CEO is entitled to a pension provided according to the statutory Finnish Employees Pensions Act, for which a pension cost of EUR 85,476 was recorded in 2023.

The salaries and remunerations paid to the previous CEO in 2023, including base salary, fringe benefits, short-term incentive payout and taxable income from the earnings period 2020-2022 of the share-based incentive programme 2020-2024 and first installment of the restricted share unit programme 2022-2024 (third installment of the matching share programme 2019-2022), totalled EUR 3,672,193 (2022: 1,521,073). The CEO was entitled to a supplemental defined contribution pension benefit and he received in 2022 a supplemental pension contribution of EUR 700,000. Additionally, the CEO was entitled to a pension provided according to the statutory Finnish Employees Pensions Act, for which a pension cost of EUR 103,622 (2022: 146,070) was recorded in 2023.

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 2023	1 Jan–31 Dec 2022
Planned depreciation and amortisation		
Intangible rights	4,060	5,176
Other capitalised expenditure	32	34
Machinery and equipment	9	11
Total	**4,101**	**5,221**

5. Audit fees

TEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Annual audit	861	799
Other services	595	1,032
Total	**1,456**	**1,831**

6. Finance income and expenses

TEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Interest income		
From group companies	24,503	8,834
From third parties	8,769	1,599
Total	**33,272**	**10,433**
Other finance income		
From group companies	17,949	12,641
Dividends from group companies	105,306	190,133
Total	**123,255**	**202,775**
Interest expenses		
To group companies	-71,474	-14,365
To third parties	-17,410	-10,767
Total	**-88,884**	**-25,132**
Other finance expenses		
From group companies	274	-5,280
To third parties	-14,796	-9,826
Exchange rate differences	460	-215
Total	**-14,062**	**-15,321**
Reversals of impairments / impairments		
Impairments of investments in subsidiaries	-85,406	-251,538
Total	**-85,406**	**-251,538**
Total finance income and expenses	**-31,824**	**-78,783**

7. Income taxes

TEUR	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
Current year tax expense	-1,870	-513
Change in deferred tax asset	5,973	3,974
Total	**4,104**	**3,461**

8. Intangible assets

TEUR	Intangible rights	Other capitalised expenditure	Total
Acquisition cost 1 Jan 2023	71,206	12,889	84,095
Additions	156	-	156
Transfers between groups	360	-360	-
Acquisition cost 31 Dec 2023	**71,722**	**12,528**	**84,250**
Accumulated amortisation 1 Jan 2023	-55,247	-12,462	-67,710
Amortisation during the period	-4,060	-32	-4,092
Accumulated depreciation 31 Dec 2023	**-59,308**	**-12,494**	**-71,802**
Book value 31 Dec 2023	**12,415**	**34**	**12,448**
Acquisition cost 1 Jan 2022	70,975	12,889	83,864
Additions	231	-	231
Acquisition cost 31 Dec 2022	**71,206**	**12,889**	**84,095**
Accumulated amortisation 1 Jan 2022	-50,071	-12,428	-62,499
Amortisation during the period	-5,176	-34	-5,210
Accumulated depreciation 31 Dec 2022	**-55,247**	**-12,462**	**-67,710**
Book value 31 Dec 2022	**15,959**	**426**	**16,385**

9. Tangible assets

TEUR	Machinery and equipment	Other tangible assets	Total
Acquisition cost 1 Jan 2023	1,313	97	1,410
Acquisition cost 31 Dec 2023	**1,313**	**97**	**1,410**
Accumulated depreciation 1 Jan 2023	-1,293	-97	-1,390
Depreciation during the period	-9	-	-9
Accumulated depreciation 31 Dec 2023	**-1,301**	**-97**	**-1,398**
Book value 31 Dec 2023	12	0	12
Acquisition cost 1 Jan 2022	1,313	97	1,410
Acquisition cost 31 Dec 2022	**1,313**	**97**	**1,410**
Accumulated depreciation 1 Jan 2022	-1,282	-97	-1,379
Depreciation during the period	-11	-	-11
Accumulated depreciation 31 Dec 2022	**-1,293**	**-97**	**-1,390**
Book value 31 Dec 2022	21	0	21

10. Investments

TEUR	2023	2022
Investments in subsidiaries		
Acquisition cost 1 Jan	3,871,393	3,838,640
Accumulated impairments 1 Jan	-1,373,445	-1,121,907
Additions	62,068	33,122
Disposals	-	-370
Impairments	-85,406	-251,538
Book value 31 Dec	**2,474,609**	**2,497,947**

TEUR	2023	2022
Other investments		
Acquisition cost 1 Jan	3,559	3,558
Additions	-	1
Book value 31 Dec	**3,559**	**3,559**

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 2023	31 Dec 2022
Loans receivable from group companies	35,000	13,000
Deferred tax asset from third parties	15,190	9,216
Deferred assets	1,471	1,353
Total	**51,660**	**23,569**

12. Short-term receivables

TEUR	31 Dec 2023	31 Dec 2022
From group companies		
Loans receivable	644,722	582,609
Accounts receivable	16,076	34,142
Derivative assets	32,479	39,929
Deferred assets	59,162	8,935
Total	**752,439**	**665,615**
From third parties		
Accounts receivable	143	21
Derivative assets	53,964	39,499
Deferred assets	13,899	9,258
Total	**68,005**	**48,778**
Total current receivables	**820,444**	**714,393**

Deferred assets

TEUR	31 Dec 2023	31 Dec 2022
Group contribution	56,077	-
Interest income	409	280
Periodisations	2,676	8,655
VAT receivable	4,456	2,226
Other accruals	9,442	7,033
Total	**73,060**	**18,194**

13. Derivatives

Fair values of derivative finance instruments

31 Dec 2023 TEUR	Positive fair value	Negative fair value	Net fair value
Group internal currency forward contracts	32,479	35,541	-3,062
Other currency forward contracts	53,964	25,955	28,009
Total	**86,443**	**61,496**	**24,946**

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

Nominal values of derivative finance instruments

TEUR	31 Dec 2023	31 Dec 2022
Group internal currency forward contracts	2,373,143	3,385,864
Other currency forward contracts	4,014,764	4,305,308
Total	**6,387,907**	**7,691,172**

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

14. Equity

TEUR	2023	2022
Restricted equity		
Share capital 1 Jan	64,305	64,305
Share capital 31 Dec	**64,305**	**64,305**
Share premium account 1 Jan	97,992	97,992
Share premium account 31 Dec	**97,992**	**97,992**
Total restricted equity	**162,297**	**162,297**
Non-restricted equity		
Reserve for invested non-restricted equity 1 Jan	69,340	70,546
Acquisition of treasury shares	-17,505	-1,205
Reserve for invested non-restricted equity 31 Dec	**51,835**	**69,340**
Retained earnings 1 Jan	519,071	670,896
Dividends paid	-86,948	-69,516
Retained earnings 31 Dec	**432,123**	**601,380**
Loss / profit for the period	7,881	-82,309
Total non-restricted equity	**491,839**	**588,411**
Total equity	**654,137**	**750,708**
Distributable equity	**491,839**	**588,411**

15. Non-current liabilities

TEUR	31 Dec 2023	31 Dec 2022
Corporate bonds	250,000	350,000
Schuldschein loans	25,000	25,000
Loans from financial institutions	300,000	250,000
Total non-current liabilities	**575,000**	**625,000**

Corporate bonds and other fixed interest loans

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

* Interest terms are considered confidential information between the contractual parties.

16. Current liabilities

TEUR	31 Dec 2023	31 Dec 2022
To group companies		
Loans from group companies	2,421,089	1,993,655
Accounts payable	14,941	7,682
Derivative liabilities	35,541	56,143
Accruals	12,281	26,056
Total	**2,483,854**	**2,083,536**
To third parties		
Corporate bonds	100,000	-
Schuldschein loans	-	37,500
Bank overdrafts used	3	4,233
Accounts payable	16,851	8,662
Derivative liabilities	25,955	7,400
Accruals	35,528	20,732
Total	**178,337**	**78,526**
Total current liabilities	**2,662,190**	**2,162,062**

Accruals

TEUR	31 Dec 2023	31 Dec .2022
Accrued salaries, wages and employment costs	10,962	6,264
Accrued interests	5,673	4,621
Other accruals	31,174	35,902
Total	**47,809**	**46,787**

17. Commitments

TEUR	31 Dec 2023	31 Dec 2022
Security for guarantees		
Guarantees given on behalf of group companies	404,342	470,951
Leasing commitments		
Maturity within the next financial period	1,366	1,354
Maturity after the next financial period	301	2,083
Total	**406,009**	**474,388**

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 2019–2023, EUR

	2023	2022	2021	2020	2019
Basic earnings per share	5.38	0.37	3.82	0.13	1.39
Equity per share	27.25	23.69	23.95	20.14	22.12
Dividend per class B share	2.15[1]	1.35	1.08	1.08	1.20
Dividend per class A share	2.14[1]	1.34	1.07	1.07	1.19
Effective dividend yield, class B share, %	4.1%[1]	3.3%	2.5%	3.2%	4.0%
Price per earnings, class B share	9.79	111.51	11.46	267.83	21.78
Development of share price, class B share					
Average share price	45.68	34.82	44.70	24.77	31.09
Highest share price	55.15	48.46	52.80	37.14	38.48
Lowest share price	35.28	24.90	33.60	15.15	24.12
Closing price at the end of period	52.70	41.32	43.84	33.82	30.24

[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 15,039,651 at the end of 2023.

There were no changes in Cargotec Corporation's share capital in 2023. On 31 December 2023, 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 2.14 for each class A shares and EUR 2.15 for each class B shares outstanding be paid for the financial year 2023.

Own shares and share issue

On 23 March 2023, Cargotec's Board of Directors decided on a directed share issue related to the reward payments for share-based incentive programmes. In the share issue, 224,797 own class B shares held by the company were transferred on Friday 31 March 2023 without consideration to the key employees participating in the share-based incentive programmes in accordance with the programme-specific terms and conditions.

The share reward payments are related to the performance period 2020-2022 of Cargotec's share-based incentive programme, 2020–2022 restricted shares programme, first instalment of the restricted share programme 2022–2024 and first instalment of the restricted share unit programme 2022–2024. More detailed information about the launch and the terms and conditions of these programmes are available in the stock exchange releases published on 6 February 2020 and 13 May 2022.

The decision on the directed share issue is based on the authorisation granted to the Board of Directors by the Annual General Meeting on 23 March 2023. 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.

Cargotec repurchased 400,000 shares at an average price of 42.8460 EUR between 21 July and 18 August 2023. The repurchases were based on the authorisation of the Annual General Meeting on 23 March 2023 and the shares are intended to be used as reward payments for Cargotec's share-based incentive programmes.

At the end of 2023, Cargotec held a total of 407,043 own class B shares, accounting for 0.63 percent of the total number of shares and 0.27 percent of the total number of votes. The number of outstanding class B shares totalled 54,775,036.

Share price development and trading

In 2023, Cargotec's class B share price increased by 28 percent, from EUR 41.32 to EUR 52.70. Over the same period, the OMX Helsinki Benchmark Cap Index decreased by 5 percent.

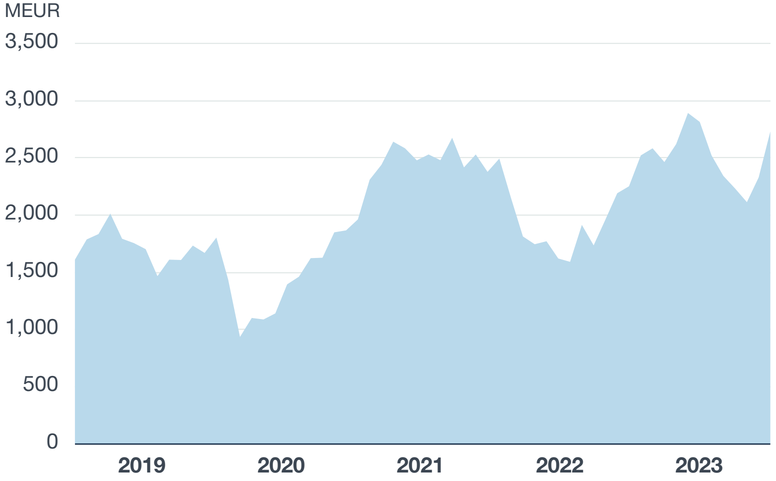
At the end of 2023, the total market value of class B shares, calculated using the closing quotation of class B shares of the last trading day of the year, was EUR 2,887 (2022: 2,271) million, excluding own shares held by the company. Cargotec's year-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the year, was EUR 3,389 (2,689) million, excluding own shares held by the company.

Market capitalisation, class B shares

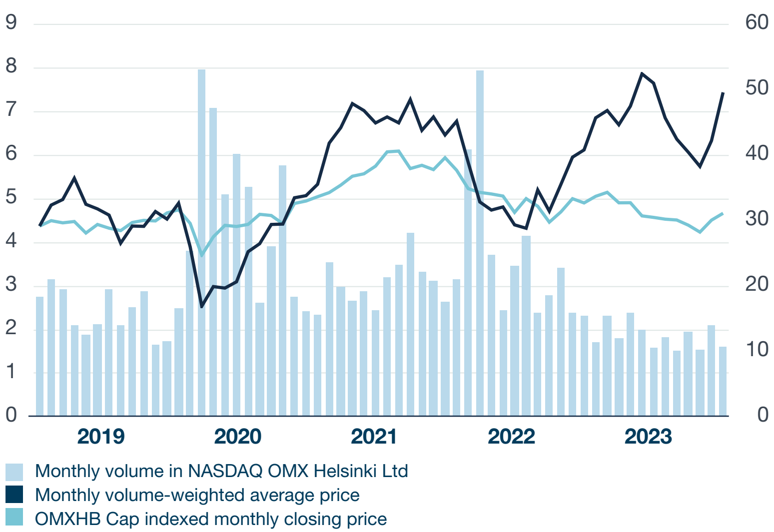
The class B share closed at EUR 52.70 (41.32) on the last trading day of 2023 and the volume weighted average price for the financial period was EUR 45.68 (34.82) on Nasdaq Helsinki Ltd. The highest quotation for 2023 was EUR 55.15 (48.46) and the lowest EUR 35.28 (24.90). In 2023, a total of 22 (44) million class B shares were traded on Nasdaq Helsinki Ltd, corresponding to a turnover of EUR 1,020 (1,541) million. The average daily trading volume of class B shares was 88,969 (175,122) shares or EUR 4 (6) million. In addition, class B shares were traded in several alternative marketplaces.

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

MARKET CAPITALISATION, CLASS B SHARES



SHARE PRICE AND VOLUME



Shareholders

At the end of 2023, Cargotec had 38,363 40,526) registered shareholders, the largest shareholder being Wipunen varainhallinta oy. Ilkka Herlin was the largest owner when including shares owned directly as well as through companies in which a controlling interest is held. There were 18,463,626 (18,437,507) nominee-registered shares, representing 28.53 (28.49) percent of the total number of shares, which corresponds to 12.28 (12.26) percent of all votes.

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

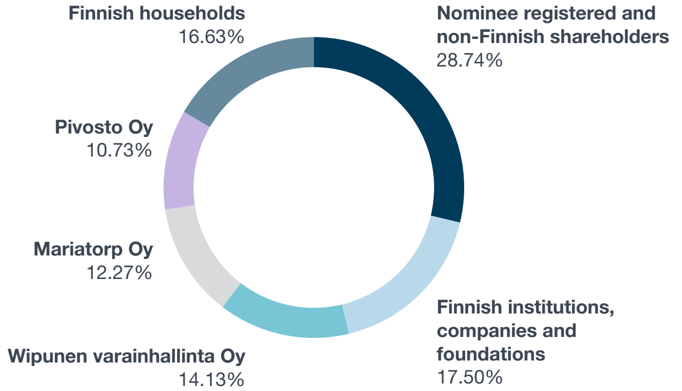
	Shareholder	Class A shares	Class B shares	Shares total	Shares total, %	Votes total	Votes total, %
1	Wipunen varainhallinta oy	2,940,067	6,200,000	9,140,067	14.13	3,560,067	23.67
2	Mariatorp Oy	2,940,067	5,000,000	7,940,067	12.27	3,440,067	22.87
3	Pivosto Oy	2,940,067	4,000,000	6,940,067	10.73	3,340,067	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		1,599,841	1,599,841	2.47	159,984	1.06
6	Elo Mutual Pension Insurance Company		808,000	808,000	1.25	80,800	0.54
7	The State Pension Fund		750,000	750,000	1.16	75,000	0.50
8	Varma Mutual Pension Insurance Company		648,632	648,632	1.00	64,863	0.43
9	Cargotec Oyj		407,043	407,043	0.63	40,704	0.27
10	Herlin Heikki Juho Kustaa		400,000	400,000	0.62	40,000	0.27
11	Nurminen Minna Kirsti		337,135	337,135	0.52	33,713	0.22
12	Sigrid Jusélius Foundation		289,000	289,000	0.45	28,900	0.19
13	Veritas Pension Insurance Company Ltd.		285,000	285,000	0.44	28,500	0.19
14	OP-Finland Small Firms Fund		218,915	218,915	0.34	21,891	0.15
15	Anna Karolina Blaberg		182,745	182,745	0.28	18,274	0.12
16	Danske Invest Finnish Equity Fund		177,090	177,090	0.27	17,709	0.12
17	Herlin Olli Ilkka Julius		175,000	175,000	0.27	17,500	0.12
18	Nordea Pro Finland Fund		167,080	167,080	0.26	16,708	0.11
19	Herlin Ville		160,000	160,000	0.25	16,000	0.11
20	Jenny and Antti Wihuri Foundation		160,000	160,000	0.25	16,000	0.11
	Total	**9,526,089**	**23,197,935**	**32,724,024**	**50.57**	**11,845,880**	**78.76**
	Nominee registered			18,463,626			
	Other owners			13,520,518			
	Total number of shares issued on 31 Dec 2023			**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	23,786	62.00	950,510	1.47
101–500	10,678	27.83	2,589,372	4.00
501–1,000	2,062	5.38	1,561,047	2.41
1,001–10,000	1,680	4.38	4,224,554	6.53
10,001–100,000	126	0.33	3,316,234	5.13
100,001–1,000,000	23	0.06	5,964,380	9.22
> 1,000,000	7	0.02	45,689,745	70.61
Total	**38,362**	**100.00**	**64,295,842**	**99.36**
of which nominee registered			18,463,626	28.53
In the joint book-entry account			5,283	0.01
Number of outstanding shares on 31 Dec 2023			**64,301,125**	**99.37**
Own shares on 31 Dec 2023	1		407,043	0.63
Total number of shares on 31 Dec 2023			**64,708,168**	**100.00**

Based on ownership records of Euroclear Finland Ltd.

BREAKDOWN BY SHAREHOLDER CATEGORY ON 31 DECEMBER 2023



Based on ownership records of the Euroclear Finland Ltd.

Board and management shareholding

On 31 December 2023, 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 6,226,428 (6,360,658) class B shares, which correspond to 14.17 (14.37) percent of the total number of all shares and 23.69 (23.78) percent of all votes.

The CEO Casimir Lindholm is covered by the share-based incentive programme 2023–2025 and the Restricted Share Unit Programme 2023–2025.

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 2023
Remuneration statement 2023
CVs of Board members (Cargotec.com)
CVs of Executive Board members (Cargotec.com)

SIGNATURES FOR BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

Helsinki, 31. January 2024

Jaakko Eskola
Chair of the Board

Ilkka Herlin
Vice Chair of the Board

Raija-Leena Hankonen-Nybom
Member of the Board

Teresa Kemppi-Vasama
Member of the Board

Tapio Kolunsarka
Member of the Board

Johanna Lamminen
Member of the Board

Kaisa Olkkonen
Member of the Board

Ritva Sotamaa
Member of the Board

Casimir Lindholm
President and CEO

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 31. January 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Cargotec Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cargotec Corporation (business identity code 1927402-8) for the year ended 31 December, 2023. The financial statements comprise the consolidated balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, statement of income, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit and Risk Committee.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 2.3 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the *Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

KEY AUDIT MATTER

Revenue recognition over time and project related provisions

The accounting principles and disclosures about revenue recognition and project related provisions are included in notes 2.2. and 5.5.

Revenue from sales of machines and equipment, the manufacturing of which requires a significant amount of design work, is recognized over time by using the percentage of completion method if it is assessed that the product is not suitable as such or with minor modifications for another customer, and if Cargotec has a contractual right to a payment regarding the produced output. The percentage of completion is determined either by reference to the individual contract costs incurred to date as a percentage of the total estimated contract cost or by completion of a certain physical milestone.

The Group has significant projects, where revenue is recognized over time, in the Kalmar and MacGregor segments. In year 2023, approximately 11 % percent of total sales of 4,6 billion euros was recognized on an over time basis.

The recognition of revenue and the estimation of the outcome of a project require significant management judgment, in particular with respect to estimating the stage of completion and cost to complete.

The Group makes several types of provisions related to risks associated with long-term contracts and revenue recognition over time. These provisions require high level of management judgment and are a key audit matter due to that reason.

Based on above, revenue recognition over time, including project related provisions, was a key audit matter. Revenue recognition over time was also a significant risk of material misstatement referred to in EU Regulation No 537/2014, point (c) of Article 10(2).

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit procedures in connection with project related provisions, and to address the risk of material misstatement in respect of the revenue recognition over time, included, among others:

- Assessment of the Group's accounting policies over revenue recognition over time and recognition of project related provisions.
- Gaining an understanding of the revenue recognition process including related provisions.
- Inspecting on a sample basis the project documentation such as contracts and other written communication.
- Testing on a sample basis the percentage of completion and provision calculations as well as comparing the estimates to actuals.
- Evaluation of financial development and current status by
  - analyzing the changes in assumptions relating to estimated revenues, costs, and related provisions and receipts of project payments, and
  - discussions with different levels of the organization including project level, segment and group management.
- Assessing the Group's disclosures in respect of revenue recognition and related provisions.

KEY AUDIT MATTER

Valuation of goodwill

The accounting principles and disclosures relating to goodwill are included in notes 2.7 and 6.1.

At the balance sheet date December 31, 2023, the value of goodwill amounted to 878,1 million euros of which 260,2 million euros relate to Kalmar, 238,4 million euros to Hiab and 379,5 million to MacGregor.

Goodwill is tested for impairment at least annually and whenever there is an indication that goodwill may be impaired. Due to the current uncertainty in the financial operating environment, MacGregor's goodwill has been tested for impairment on a quarterly basis.

The annual impairment testing of goodwill was performed for Kalmar, Hiab and MacGregor segments. The impairment testing was based on the management's estimate about the value-in-use for Kalmar and Hiab segments and based on the management's estimate about fair value less cost to sell for MacGregor segment. There are a number of assumptions used to determine the value-in-use and fair value less cost to sell of the cash generating units, including revenue growth, margins and the discount rate applied on net cash-flows. The estimated value-in-use and fair value less cost to sell may vary significantly when underlying assumptions are changed and the changes in above-mentioned individual assumptions may result in an impairment of goodwill.

The valuation of goodwill was a key audit matter because the annual impairment testing required management judgment with respect to the key assumptions used and because of the significance of goodwill to the financial statements.

Valuation of goodwill related to the MacGregor segment is also a significant risk of material misstatement as defined by EU Regulation No 537/2014, point (c) of Article 10(2).

HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Our audit procedures to address the risk of material misstatement in respect of valuation of goodwill included among others:

- Involvement of our valuation specialists to assist us in evaluating the key assumptions used in impairment testing by comparing management's assumptions to externally derived data and to our independently calculated industry averages, in particular those relating to
  - the forecasted revenue growth,
  - the forecasted margin and
  - the weighted average cost of capital used to discount the net cash-flows.
- Testing of the accuracy of the impairment calculations prepared by the management and comparison of the sum of discounted cash flows against Cargotec's market capitalization.
- Evaluation of the adequacy of disclosures of the impairment testing results.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 23 March 2021, and our appointment represents a total period of uninterrupted engagement of 3 years.

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 31 January 2024

Ernst & Young Oy
Authorized Public Accountant Firm

Heikki Ilkka
Authorized Public Accountant

CARGOTEC'S INVESTOR RELATIONS

MIssion and goal

Cargotec's Investor Relations aims to ensure that all market participants have correct and sufficient information at all times to support a fair valuation of Cargotec's share. Investor Relations is responsible for planning and executing financial and investor communications at Cargotec, and all investor requests are processed centrally through Cargotec's Investor Relations.

The Investor Relations function prepares Cargotec's financial statements and quarterly reviews, develops the investor website, writes stock exchange releases, and prepares supporting IR material such as presentations. The IR function also organises roadshows, investor meetings and events, seminars, news conferences of result publications, as well as site visits, and participates in annual general meeting arrangements.

Investor Relations leads the Capital Markets Day and other IR events arrangements for investors and analysts. It also gathers and analyses market information and investor feedback to be used by Cargotec's management and the Board of Directors.

Investor relations prepares videos, blogs, etc. about current topics, such as quarterly reports and other events. All material can be found from Cargotec website's Investor section.

Silent period

Cargotec follows a three-week silent period prior to publication of quarterly reports and financial statements. During this time, Cargotec spokespersons do not comment on the company's financial situation, market, or future outlook or hold any meetings with investors or analysts or attend any investor conferences.

Prior to the silent periods in 2023, Cargotec hosted pre-silent calls and distributed a newsletter to the financial markets' participants following Cargotec. The newsletters were also published on Cargotec's website. In addition, after each pre-silent call, the IR team published a video on the company's YouTube channel, in which the CFO Mikko Puolakka answered the most common analyst and investor questions of the quarter.

Investor relations in 2023

During the year, the IR team continued its active cooperation with the financial market representatives, organising face-to-face and virtual investor and analyst meetings both abroad and in Finland. The planned separation of Kalmar and Hiab, unlocking further shareholder value through focus on sustainable and profitable growth in Cargotec's core businesses, and the progress of MacGregor turnaround were the main topics of these meetings.

After each pre-silent call, the IR team published a video on the company's YouTube channel, in which CFO Mikko Puolakka answered the most common analyst and investor questions of the quarter.

The physical meetings were held throughout the year in Helsinki, Finland, but also in connection with roadshows, events, and seminars in Finland and in the US, UK, France, Italy, Switzerland, Germany, Norway, Belgium, the Netherlands, and Sweden.

In total, the Investor Relations function organised tens of meetings in 2023. The team members hosted the meetings with many meetings being attended by Cargotec's President and CEO Casimir Lindholm, CFO Mikko Puolakka or Hiab's President Scott Phillips, who gave insight about Cargotec as an investment to those attending the meetings. In addition, Cargotec's Investor Relations function participated in various investor meetings organised by brokerage firms; in many cases Cargotec's CEO or CFO was also attending these meetings.

In April, Cargotec IR held an investor event on eco portfolio and taxonomy to analysts, investors and media. The event included presentations by Cargotec's Head of Sustainability, Päivi Koivisto, Mette Kjems Bærentzen, Head of Sustainability of Kalmar, and Tobias Bunne, Head of Sustainability of Hiab.The event received great interest with around 30 participants attending the event either virtually or in Helsinki.

Cargotec IR in social media

The Investor Relations team produced 14 videos in 2023 which were made public via the company Youtube channel. In the 2023 videos we introduced Cargotec's new President and CEO Casimir Lindholm, went through the quarterly results, as well as provided answers to the most frequently asked analyst and investor questions of the period. The quarterly report publication events were also broadcasted as webcasts, and links to those webcasts are available on the IR web pages.

Cargotec's LinkedIn account gained popularity during 2023. While about 47,000 people were following the company's activities through this channel at the end of 2022, a year later the number had increased by 9 percent to nearly 51,000. The IR team actively updates LinkedIn, providing updates about Cargotec and its business area events, financial releases and other topics of interest.

During 2023, one of the most important tasks of the Investor Relations function was to make it as easy as possible to find information about the planned separation of Kalmar and Hiab. In this regard, as an example, the IR team carried out development of new functionalities for internet pages, for example for compiling news in a concise, easy-to-use format.

Acknowledgements

Webranking by Comprend ranks yearly the corporate websites of European companies to evaluate how well they meet the needs and expectations of their stakeholders, such as analysts, investors, jobseekers, and the media. From Finland, Webranking by Comprend evaluated the web pages of the 52 largest companies, placing Cargotec as the 10th top website performer in Finland.

Financial information in 2024

1 February 2024: Financial Statements review 2023
Week 8, 2024: Financial Statements 2023 and Annual Report 2023 will be published on www.cargotec.com
30 April 2024: Interim report January–March 2024
8 August 2024: Half year financial report January–June 2024
23 October 2024: Interim report January–September 2024
30 May 2024: The Annual General Meeting of Cargotec Corporation

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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 2023 totalled approximately 4.6 billion and it employs around 11,400 people.
www.cargotec.com

Annual Report 2023

GRI Index 2023

The Annual Report 2023 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/annual-reviews.

CARGOTEC