Cargotec's interim report January–September 2021

ROBUST DEMAND, GLOBAL COMPONENT AND LOGISTICS CHALLENGES CONTINUED

CARGOTEC

Cargotec's interim report January–September 2021: Robust demand, global component and logistics challenges continued

- Orders received increased by 33 percent in the third quarter
- Service orders received increased by 18 percent in the third quarter
- Longer delivery times due to global component and logistics challenges
- Hiab's excellent performance continued
- Share of electric versions in Kalmar's forklift orders rose to 27%
- Gearing was 31%

July-September 2021 in brief: Good progress continued in service business

- Orders received increased by 33 percent and totalled EUR 985 (740) million.
- Order book amounted to EUR 2,696 (31 Dec 2020: 1,824) million at the end of the period.
- Sales increased by 6 percent and totalled EUR 822 (777) million.
- Service sales increased by 9 percent and totalled EUR 264 (244) million.
- Service and software sales represented 34 (36) percent of consolidated sales.
- Operating profit was EUR 278 (46) million, representing 33.8 (5.9) percent of sales. Operating profit includes items affecting comparability worth EUR 213 (-16) million. The operating profit increased mainly due to gain from the Navis software business sale.
- Comparable operating profit increased by 4 percent and amounted to EUR 65 (62) million, representing 7.9 (8.0) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 45 (74) million.
- Net income for the period amounted to EUR 219 (27) million.
- Earnings per share was EUR 3.40 (0.41).

January–September 2021 in brief: Orders received on a high level

- Orders received increased by 57 percent and totalled EUR 3,377 (2,158) million.
- Order book amounted to EUR 2,696 (31 Dec 2020: 1,824) million at the end of the period.
- Sales increased by 1 percent and totalled EUR 2,405 (2,391) million.
- Service sales increased by 6 percent and totalled EUR 787 (743) million.
- Service and software sales represented 36 (36) percent of consolidated sales.
- Operating profit was EUR 347 (53) million, representing 14.4 (2.2) percent of sales. Operating profit includes items affecting comparability worth EUR 161 (-104) million.
- Comparable operating profit increased by 19 percent and amounted to EUR 186 (157) million, representing 7.7 (6.6) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 110 (101) million.
- Net income for the period amounted to EUR 255 (1) million.
- Earnings per share was EUR 3.95 (0.03).

Outlook for 2021

Cargotec reiterates its outlook published on 4 February 2021 and expects its comparable operating profit for 2021 to improve from 2020 (EUR 227[1] million).

[1] The comparable operating profit has been specified from EUR 228 million to EUR 227 million. Additional information about the comparable operating profit definition is presented in the stock exchange release published on 29 March 2021.

Cargotec's key figures

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Orders received	985	740	33%	3,377	2,158	57%	3,121
Service orders received	271	229	18%	854	723	18%	987
Order book, end of period	2,696	1,751	54%	2,696	1,751	54%	1,824
Sales	822	777	6%	2,405	2,391	1%	3,263
Service sales	264	244	9%	787	743	6%	1,005
Software sales*	13	38	-65%	86	122	-29%	166
Service and software sales, % of sales	34%	36%		36%	36%		36%
Eco portfolio sales	140	180	-22%	460	558	-17%	777
Eco portfolio sales, % of sales	17%	23%		19%	23%		24%
Operating profit	278.2	45.8	> 100 %	347.5	52.8	> 100%	70.4
Operating profit, %	33.8%	5.9%		14.4%	2.2%		2.2%
Comparable operating profit	64.8	62.2	4%	186.0	156.9	19%	226.7
Comparable operating profit, %	7.9%	8.0%		7.7%	6.6%		6.9%
Income before taxes	272.6	38.3	> 100 %	328.4	29.9	> 100%	34.5
Cash flow from operations before financing items and taxes	45.3	74.1	-39 %	109.6	100.5	9%	296.4
Net income for the period	219.5	26.6	> 100 %	254.9	1.4	> 100%	8.1
Earnings per share, EUR	3.40	0.41	> 100 %	3.95	0.03	> 100%	0.13
Interest-bearing net debt, end of period	465	851	-45%	465	851	-45%	682
Gearing, %	30.6%	65.8%		30.6%	65.8%		52.4%
Interest-bearing net debt / EBITDA**	1.0	3.8		1.0	3.8		3.2
Return on capital employed (ROCE), last 12 months, %***	14.3%	2.8%		14.3%	2.8%		2.8%
Personnel, end of period	10,868	11,758	-8%	10,868	11,758	-8%	11,552

*Software sales include automation software and, until 1 July 2021, the strategic business unit Navis
**Last 12 months' EBITDA

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.

Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation. 2020 comparison figures have been restated according to the new definition. As a result, in 2020 the comparable operating profit increased by EUR 6 million in the third quarter, EUR 17 million in January-September and EUR 23 million in the financial year. Additional information regarding the changed definition is presented in the stock exchange release published on 29 March 2021.

Cargotec’s CEO Mika Vehviläinen: Strong demand continued but component shortages slowed down deliveries

The market recovery from the pandemic as well as the increase in economic activity that started at the end of 2020 supported the demand for our solutions in the third quarter. Our main demand drivers - number of containers handled at ports globally, construction activity, new vessel contracting - continued to grow strongly.

Our orders received increased by 33 percent with all business areas improving their orders received from the comparison period. Our order book continued to grow and is now on a 48 percent higher level than at the end of 2020. In addition to continued strong order intake, longer delivery times expanded our order book.

Our sales increased by 6 percent from the comparison period. Component shortages and global logistics challenges still limited our ability to meet the increasing demand. We estimate these to have affected sales by approximately EUR 50 million during the third quarter. We work in close cooperation with our suppliers to ensure the best possible component availability. We estimate the component and logistics challenges to remain largely at the same level also during the last quarter of the year.

During the quarter, also the raw material and product components as well as freight prices were at a high level. However, we are confident that we will be able to largely offset the increased costs with the price increases we made during the first half of the year.

The good progress of our service business continued in the third quarter. Compared to the comparison period, the service orders received increased by 18 percent and sales by 9 percent. Combined service and software business sales constituted 34 percent of our total sales.

Cargotec’s comparable operating profit increased by 4 percent, driven by higher comparable operating profit in Hiab. MacGregor’s comparable operating profit decreased slightly. Challenges in the delivery chain and added costs thereof impacted Kalmar’s result in particular and its comparable operating profit decreased by 14 percent

Reducing the carbon footprint of the logistics industry is a significant business opportunity for us. Sustainability and profitable growth are at the core of our strategy and, during the third quarter, we continued our determined actions to execute our strategy. We completed the sale of the Navis business to Accel-KKR, a Silicon Valley-based investment firm for an enterprise value of EUR 380 million. The transaction had an approximately EUR 230 million positive impact on our third quarter operating profit. The proceeds enable further investments in acquisitions and R&D investments in the fields of electrification, digitalisation, robotisation, and automation. Demand for electrified products is estimated to grow strongly in the future. As an example, in the third quarter, electrified equipment accounted for more than a quarter of our forklift truck orders.

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

During the third quarter, Hiab strengthened its position in the US by acquiring the demountables manufacturer Galfab. To meet the increasing demand for truck mounted forklifts, Hiab will also expand manufacturing to the US and increase the production capacity in Dundalk, Ireland.

On 1 October 2020, Cargotec Corporation and Konecranes Plc announced their combination agreement and a merger plan to combine the two companies through a merger. Extraordinary general meetings of Cargotec and Konecranes held on 18 December 2020 approved the merger. Various competition authorities in the EU, UK, and US, among others, are currently reviewing the proposed transaction. In July, The European Commission and Competition and Markets Authority in the UK opened a phase II review in connection with the planned transaction. Cargotec and Konecranes are actively cooperating in these investigations with the aim to mitigate some of these concerns raised by some competition authorities.

In August, Cargotec and Konecranes received unconditional approval from the State Administration for Market Regulation, the competition authority in China, for their planned merger. Both Cargotec and Konecranes are confident that the remaining approvals are received to allow completion of the transaction by the end of H1/2022. Until then, both companies will operate fully separately and independently. More information about the merger is available from the web address www.sustainablematerialflow.com.

Reporting segments' key figures

Orders received

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Kalmar	421	328	28%	1,550	955	62%	1,401
Hiab	396	274	45%	1,329	793	68%	1,210
MacGregor	168	139	21%	499	410	22%	511
Internal orders	0	-1		0	-1		-1
Total	**985**	**740**	**33%**	**3,377**	**2,158**	**57%**	**3,121**

Order book

MEUR	30 Sep 2021	31 Dec 2020	Change
Kalmar	1,226	842	46%
Hiab	922	503	83%
MacGregor	549	480	14%
Internal order book	0	0	
Total	**2,696**	**1,824**	**48%**

Sales

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Kalmar	377	364	3%	1,082	1,119	-3%	1,529
Hiab	309	254	21%	912	799	14%	1,094
MacGregor	137	158	-14%	412	474	-13%	642
Internal sales	0	0		-1	-1		-1
Total	**822**	**777**	**6%**	**2,405**	**2,391**	**1%**	**3,263**

Operating profit

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Kalmar	265.8	31.4	> 100%	311.9	42.4	> 100%	61.8
Hiab	37.6	25.9	45%	110.8	72.3	53%	97.3
MacGregor	1.0	-0.7	> 100%	-7.9	-35.6	78%	-48.2
Corporate administration and support functions	-26.2	-10.9	< -100%	-67.3	-26.4	< -100%	-40.7
Total	**278.2**	**45.8**	**> 100%**	**347.5**	**52.8**	**> 100%**	**70.4**

Comparable operating profit

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Kalmar	30.0	34.9	-14%	83.6	95.5	-12%	126.1
Hiab	41.7	31.5	33%	125.9	87.1	44%	128.8
MacGregor	2.5	4.0	-37%	8.9	0.9	> 100%	6.6
Corporate administration and support functions	-9.4	-8.2	-15%	-32.4	-26.7	-21%	-34.9
Total	**64.8**	**62.2**	**4%**	**186.0**	**156.9**	**19%**	**226.7**

Telephone conference for analysts, investors and media

A live international telephone conference for analysts, investors and media will be arranged on the publishing day at 3:00 p.m. EEST. The event will be held in English. The report will be presented by CEO Mika Vehviläinen and CFO Mikko Puolakka. The presentation material will be available at www.cargotec.com by the latest 2:30 p.m. EEST.

The telephone conference, during which questions may be presented, can be accessed with the code **24099885#** by calling to one of the following numbers:

Finland: +358 981 710 310

France: +33 170 750 711

Germany: +49 691 380 3430

Singapore: +65 642 983 49

Sweden: +46 856 642 651

Switzerland: +41 225 809 034

United Kingdom: +44 333 300 0804

United States: +1 631 913 1422

The event can also be viewed as a live webcast at https://cargotec.videosync.fi/2021-q3/. The conference call will be recorded and an on-demand version of the conference will be published at Cargotec’s website later during the day.

Note that by joining the conference call, the participant agrees that personal information such as name and company name will be collected.

For further information, please contact:
Mikko Puolakka, CFO, tel. +358 20 777 4105
Aki Vesikallio, Director, Investor Relations, tel. +358 40 729 1670

THE MERGER AND THE MERGER CONSIDERATION SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN OR INTO THE UNITED STATES, EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION OF, OR IN A TRANSACTION NOT SUBJECT TO, THE U.S. SECURITIES ACT.

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 signed the United Nations Global Compact Business Ambition for 1.5°C. The company's sales in 2020 totalled approximately EUR 3.3 billion and it employs around 11,000 people. www.cargotec.com

Cargotec's January–September 2021 interim report

The interim report provides estimates on future prospects involving risk and uncertainty factors, and other factors as a result of which the performance, operation or achievements of Cargotec may substantially deviate from the estimates. Forward-looking statements relating to future prospects are subject to risks, uncertainties and assumptions, the implementation of which depends on the future business environment and other circumstances, such as the development of the coronavirus pandemic.

Operating environment

The strong recovery from pandemic-related uncertainty continued in the third quarter of 2021. The economic recovery was reflected in brisk market activity but also in price increases and availability challenges related to raw materials, product components, and freight. These have prolonged our delivery times and raised our costs. However, we are confident that we will be able to largely offset the increased costs with the price increases we made during the first half of the year. We estimate the component and logistics challenges to remain largely the same also during the last quarter of the year.

According to the International Monetary Fund's (IMF) world economic outlook published in October 2021, the global economy is projected to grow 5.9 percent in 2021, and 4.9 percent in 2022. In the IMF's advanced economies group (a group of countries which includes several key Cargotec markets, such as the United States, the United Kingdom and Germany), IMF projects a 5.2 percent growth in 2021 and 4.5 percent growth in 2022.[2]

Kalmar's demand driver, the number of containers handled at ports globally, is estimated to increase by about 8.2 percent in 2021 compared to the previous year. During January–September, it is forecasted to have increased by about 9.8 percent.[3] Demand for services increased from the comparison period.

Oxford Economics[4] estimates that construction activity – one of Hiab's demand drivers – would have increased by about 8 percent in Europe and about 7 percent in the US during 2021 January–September. In 2021, Oxford Economics estimates construction activity to increase by approximately 7 percent in Europe and in the US compared to the previous year. The demand for services increased from the comparison period.

The demand for MacGregor's cargo handling solutions is impacted by the level of merchant ship contracting, which increased strongly during January–September to 1,221 (392)[5], exceeding the whole of last year's order amount but remaining still below the historical average. In 2021, the merchant ship contracting is expected to increase to 1,505 (894). The pick-up in demand has been particularly visible in container vessel orders. In the offshore sector, despite the increases in oil price, the amount of new vessel contracting is still expected to remain at a low level due to the overcapacity of offshore supply vessels and drilling rigs, for example. The focus of new orders has shifted to vessels supporting wind power. At the end of August, 52 percent of new build orders in 2021 have been wind-related and contracting for wind turbine installations and service vessels is

[2] International Monetary Fund: World Economic Outlook Update, October 2021

[3] Drewry Container Forecaster, September 2021

[4] Oxford Economics, Construction, September 2021

[5] Clarkson, September 2021

expected to continue to grow strongly[6]. The demand for services increased from the comparison period.

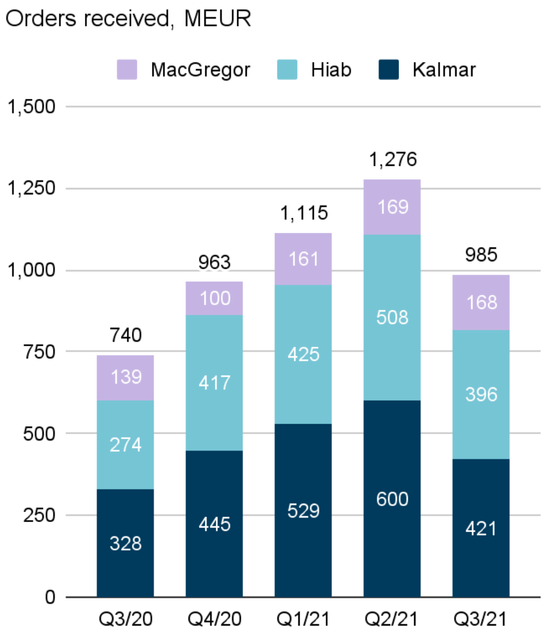
[6] Clarkson, September 2021

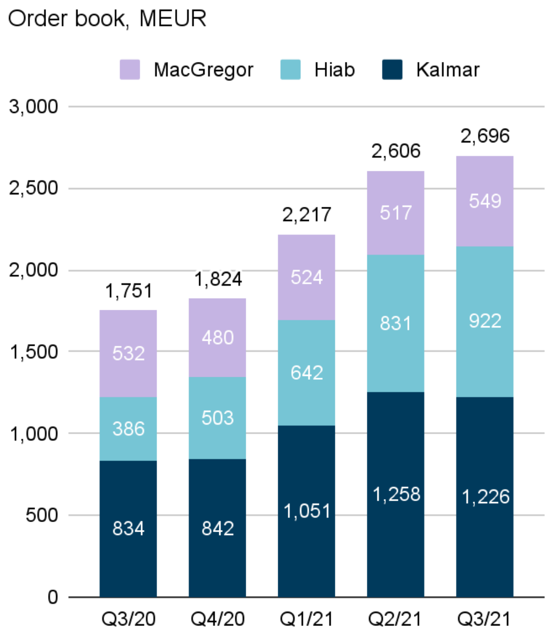
Financial performance

Orders received and order book

Orders received and order book

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Orders received	985	740	33%	3,377	2,158	57%	3,121
Service orders received	271	229	18%	854	723	18%	987
Order book, end of period	2,696	1,751	54%	2,696	1,751	54%	1,824





In the third quarter of 2021, orders received increased by 33 percent from the comparison period and totalled EUR 985 (740) million. Orders received increased in all business areas. Service orders received increased by 18 percent and totalled EUR 271 (229) million.

Orders received increased during January–September by 57 percent from the comparison period and totalled EUR 3,377 (2,158) million. Orders received increased in all business areas. Service orders received increased by 18 percent and totalled EUR 854 (723) million.

The order book increased by 48 percent from the end of 2020, and at the end of the third quarter it totalled EUR 2,696 (31 Dec 2020: 1,824) million. Kalmar's order book totalled EUR 1,226 (842) million, representing 46 (46) percent, Hiab's EUR 922 (503) million or 34 (28) percent and MacGregor's EUR 549 (480) million or 20 (26) percent of the consolidated order book.

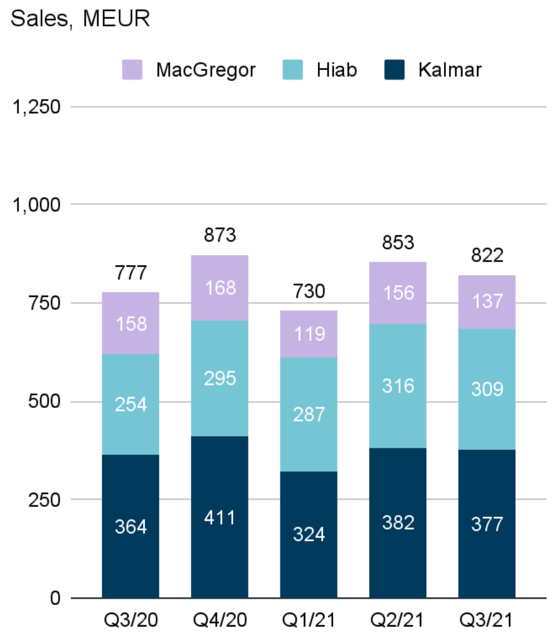
In geographical terms, the share of orders received in the third quarter was 41 (45) percent in EMEA and 35 (33) percent in the Americas. Asia-Pacific's share of orders received was 24 (22) percent.

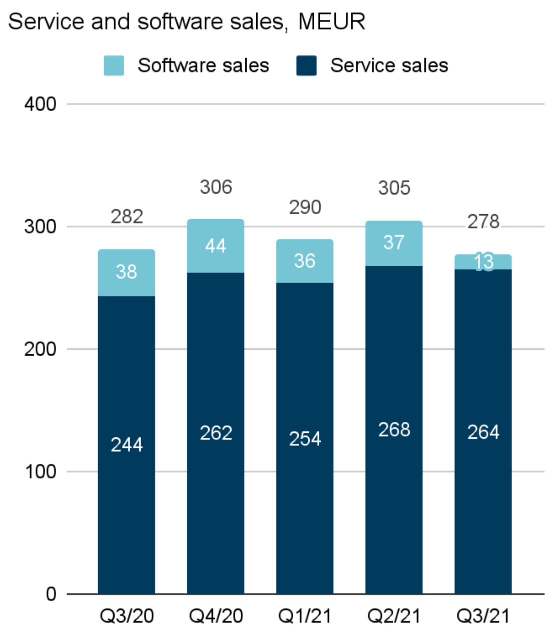
In January–September, the share of orders received was 46 (51) percent in EMEA and 34 (29) percent in the Americas. Asia-Pacific's share of orders received was 20 (20) percent.

Sales

Sales

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Sales	822	777	6%	2,405	2,391	1%	3,263
Service sales	264	244	9%	787	743	6%	1,005
Software sales	13	38	-65%	86	122	-29%	166





In the third quarter of 2021, sales increased from the comparison period by 6 percent and amounted to EUR 822 (777) million. Sales increased in Kalmar and in Hiab and declined in MacGregor. Service sales increased by 9 percent from the comparison period and totalled EUR 264 (244) million, representing 32 (31) percent of consolidated sales. Software sales decreased by 65 percent and amounted to EUR 13 (38) million. The decrease in software sales was due to the divestment of the Navis business. In total, service and software sales amounted to EUR 278 (282) million, representing 34 (36) percent of consolidated sales.

January–September sales increased by 1 percent from the comparison period to EUR 2,405 (2,391) million. Kalmar's and MacGregor's sales declined whereas Hiab's sales increased. Service sales increased by 6 percent from the comparison period and totalled EUR 787 (743) million, representing 33 (31) percent of consolidated sales. Software sales decreased by 29 percent and amounted to EUR 86 (122) million. Service and software sales amounted to EUR 873 (865) million, representing 36 (36) percent of consolidated sales.

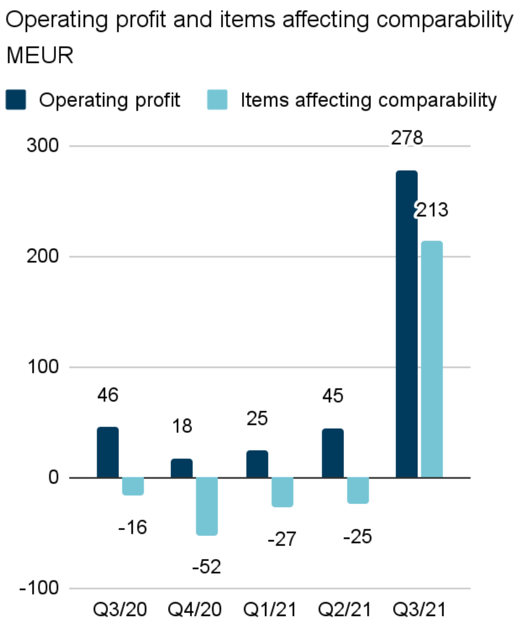
In geographical terms in the third quarter of 2021, sales increased in Asia-Pacific and Americas and decreased in EMEA. EMEA's share of consolidated sales was 46 (51) percent, Americas' 31 (29) percent and Asia-Pacific's 23 (20) percent.

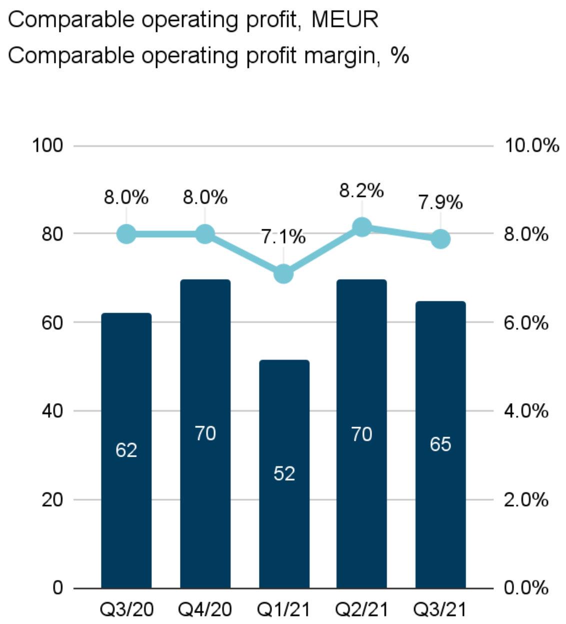
January–September EMEA's share of consolidated sales was 49 (49) percent, Americas' 31 (31) percent and Asia-Pacific's 20 (20) percent.

Financial result

Operating profit and comparable operating profit

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Operating profit	278.2	45.8	> 100%	347.5	52.8	> 100%	70.4
Operating profit, %	33.8%	5.9%		14.4%	2.2%		2.2%
Comparable operating profit	64.8	62.2	4%	186.0	156.9	19%	226.7
Comparable operating profit, %	7.9%	8.0%		7.7%	6.6%		6.9%





Operating profit for the third quarter totalled EUR 278 (46) million. The operating profit includes items affecting comparability worth EUR 213 (-16) million. EUR 236 (-3) million of the items were related to Kalmar, EUR -4 (-6) million to Hiab, EUR -2 (-5) million to MacGregor and EUR -17 (-3) million to corporate administration and support functions. Majority of Kalmar's items affecting comparability were related to the gain from the Navis software business sale and, of the corporate administration and support functions items affecting comparability, EUR -16 (-2) million were related to the merger plan with Konecranes Plc. More information regarding items affecting comparability is available in Note 7, Comparable operating profit.

January-September operating profit totalled EUR 347 (53) million. The operating profit includes items affecting comparability worth EUR 161 (-104) million. EUR 228 (-53) million of the items were related to Kalmar, EUR -15 (-15) million to Hiab, EUR -17 (-36) million to MacGregor and EUR -35 (0) million to corporate administration and support functions. Of the corporate administration and support functions items affecting comparability, EUR -34 (-2) million were related to the merger plan with Konecranes Plc. More information regarding items affecting comparability is available in Note 7, Comparable operating profit.

Comparable operating profit for the third quarter increased by 4 percent and totalled EUR 65 (62) million, representing 7.9 (8.0) percent of sales. Comparable operating profit increased due to higher comparable operating profit in Hiab. Comparable operating profit decreased in Kalmar and in MacGregor.

January–September comparable operating profit increased by 19 percent and totalled EUR 186 (157) million, representing 7.7 (6.6) percent of sales.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the third quarter totalled EUR 5 (6) million. Net financing expenses totalled EUR 6 (8) million. January–September net interest expenses for interest-bearing debt and assets totalled EUR 15 (17) million. Net financing expenses totalled EUR 19 (23) million.

Net income for the third quarter totalled EUR 219 (27) million, and earnings per share was EUR 3.40 (0.41). January–September net income totalled EUR 255 (1) million, and earnings per share EUR 3.95 (0.03).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 4,083 (31 Dec 2020: 3,888) million at the end of the third quarter. Equity attributable to the equity holders of the parent was EUR 1,518 (1,299) million, representing EUR 23.53 (20.14) per share. Property, plant and equipment on the balance sheet amounted to EUR 416 (430) million and intangible assets to EUR 1,138 (1,158) million.

Return on equity (ROE, last 12 months) was 18.6 (31 Dec 2020: 0.6) percent at the end of the third quarter, and return on capital employed (ROCE, last 12 months) was 14.3 (2.8) percent. Cargotec's financial target is to reach 15 percent return on capital employed.

Cash flow from operating activities before financial items and taxes totalled EUR 110 (101) million during January–September.

Cargotec's liquidity position is strong. The liquidity reserves, consisting of cash and cash equivalents and an undrawn EUR 300 million long-term revolving credit facility, totalled EUR 890 million on 30 September 2021 (31 Dec 2020: 785). The company liquidity requirement – repayments of interest-bearing liabilities due within the following 12 months – totalled EUR 193 (158) million, which includes EUR 34 (38) million lease liabilities. In addition, Cargotec had access to a EUR 150 million commercial paper programme, of which undrawn EUR 150 (150) million, as well as undrawn bank overdraft facilities, totalling EUR 107 (116) million.

Interest-bearing debt amounted to EUR 1,070 (31 Dec 2020: 1,191) million, of which EUR 163 (174) million is in lease liabilities. Of the interest-bearing debt, EUR 193 (158) million was current and EUR 877 (1,033) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 1.4 (1.4) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 605 (509) million. Interest-bearing net debt totalled EUR 465 (682) million.

At the end of the third quarter, Cargotec's equity to assets ratio was 39.1 (31 Dec 2020: 35.3) percent. Gearing was 30.6 (52.4) percent.

Corporate topics

Research and development

Research and product development expenditure in January–September totalled EUR 76 (76) million, representing 3.2 (3.2) percent of sales. Research and development investments were focused on themes supporting climate targets such as digitalisation, electrification, automation and robotisation as well as projects that aim to improve the competitiveness and cost efficiency of products. During the third quarter, research and development efforts were focused for example on the following:

Kalmar

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

In September, Kalmar opened a new sales and service support centre in Stargard, Poland. The centre will cover back-office sales and service admin operations, including tasks related to invoicing and order and contract management, allowing an even better customer service.

Hiab

Hiab announced an investment to develop a new multi-assembly unit in Dundalk, Ireland, for its MOFFETT and PRINCETON truck mounted forklift manufacturing operations. When operational in 2023, the new facility will replace Hiab's existing Dundalk facility and include manufacturing operations and a global hub for innovation and R&D. Hiab has also expanded manufacturing of truck mounted forklifts in Streetsboro, US, delivering the first MOFFETT installation at the end of September.

In July, WALTCO launched an FM1000 liftgate that functions as a combined rear door and liftgate. The new liftgate is an integrated solution, making the driver's work lighter and safer. The liftgate is connectivity enabled for Hiab's HiConnect™ service and includes free access to the Standard package for one year.

In July, Hiab's electric MOFFETT E4-25.3NX truck mounted forklift won an IFOY AWARD, also known as the "Oscars of intralogistics", in the category Special Vehicle. According to the jury, this MOFFETT product offers an excellent alternative to diesel-powered truck mounted forklifts from an ecological as well as an economic point of view. The safety equipment is also of a high standard.

MacGregor

The MacGregor How2 application's first prototype was introduced during the third quarter. The application compiles step-by-step maintenance instructions, animated AR visualisations, as well as 2D and 3D CAD models into a single, easy to understand user platform. The application enables increased maintenance efficiency, automated generation of service reports, easier ordering of spare parts, and improved worker safety. The next step will be to further adjust the prototype and prepare for a customer pilot.

MacGregor participates in a three-year programme developing a more sustainable short sea shipping, funded by the EU's Horizon 2020 Research and Innovation programme. The aim of the programme is, among others, to validate the equipment and software enabling autonomous onboard container handling for remote and far reaching ports where infrastructure, information and communications technologies are less developed. The project, also aiming to shift the supply chain from road to sea, is reaching the midpoint of its three-year research phase. The outcome of the project would benefit customers via increased efficiency, together with a reduced carbon footprint. In the project, MacGregor also offers its partners the opportunity to participate in the activities of the network.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 41 (46) million in January–September. Investments in customer financing were EUR 11 (17) million. Depreciation, amortisation and impairment amounted to EUR 87 (108) million. The amount includes impairments worth EUR 4 (12) million.

Acquisitions and divestments in 2021

In August, Hiab entered into an agreement to acquire the US demountables manufacturer Galfab, which makes roll-off hoists and related equipment for the domestic waste industry. Galfab currently employs around 100 people. The acquisition broadens Hiab’s demountable portfolio while Galfab’s equipment will be included in Hiab’s nationwide US sales and service network. The acquisition was completed on 4 September 2021.

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

On 1 October 2020, Cargotec Corporation and Konecranes Plc announced their combination agreement and a merger plan to combine the two companies through a merger. Extraordinary general meetings of Cargotec and Konecranes held on 18 December 2020 approved the merger. Various competition authorities in the EU, UK, and US, among others, are currently reviewing the proposed transaction. In July, the European Commission and the UK Competition and Markets Authority opened a phase II review in connection with the planned transaction. Cargotec and Konecranes expect the Phase II review to continue during H2/2021.

In August 2021, Cargotec Corporation and Konecranes Plc announced that the companies have received unconditional approval from the State Administration for Market Regulation, the competition authority in China, for their planned merger. Also in August, Cargotec and Konecranes announced that the Boards of Directors of Cargotec and Konecranes have agreed to select Cargotec’s present CEO Mika Vehviläinen as the President and CEO of the Future Company, and that the Board of Directors of Cargotec has made the appointment accordingly. The appointment of Mika Vehviläinen will become effective upon completion of the transaction.

Cargotec and Konecranes are confident that the remaining approvals are received to allow completion of the transaction by the end of H1/2022. Until completion, both companies will operate fully separately and independently. More information about the merger is available from the web address www.sustainablematerialflow.com.

Cargotec and Konecranes update the total cost estimate in connection with the merger to be approximately EUR 100 million. The estimate presented in the half year financial reports on 28 July 2021 was approximately EUR 70 million. The costs consist mostly of expenses related to financial reporting, legal matters and advisory services (excluding the estimated transaction costs of the refinancing and integration planning). A considerable part of the total costs and the cost estimate increase are related to the processes for applying for the necessary merger control approvals for the merger. The cost estimate will be refined as the competition authority processes progress.

More information regarding acquisitions and divestments is available in Note 15, Acquisitions and disposals.

Operational restructurings

Restructuring costs in the third quarter amounted to EUR 4 (13) million and to EUR 21 (91) million in January–September. We estimate the restructuring costs of ongoing restructuring programmes to be approximately EUR 30 million in total in 2021. The estimate does not include costs related to the merger between Cargotec and Konecranes and the restructuring cost estimate may be subject to change.

More information regarding restructuring costs and other items affecting comparability is available in Note 7, Comparable operating profit.

Personnel

Cargotec employed 10,868 (31 Dec 2020: 11,552) people at the end of the third quarter. The average number of employees in the third quarter was 11,269 (1–12/2020: 12,066).

Strategy and vision

With its business areas Kalmar, MacGregor and Hiab, Cargotec's vision is to become the global leader in sustainable cargo flow. The breakthrough objectives are sustainability and profitable growth. In concrete terms, Cargotec aims to reduce the CO2 emissions of its value chain by 1 million tons by 2024.

Sustainability

Cargotec's sustainability work is based on a holistic and balanced approach, taking into account the aspects of environment, people and society, and governance. During the third quarter, we continued with our climate change mitigation work, which enables us to proceed towards our objective of reducing our emissions by 1 million CO2e tons and increasing eco-portfolio sales by 2024. This is an aspiring task as it does not only focus on reducing our own negative climate impact but also strives to create a positive impact on customers' and suppliers' emissions. These objectives support our long-term target to reduce emissions by at least 50 percent across the value chain by 2030 and our commitment to be a 1.5 degree company. Since more than 95 percent of the emissions occur in our value chain (upstream and downstream activities), setting the 50 percent reduction target for the whole value chain is vital to tackling climate change.

In September, Cargotec and SSAB announced an agreement to work on the introduction of fossil-free steel to the cargo handling industry in the future. The intent outlines that the companies will start coordinated development toward the use of SSAB's fossil-free steel in Cargotec's cargo handling equipment. Steel and steel components are the main contributors for CO2 footprint at Cargotec's scope 3 (value chain) upstream emissions. The total CO2 footprint comprises upstream emissions, which account for over a third of Cargotec's total emissions, emissions from own operations (scope 1 and 2), and emissions from the use-phase of the products (scope 3 downstream). Fossil-free steel has significantly lower environmental impact and hence, contributes towards a carbon neutral value chain. It has been estimated that steel demand will increase in the future and hence, meeting this demand requires development and usage of fossil-free steel alternatives.

During the quarter, we also finalised our scenario analysis work for managing climate-related risks and opportunities. The analysis supports our climate related work and shows that offering low-carbon economy enabling solutions is also a great business opportunity for us.

Our eco portfolio consists of products and services that enhance customers' sustainability with tangible environmental benefits. In the third quarter, the eco portfolio sales decreased by 22 percent from the comparison period and totalled EUR 140 (180) million, representing 17 (23) percent of consolidated sales. The decrease was mainly caused by the divestment of Navis software business.

Cargotec is preparing for the upcoming EU Taxonomy regulation and aims to revise the eco portfolio criteria to align with the taxonomy in the upcoming months. To prove the EU taxonomy-alignment of the eco equipment, Cargotec continued to conduct product life cycle assessment studies during the quarter.

Safety and health of our employees is our first priority in all our actions. Cargotec's safety performance during the third quarter of 2021 was similar to the previous quarters. Our rolling 12 months industrial injury frequency rate (IIFR) has slightly increased to 5.7 (5.6). The IIFR in Cargotec's assembly sites has risen to 6.3 (4.4), while in our non-assembly operations it has improved to 5.3 (6.4). The target for 2021 is to have an IIFR rate less than 5 in all of our operations.

The deterioration in the production sites' safety has been a result of ramping up production and some challenges experienced within the supply chain. We have increased our efforts to promote wellbeing and safety at work. Initiatives in the area include safety campaigns, raising awareness among employees, building the safety culture further, as well as establishing an even stronger leadership commitment to safety topics.

Leadership Team

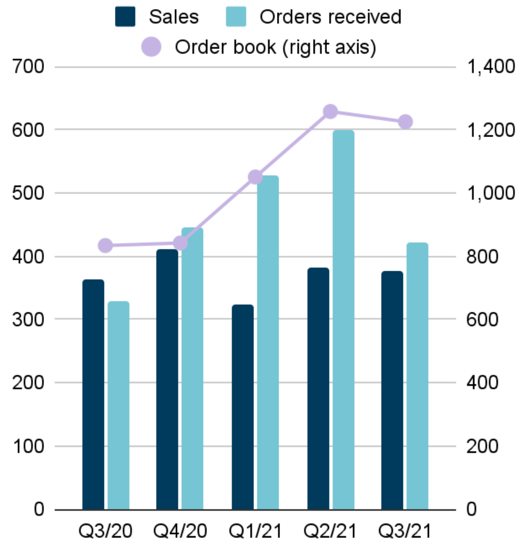
On 30 September 2021, Cargotec's Leadership Team consisted of Mika Vehviläinen, CEO; Mikko Puolakka, Executive Vice President, CFO; Mikko Pelkonen, Senior Vice President, Human Resources; Mikael Laine, Senior Vice President, Strategy; Soili Mäkinen, CIO; Outi Aaltonen, General Counsel; Carina Geber-Teir, Senior Vice President, Communications; Antti Kaunonen, President, Kalmar Automation Solutions; Stefan Lampa, President, Kalmar Mobile Solutions; Scott Phillips, President, Hiab; and Michel van Roozendaal, President, MacGregor.

Reporting segments

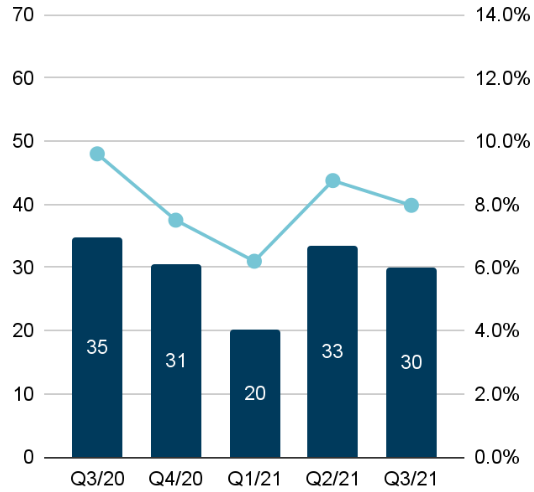
Kalmar

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Orders received	421	328	28%	1,550	955	62%	1,401
Order book, end of period	1,226	834	47%	1,226	834	47%	842
Sales	377	364	3%	1,082	1,119	-3%	1,529
Service sales	115	106	9%	338	318	6%	437
% of sales	30%	29%		31%	28%		29%
Software sales	13	38	-65%	86	122	-29%	166
% of sales	4%	11%		8%	11%		11%
Operating profit	265.8	31.4	> 100%	311.9	42.4	> 100%	61.8
% of sales	70.6%	8.6%		28.8%	3.8%		4.0%
Comparable operating profit	30.0	34.9	-14%	83.6	95.5	-12%	126.1
% of sales	8.0%	9.6%		7.7%	8.5%		8.2%
Personnel, end of period	4,813	5,542	-13%	4,813	5,542	-13%	5,526

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



In the third quarter, orders received by Kalmar increased by 28 percent from the comparison period and totalled EUR 421 (328) million. Orders received increased in all product categories and geographical areas.

Major orders received by Kalmar in the third quarter included:

- 15 medium electric forklift trucks to France
- 18 hybrid shuttle carriers to the US,
- 2 Zero Emission RTGs, 2 empty container handlers and a reachstacker to Indonesia,
- 12 diesel-electric straddle carriers to Italy,
- 6 automatic stacking cranes to Australia, and
- 8 reachstackers to Kenya.

Kalmar's orders received in January–September increased by 62 percent and totalled EUR 1,550 (955) million.

Kalmar's order book increased by 46 percent from the end of 2020, and at the end of the third quarter it totalled EUR 1,226 (31 Dec 2020: 842) million.

Kalmar's third quarter sales increased by 3 percent from the comparison period and totalled EUR 377 (364) million. Service sales increased by 9 percent and totalled EUR 115 (106) million, representing 30 (29) percent of sales. Software sales decreased by 65 percent and amounted to EUR 13 (38) million. The decrease was due to the divestment of the Navis software business.

January–September sales decreased by 3 percent and totalled EUR 1,082 (1,119) million. Service sales increased by 6 percent and totalled EUR 338 (318) million, representing 31 (28) percent of sales. Software sales decreased by 29 percent and amounted to EUR 86 (122) million.

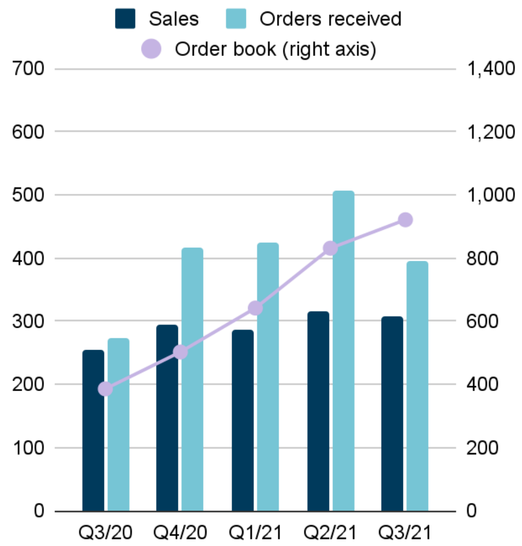
Kalmar's third quarter operating profit totalled EUR 266 (31) million. The operating profit includes EUR 236 (-3) million in items affecting comparability, of which the majority were related to the gain from the Navis software business sale. The comparable operating profit amounted to EUR 30 (35) million, representing 8.0 (9.6) percent of sales. Kalmar's comparable operating profit decreased due to additional costs stemming from supply chain challenges, increased freight and component costs, and accelerated R&D investments.

Kalmar's January–September operating profit totalled EUR 312 (42) million. Operating profit includes EUR 228 (-53) million in items affecting comparability. Comparable operating profit amounted to EUR 84 (96) million, representing 7.7 (8.5) percent of sales.

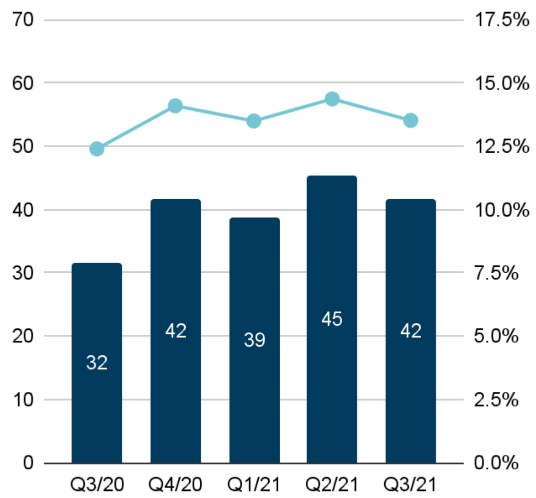
Hiab

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Orders received	396	274	45%	1,329	793	68%	1,210
Order book, end of period	922	386	> 100%	922	386	> 100%	503
Sales	309	254	21%	912	799	14%	1,094
Service sales	87	80	9%	262	236	11%	318
% of sales	28%	31%		29%	29%		29%
Operating profit	37.6	25.9	45%	110.8	72.3	53%	97.3
% of sales	12.2%	10.2%		12.1%	9.1%		8.9%
Comparable operating profit	41.7	31.5	33%	125.9	87.1	44%	128.8
% of sales	13.5%	12.4%		13.8%	10.9%		11.8%
Personnel, end of period	3,369	3,549	-5%	3,369	3,549	-5%	3,390

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



Hiab's orders received for the third quarter increased by 45 percent from the comparison period and totalled EUR 396 (274) million. Orders received increased in all product categories and geographical areas.

Major orders received by Hiab in the third quarter included three separate orders in the US for MOFFETT truck mounted forklifts and HIAB loader cranes for a combined value of EUR 12.9 million. Other Hiab orders were smaller individual ones, typical for its business.

Hiab's orders received in January–September increased by 68 percent and totalled EUR 1,329 (793) million.

Hiab's order book increased by 83 percent from the end of 2020, totalling EUR 922 (31 Dec 2020: 503) million at the end of the third quarter.

Hiab's third quarter sales increased by 21 percent and totalled EUR 309 (254) million. Service sales increased by 9 percent and amounted to EUR 87 (80) million, representing 28 (31) percent of sales. In January–September, Hiab's sales increased by 14 percent and totalled EUR 912 (799) million. Service sales increased by 11 percent and totalled EUR 262 (236) million, representing 29 (29) percent of sales.

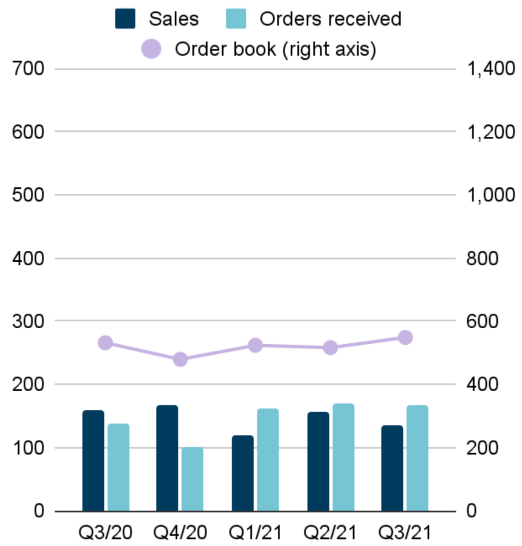
Hiab's third quarter operating profit increased from the comparison period by 45 percent and totalled EUR 38 (26) million. The operating profit includes EUR -4 (-6) million in items affecting comparability. The comparable operating profit amounted to EUR 42 (32) million, representing 13.5 (12.4) percent of sales. Hiab's comparable operating profit increased due to higher sales.

Hiab's January–September operating profit totalled EUR 111 (72) million. Operating profit includes EUR -15 (-15) million in items affecting comparability. Comparable operating profit amounted to EUR 126 (87) million, representing 13.8 (10.9) percent of sales.

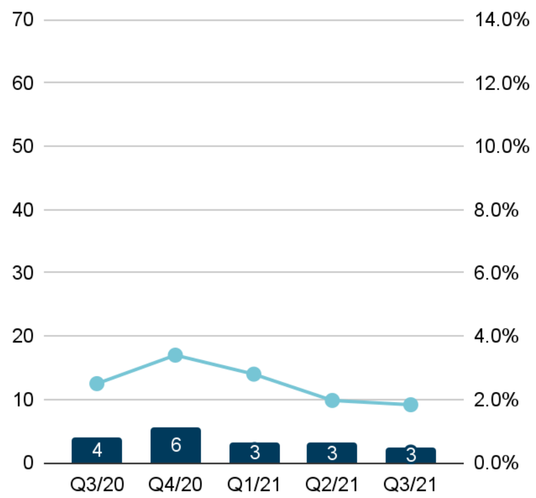
MacGregor

MEUR	Q3/21	Q3/20	Change	Q1-Q3/21	Q1-Q3/20	Change	2020
Orders received	168	139	21%	499	410	22%	511
Order book, end of period	549	532	3%	549	532	3%	480
Sales	137	158	-14%	412	474	-13%	642
Service sales	63	58	7%	187	190	-1%	250
% of sales	46%	37%		46%	40%		39%
Operating profit	1.0	-0.7	> 100%	-7.9	-35.6	78%	-48.2
% of sales	0.7%	-0.4%		-1.9%	-7.5%		-7.5%
Comparable operating profit	2.5	4.0	-37%	8.9	0.9	> 100%	6.6
% of sales	1.8%	2.5%		2.2%	0.2%		1.0%
Personnel, end of period	1,907	2,038	-6%	1,907	2,038	-6%	1,987

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



MacGregor's orders received in the third quarter increased by 21 percent from the comparison period to EUR 168 (139) million. Orders received increased in the Americas and Asia-Pacific and decreased in EMEA. Of the orders, around two thirds were related to merchant ships and one-third to the offshore sector.

MacGregor's major orders received in the third quarter included:

- quarter and side ramps, hoistable car decks and rampway doors for 8 RoRo vessels to be built in Asia, and
- an OnWatch Scout contract for a fleet of four merchant vessels. This is the third OnWatch Scout fleet agreement with a merchant ship owner.

MacGregor's orders received in January–September increased by 22 percent and totalled EUR 499 (410) million.

MacGregor's order book increased by 14 percent from the end of 2020, totalling EUR 549 (31 Dec 2020: 480) million at the end of the quarter. Around two thirds of the order book relates to merchant ships and about one third to the offshore sector.

MacGregor's third quarter sales decreased by 14 percent from the comparison period to EUR 137 (158) million. Service sales increased by 7 percent and totalled EUR 63 (58) million, representing 46 (37) percent of sales. January–September sales decreased by 13 percent and totalled EUR 412 (474) million. Service sales decreased by 1 percent and totalled EUR 187 (190) million, representing 46 (40) percent of sales.

MacGregor's operating profit for the third quarter totalled EUR 1 (-1) million. Operating profit includes EUR -2 (-5) million in items affecting comparability. The comparable operating profit totalled EUR 3 (4) million, representing 1.8 (2.5) percent of sales. The comparable operating profit decreased due lower sales. However, the service business's share of sales increased which, together with cost savings actions, diminished the negative impact of lower sales. Savings target for 2021 is EUR 13 million, of which 3 million was achieved during the third quarter. The achieved savings in January–September 2021 amounted to around EUR 9 million.

MacGregor's January–September operating profit totalled EUR -8 (-36) million. Operating profit includes EUR -17 (-36) million in items affecting comparability. Comparable operating profit amounted to EUR 9 (1) million, representing 2.2 (0.2) percent of sales.

Annual General Meeting and shares

Decisions taken at the Annual General Meeting

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

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

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

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

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

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

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

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

Shares and trading

Share capital, own shares and share issue

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

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

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

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

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

Share-based incentive programmes

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

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

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

In addition, the Board of Directors resolved that share allocation for the restricted share programme’s second period 2021-2023 will amount up to an approximate maximum total of 46,000 Cargotec’s class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees. The Board of Directors approved the restricted share programme in 2020.

Market capitalisation and trading

At the end of September 2021, the total market value of class B shares was EUR 2,419 (1,617) million, excluding own shares held by the company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 2,835 (1,899) million, excluding own shares held by the company.

The class B share closed at EUR 44.02 (29.42) on the last trading day of September on Nasdaq Helsinki. The volume-weighted average share price in January-September was EUR 44.83 (22.79), the highest quotation being EUR 52.80 (35.50) and the lowest EUR 33.60 (15.15). During the period, a total of 28 (44) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,243 (1,010) million. In addition, according to Fidessa, a total of 43 (42) million class B shares were traded in several alternative marketplaces, such as Cboe BXE and Cboe APA, corresponding to a turnover of EUR 1,951 (1,013) million.

Short-term risks and uncertainties

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

The covid-19 pandemic can still have direct and indirect impacts on Cargotec's business. In some areas, safety measures and travel restrictions may limit Cargotec's business prerequisites, as well as selling, operating and delivering Cargotec's solutions. Ensuring a safe working environment for Cargotec personnel may still be challenging.

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

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

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

MacGregor's market situation still involves uncertainties, even though demand in the merchant ship market has picked up during the year. In the short term, the tightening emission regulation for ships and related uncertainty may limit new investments. Global decarbonisation targets have led to a fall in investments by the oil industry, which has long been reflected in decreased offshore vessel investments. However, increase in contracting for wind turbine installations and service vessels is estimated to partly compensate that in the future. The uncertain situation still prevails in the merchant ship and offshore vessel market, which can have a negative impact on the financial situation of shipyards, ship owners, and ship operators. Project executions face risks related to schedule, cost and delivery guarantees. Downward revision of market estimates could result in an impairment of MacGregor's goodwill.

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

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

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

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

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

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

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

Outlook for 2021

Cargotec reiterates its outlook published on 4 February 2021 and expects its comparable operating profit for 2021 to improve from 2020 (EUR 227[7] million).

[7] The comparable operating profit has been specified from EUR 228 million to EUR 227 million. Additional information about the comparable operating profit definition is presented in the stock exchange release published on 29 March 2021.

Financial calendar 2022

Financial Statements review 2021, on Thursday, 3 February 2022

Cargotec's Financial Statements 2021 and Annual Report 2021 will be available at www.cargotec.com on week 8

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

Interim report January–March 2022, on Wednesday, 27 April 2022

Half year financial report January–June 2022, on Wednesday, 27 July 2022

Interim report January–September 2022, on Wednesday, 26 October 2022

Helsinki, 28 October 2021
Cargotec Corporation
Board of Directors

This interim report is unaudited.

THE MERGER AND THE MERGER CONSIDERATION SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN OR INTO THE UNITED STATES, EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION OF, OR IN A TRANSACTION NOT SUBJECT TO, THE U.S. SECURITIES ACT.

Consolidated statement of income

MEUR	Note	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Sales	5	**822.1**	**776.6**	**2,404.8**	**2,390.6**	**3,263.4**
Cost of goods sold		-644.1	-602.0	-1,841.2	-1,863.1	-2,535.5
Gross profit		**177.9**	**174.5**	**563.6**	**527.5**	**727.9**
Gross profit, %		*21.6%*	*22.5%*	*23.4%*	*22.1%*	*22.3%*
Other operating income		251.7	13.3	281.4	39.7	48.0
Selling and marketing expenses		-42.5	-44.6	-138.2	-148.0	-199.5
Research and development expenses		-21.1	-22.2	-78.4	-78.6	-107.9
Administration expenses		-59.3	-56.8	-192.0	-176.2	-236.7
Restructuring costs	7	-4.2	-12.6	-20.6	-91.1	-131.0
Other operating expenses		-27.0	-8.0	-74.4	-25.1	-35.7
Share of associated companies' and joint ventures' net income		2.5	2.1	6.1	4.6	5.3
Operating profit		**278.2**	**45.8**	**347.5**	**52.8**	**70.4**
Operating profit, %		*33.8%*	*5.9%*	*14.4%*	*2.2%*	*2.2%*
Financing income		1.0	0.2	2.2	2.4	2.8
Financing expenses		-6.6	-7.7	-21.3	-25.3	-38.7
Income before taxes		**272.6**	**38.3**	**328.4**	**29.9**	**34.5**
Income before taxes, %		*33.2%*	*4.9%*	*13.7%*	*1.3%*	*1.1%*
Income taxes	9	-53.1	-11.7	-73.5	-28.5	-26.4
Net income for the period		**219.5**	**26.6**	**254.9**	**1.4**	**8.1**
Net income for the period, %		*26.7%*	*3.4%*	*10.6%*	*0.1%*	*0.2%*

Net income for the period attributable to:

Equity holders of the parent		219.4	26.6	254.7	1.6	8.1
Non-controlling interest		0.1	0.0	0.2	-0.2	-0.1
Total		**219.5**	**26.6**	**254.9**	**1.4**	**8.1**

Earnings per share for profit attributable to the equity holders of the parent:

Earnings per share, EUR		3.40	0.41	3.95	0.03	0.13
Diluted earnings per share, EUR		3.40	0.41	3.94	0.03	0.13

The notes are an integral part of the interim report.

Consolidated statement of comprehensive income

MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Net income for the period	**219.5**	**26.6**	**254.9**	**1.4**	**8.1**
Other comprehensive income					
Items that cannot be reclassified to statement of income:					
Actuarial gains (+) / losses (-) from defined benefit plans	0.2	0.3	-0.1	0.6	-1.2
Gains (+) / losses (-) on designated share investments measured at fair value	4.5	8.4	0.4	6.4	5.5
Taxes relating to items that cannot be reclassified to statement of income	0.0	-0.1	0.0	-0.1	0.3
Items that can be reclassified to statement of income:					
Gains (+) / losses (-) on cash flow hedges	-11.3	8.0	-21.3	14.8	35.2
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	1.4	-4.1	7.6	-9.5	-19.9
Translation differences	16.7	-32.4	46.6	-69.6	-77.9
Taxes relating to items that can be reclassified to statement of income	1.4	-0.5	2.3	-1.5	-1.8
Share of other comprehensive income of associates and JV, net of tax	-0.2	-	-1.9	-	-
Other comprehensive income, net of tax	**12.7**	**-20.2**	**33.7**	**-58.9**	**-59.8**
Comprehensive income for the period	**232.1**	**6.4**	**288.6**	**-57.5**	**-51.8**
Comprehensive income for the period attributable to:					
Equity holders of the parent	232.0	6.4	288.3	-57.2	-51.5
Non-controlling interest	0.1	0.0	0.2	-0.3	-0.2
Total	**232.1**	**6.4**	**288.6**	**-57.5**	**-51.8**

The notes are an integral part of the interim report.

Consolidated balance sheet

ASSETS, MEUR	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
Non-current assets				
Goodwill		963.4	1,025.4	971.9
Other intangible assets		174.9	258.1	185.8
Property, plant and equipment		416.2	446.4	429.7
Investments in associated companies and joint ventures	16	78.0	53.7	56.7
Share investments	16	37.9	38.4	37.5
Loans receivable and other interest-bearing assets*	11	11.7	26.6	18.4
Deferred tax assets		132.4	125.5	123.6
Derivative assets	12	-	0.0	0.1
Other non-interest-bearing assets		16.8	11.5	17.2
Total non-current assets		**1,831.4**	**1,985.6**	**1,840.9**
Current assets				
Inventories		737.7	704.2	579.7
Loans receivable and other interest-bearing assets*	11	3.6	1.5	4.3
Income tax receivables		28.3	27.8	25.4
Derivative assets	12	9.1	13.7	13.3
Accounts receivable and other non-interest-bearing assets		883.3	801.6	753.9
Cash and cash equivalents*	11	589.6	378.0	484.8
Total current assets		**2,251.5**	**1,926.9**	**1,861.4**
Assets held for sale	**17**	**-**	**-**	**185.7**
Total assets		**4,082.9**	**3,912.4**	**3,888.0**

*Included in interest-bearing net debt.

EQUITY AND LIABILITIES, MEUR	Note	30 Sep 2021	30 Sep 2020	31 Dec 2020
Equity attributable to the equity holders of the parent				
Share capital		64.3	64.3	64.3
Share premium account		98.0	98.0	98.0
Translation differences		-64.5	-102.7	-110.9
Fair value reserves		-8.9	-5.3	4.4
Reserve for invested non-restricted equity		54.0	57.4	57.4
Retained earnings		1,374.6	1,180.3	1,185.6
Total equity attributable to the equity holders of the parent		**1,517.5**	**1,291.9**	**1,298.7**
Non-controlling interest		2.6	2.3	2.7
Total equity		**1,520.1**	**1,294.2**	**1,301.4**
Non-current liabilities				
Interest-bearing liabilities*	11	876.5	1,082.9	1,027.4
Deferred tax liabilities		32.6	40.1	20.6
Pension obligations		114.2	110.8	115.5
Provisions		3.8	6.4	7.2
Derivative liabilities	12	-	0.0	0.0
Other non-interest-bearing liabilities		68.6	64.0	62.6
Total non-current liabilities		**1,095.7**	**1,304.2**	**1,233.4**
Current liabilities				
Current portion of interest-bearing liabilities*	11	184.3	141.6	136.1
Other interest-bearing liabilities*	11	8.9	32.9	19.6
Provisions		95.3	99.0	105.9
Advances received		199.5	242.5	182.7
Income tax payables		61.3	19.0	21.7
Derivative liabilities	12	12.3	8.9	19.4
Accounts payable and other non-interest-bearing liabilities		905.4	770.2	797.5
Total current liabilities		**1,467.0**	**1,314.0**	**1,282.7**
Liabilities directly associated with the assets held for sale	**17**	**-**	**-**	**70.5**
Total equity and liabilities		**4,082.9**	**3,912.4**	**3,888.0**

*Included in interest-bearing net debt.

The notes are an integral part of the interim report.

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to the equity holders of the parent								
Equity 1 Jan 2021	**64.3**	**98.0**	**-110.9**	**4.4**	**57.4**	**1,185.6**	**1,298.7**	**2.7**	**1,301.4**
Net income for the period						254.7	254.7	0.2	254.9
Cash flow hedges				-13.3			-13.3		-13.3
Translation differences			46.5				46.5	0.1	46.6
Actuarial gains and losses from defined benefit plans						0.0	0.0		0.0
Gains and losses on designated share investments measured at fair value						0.4	0.4		0.4
Comprehensive income for the period*	**-**	**-**	**46.5**	**-13.3**	**-**	**255.1**	**288.3**	**0.2**	**288.6**
Profit distribution						-69.5	-69.5	-0.4	-69.8
Treasury shares acquired					-3.4		-3.4		-3.4
Share-based payments						3.4	3.4		3.4
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-3.4**	**-66.1**	**-69.5**	**-0.4**	**-69.8**
Transactions with non-controlling interests							-		-
Equity 30 Sep 2021	**64.3**	**98.0**	**-64.5**	**-8.9**	**54.0**	**1,374.6**	**1,517.5**	**2.6**	**1,520.1**
Equity 1 Jan 2020	**64.3**	**98.0**	**-33.2**	**-9.1**	**57.4**	**1,247.1**	**1,424.5**	**2.8**	**1,427.3**
Net income for the period						1.6	1.6	-0.2	1.4
Cash flow hedges				3.8			3.8	0.0	3.8
Translation differences			-69.5				-69.5	-0.1	-69.6
Actuarial gains and losses from defined benefit plans						0.5	0.5		0.5
Gains and losses on designated share investments measured at fair value						6.4	6.4		6.4
Comprehensive income for the period*	**-**	**-**	**-69.5**	**3.8**	**-**	**8.6**	**-57.2**	**-0.3**	**-57.5**
Profit distribution						-77.3	-77.3	-0.2	-77.5
Treasury shares acquired							-		-
Share-based payments						1.9	1.9		1.9
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**-75.4**	**-75.4**	**-0.2**	**-75.6**
Transactions with non-controlling interests							-		-
Equity 30 Sep 2020	**64.3**	**98.0**	**-102.7**	**-5.3**	**57.4**	**1,180.3**	**1,291.9**	**2.3**	**1,294.2**

*Net of tax

The notes are an integral part of the interim report.

Consolidated condensed statement of cash flows

MEUR	Note	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Net cash flow from operating activities						
Net income for the period		219.5	26.6	254.9	1.4	8.1
Depreciation, amortisation and impairment	8	27.4	33.4	86.6	108.2	144.0
Financing items		5.6	7.5	19.1	22.8	35.9
Taxes	9	53.1	11.7	73.5	28.5	26.4
Change in net working capital		-16.8	-2.9	-79.2	-88.0	56.4
Other adjustments		-243.4	-2.2	-245.2	27.5	25.6
Cash flow from operations before financing items and taxes		**45.3**	**74.1**	**109.6**	**100.5**	**296.4**
Cash flow from financing items and taxes		-20.4	-20.6	-74.3	-50.8	-56.4
Net cash flow from operating activities		**25.0**	**53.5**	**35.3**	**49.7**	**240.0**
Net cash flow from investing activities						
Acquisitions of businesses, net of cash acquired	15	-2.4	-0.2	0.9	-11.8	-12.1
Disposals of businesses, net of cash sold	15	307.8	0.7	308.1	2.0	2.7
Investments in associated companies and joint ventures	16	-	-	-1.9	-	-
Cash flow from investing activities, other items		-8.7	-4.9	-11.3	-15.1	-11.8
Net cash flow from investing activities		**296.7**	**-4.5**	**295.8**	**-24.9**	**-21.3**
Net cash flow from financing activities						
Treasury shares acquired		-	-	-3.4	-	-
Repayments of lease liabilities		-9.6	-11.0	-30.5	-32.9	-44.1
Proceeds from long-term borrowings		-	-	-	249.5	249.5
Repayments of long-term borrowings		-100.0	0.0	-100.0	-198.6	-251.4
Proceeds from short-term borrowings		-2.5	17.6	1.1	99.6	98.8
Repayments of short-term borrowings		-18.8	-70.2	-30.8	-100.9	-106.9
Profit distribution		0.0	-39.0	-69.8	-74.2	-77.8
Net cash flow from financing activities		**-131.0**	**-102.6**	**-233.4**	**-57.4**	**-131.8**
Change in cash and cash equivalents		**190.8**	**-53.6**	**97.7**	**-32.6**	**86.9**
Cash and cash equivalents, and bank overdrafts at the beginning of period		391.5	429.0	482.3	409.8	409.8
Effect of exchange rate changes		5.0	-5.6	6.9	-7.5	-14.8
Cash and cash equivalents included in assets held for sale	17	-0.2	-	-	-	0.4
Cash and cash equivalents, and bank overdrafts at the end of period		**587.0**	**369.8**	**587.0**	**369.8**	**482.3**
Bank overdrafts at the end of period		2.7	8.3	2.7	8.3	2.5
Cash and cash equivalents at the end of period		**589.6**	**378.0**	**589.6**	**378.0**	**484.8**

The notes are an integral part of the interim report.

Notes to the interim report

1. 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.

2. Accounting principles

The interim report has been prepared according to IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2020 and comply with changes in IAS/IFRS standards effective from 1 January 2021 that had no material impact on the interim report.

All figures presented have been rounded, which may cause, for example, the sum of individual figures to deviate from the presented sum total.

3. Information about the impact of COVID-19 in the financial reporting

The economic outlook has improved in 2021 by the progress of vaccination programs and strong demand recovery further boosted by the massive fiscal stimulus programmes, which are largely targeted at energy and infrastructure projects. Global economic growth has accelerated to its highest level in decades. Stronger economic growth and investments in energy and infrastructure projects are also improving Cargotec's future prospects.

The near-term risks for Cargotec include the instability of the general economic situation and the sustainability of the exceptionally strong economic growth. The ongoing strong economic recovery has pushed up the prices of both materials and transportation and even caused a shortage of them. As the situation persists, elevated price levels, component shortages, problems with electricity distribution, and disruptions in the logistics chain can lead to increased inventories, reduced cash flow, delay deliveries, and cause additional costs that cannot be fully passed on to customer prices. In addition, announced stimulus programmes have translated interest rates and inflation into rises, and due to their size classes, their price and inflationary effects may be significant in the future. Strong economic growth and rising prices can lead to larger and earlier investments in companies, strengthening the economic cycle and increasing risks as the economic cycle changes or financing tightens.

Short-term risks for Cargotec also include credit losses related to customer receivables. Despite the economic situation, the number of bankruptcies decreased in many countries in 2020 due to temporary changes in bankruptcy laws. It is possible that with the end of the temporary changes in the law, the number of bankruptcies will start to increase, although the amount of realised credit losses has not yet increased significantly. The credit loss allowance related to trade receivables was EUR 18 (December 31, 2020: 19) million at the time of review.

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

MacGregor goodwill impairment testing

MacGregor's goodwill impairment testing was renewed on September 30, 2021 due to the low level of MacGregor's recoverable amount in relation to the assets being tested. The recoverable amount of the MacGregor segment was determined based on value in use, and the test showed an increase compared to the second quarter of 2021 testing. The change was mainly due to decrease in the weighted average cost of capital (WACC) used for discounting the forecasted cash flows in the value in use model. The pre-tax WACC applied in the testing was 9.2 (31 Dec 2020: 9.2) percent.

Based on the performed impairment tests, no impairment loss has been recognised. However, MacGregor's recoverable amount is still on a low level in comparison to the assets being tested, and it is sensitive to changes in WACC as well as forecasts. MacGregor segment's goodwill on the reporting date was EUR 464.5 (31 Dec 2020: 481.9) million.

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

MacGregor goodwill sensitivity analysis

		Sensitivity analysis scenarios and results		
		Scenario 1	Scenario 2	Scenario 3
	Recoverable amount in excess of book value of assets, MEUR	WACC +2 percentage points	Sales -10 percent and operating profit - 2 percentage points	Sales -10 percent, operating profit -2 percentage points and WACC +2 percentage points
30 Sep 2021	150.0	Impairment*	Impairment**	Impairment
31 Dec 2020	127.0	Impairment*	Impairment**	Impairment

*Threshold for impairment was WACC before taxes +2.0 percentage points (31 Dec 2020: WACC before taxes +1.3 percentage points).
**Threshold for impairment was estimation period sales -10 percent and operating profit -0.8 percentage points (31 Dec 2020: estimation period sales -10 percent and operating profit -0.5 percentage points).

Due to the current minor excess value of MacGregor's recoverable amount compared to the book value of assets, should the scenarios considered in the sensitivity analysis realise, the amount to be written off would be; EUR 1 (31 Dec 2020: 51) million in the first scenario, EUR 127 (168) million in the second, and EUR 233 (282) million in the third.

Goodwill impairment testing of Kalmar and Hiab

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

4. Segment information

Sales, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Kalmar	377	364	1,082	1,119	1,529
Hiab	309	254	912	799	1,094
MacGregor	137	158	412	474	642
Internal sales	0	0	-1	-1	-1
Total	**822**	**777**	**2,405**	**2,391**	**3,263**

Sales by geographical area, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
EMEA	377	396	1,182	1,180	1,608
Americas	258	223	753	739	989
Asia-Pacific	187	158	469	472	666
Total	**822**	**777**	**2,405**	**2,391**	**3,263**

Sales by geographical area, %	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
EMEA	46%	51%	49%	49%	49%
Americas	31%	29%	31%	31%	30%
Asia-Pacific	23%	20%	20%	20%	20%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Operating profit and EBITDA, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Kalmar	265.8	31.4	311.9	42.4	61.8
Hiab	37.6	25.9	110.8	72.3	97.3
MacGregor	1.0	-0.7	-7.9	-35.6	-48.2
Corporate administration and support functions	-26.2	-10.9	-67.3	-26.4	-40.7
Operating profit	**278.2**	**45.8**	**347.5**	**52.8**	**70.4**
Depreciation, amortisation and impairment	27.4	33.4	86.6	108.2	144.0
EBITDA	**305.5**	**79.2**	**434.1**	**161.0**	**214.4**

Operating profit, %	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Kalmar	70.6%	8.6%	28.8%	3.8%	4.0%
Hiab	12.2%	10.2%	12.1%	9.1%	8.9%
MacGregor	0.7%	-0.4%	-1.9%	-7.5%	-7.5%
Cargotec	**33.8%**	**5.9%**	**14.4%**	**2.2%**	**2.2%**

Items affecting comparability*, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Kalmar					
Restructuring costs	-0.4	-0.9	-1.1	-45.8	-54.3
Impacts of the purchase price allocation	-0.2	-2.5	-0.7	-7.3	-9.7
Other items affecting comparability	236.3	-	230.1	-	-0.3
Items affecting comparability, total	**235.7**	**-3.5**	**228.3**	**-53.2**	**-64.3**

Hiab					
Restructuring costs	-3.6	-5.0	-13.2	-13.0	-29.1
Impacts of the purchase price allocation	-0.6	-0.6	-1.9	-1.8	-2.4
Other items affecting comparability	0.0	-	0.0	-	-
Items affecting comparability, total	**-4.2**	**-5.6**	**-15.1**	**-14.8**	**-31.5**
MacGregor					
Restructuring costs	0.6	-5.8	-3.9	-29.1	-43.1
Impacts of the purchase price allocation	-2.8	-2.4	-8.5	-8.2	-10.9
Other items affecting comparability	0.7	3.5	-4.4	0.8	-0.7
Items affecting comparability, total	**-1.5**	**-4.6**	**-16.8**	**-36.4**	**-54.8**
Corporate administration and support functions					
Restructuring costs	-0.8	-0.9	-2.3	-3.2	-4.4
Other items affecting comparability	-15.9	-1.8	-32.6	3.5	-1.3
Items affecting comparability, total	**-16.7**	**-2.7**	**-34.9**	**0.3**	**-5.7**
Total	**213.3**	**-16.4**	**161.4**	**-104.1**	**-156.3**

Comparable operating profit*, MEUR	**Q3/21**	**Q3/20**	**Q1-Q3/21**	**Q1-Q3/20**	**2020**
Kalmar	30.0	34.9	83.6	95.5	126.1
Hiab	41.7	31.5	125.9	87.1	128.8
MacGregor	2.5	4.0	8.9	0.9	6.6
Corporate administration and support functions	-9.4	-8.2	-32.4	-26.7	-34.9
Total	**64.8**	**62.2**	**186.0**	**156.9**	**226.7**

Comparable operating profit*, %	**Q3/21**	**Q3/20**	**Q1-Q3/21**	**Q1-Q3/20**	**2020**
Kalmar	8.0%	9.6%	7.7%	8.5%	8.2%
Hiab	13.5%	12.4%	13.8%	10.9%	11.8%
MacGregor	1.8%	2.5%	2.2%	0.2%	1.0%
Cargotec	**7.9%**	**8.0%**	**7.7%**	**6.6%**	**6.9%**

Orders received, MEUR	**Q3/21**	**Q3/20**	**Q1-Q3/21**	**Q1-Q3/20**	**2020**
Kalmar	421	328	1,550	955	1,401
Hiab	396	274	1,329	793	1,210
MacGregor	168	139	499	410	511
Internal orders received	0	-1	0	-1	-1
Total	**985**	**740**	**3,377**	**2,158**	**3,121**

Orders received by geographical area, MEUR	**Q3/21**	**Q3/20**	**Q1-Q3/21**	**Q1-Q3/20**	**2020**
EMEA	405	335	1,546	1,100	1,561
Americas	340	246	1,162	621	995
Asia-Pacific	240	159	668	437	566
Total	**985**	**740**	**3,377**	**2,158**	**3,121**

Orders received by geographical area, %	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
EMEA	41%	45%	46%	51%	50%
Americas	35%	33%	34%	29%	32%
Asia-Pacific	24%	21%	20%	20%	18%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Order book, MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Kalmar	1,226	834	842
Hiab	922	386	503
MacGregor	549	532	480
Internal order book	0	-1	0
Total	**2,696**	**1,751**	**1,824**

Number of employees at the end of period	30 Sep 2021	30 Sep 2020	31 Dec 2020
Kalmar	4,813	5,542	5,526
Hiab	3,369	3,549	3,390
MacGregor	1,907	2,038	1,987
Corporate administration and support functions	779	629	649
Total	**10,868**	**11,758**	**11,552**

Average number of employees	Q1-Q3/21	Q1-Q3/20	2020
Kalmar	5,258	5,618	5,594
Hiab	3,349	3,822	3,733
MacGregor	1,933	2,172	2,128
Corporate administration and support functions	729	602	611
Total	**11,269**	**12,214**	**12,066**

*Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation. 2020 comparison figures have been restated according to the new definition. As a result, in 2020 the comparable operating profit increased by EUR 6 million in the third quarter, EUR 17 million in January-September and EUR 23 million in the financial year. Additional information regarding the changed definition is presented in the stock exchange release published on 29 March 2021.

5. Revenue from contracts with customers

Cargotec, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Equipment sales	544	495	1,532	1,526	2,092
Service sales	264	244	787	743	1,005
Software sales	13	38	86	122	166
Total sales	**822**	**777**	**2,405**	**2,391**	**3,263**
Recognised at a point in time	737	625	2,067	1,946	2,661
Recognised over time	85	152	338	444	603

Kalmar, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Equipment sales	249	220	658	679	926
Service sales	115	106	338	318	437
Software sales	16	38	89	122	166
Total sales	**380**	**364**	**1,085**	**1,119**	**1,529**
Recognised at a point in time	318	283	899	882	1,212
Recognised over time	61	81	186	237	317

Hiab, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Equipment sales	221	174	649	563	776
Service sales	87	80	262	236	318
Total sales	**309**	**254**	**912**	**799**	**1,094**
Recognised at a point in time	305	251	902	790	1,082
Recognised over time	3	3	10	9	12

MacGregor, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Equipment sales	74	100	224	284	391
Service sales	63	58	187	190	250
Total sales	**137**	**158**	**412**	**474**	**642**
Recognised at a point in time	116	91	269	275	368
Recognised over time	21	67	142	199	273

6. Share-based payments

In February 2021, Cargotec's Board of Directors resolved the performance criteria for the new performance period 2021–2023 of the share-based incentive programme started in 2020 that is directed to approximately 110 key employees, including the members of Cargotec Leadership Team. The Board of Directors resolved that the performance period's first measuring period is one calendar year. For the key employees of the business areas Kalmar, Hiab and MacGregor, the potential reward of the programme from the measuring period 2021 will be based on the business areas' comparable operating profit. For the Cargotec Corporate key employees, the performance criteria is Cargotec's comparable operating profit. The rewards to be paid on the basis of the performance period 2021–2023 will amount up to an approximate maximum total of 278,500 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees.

In addition, the Board of Directors resolved that share allocation for the restricted share programme's second period 2021–2023 will amount up to an approximate maximum total of 46,000 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees. The Board of Directors approved the restricted share programme in 2020.

In March 2021, Cargotec's Board of Directors decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to the performance period 2019–2020 of Cargotec's share-based incentive programme launched in 2017 as well as the second matching period of the matching share programme and 2019 restricted shares programme launched in 2019. In the share issue, 75,691 own class B shares held by the company were transferred without consideration to the key employees participating in the share-based incentive programmes in accordance with the programme-specific terms and conditions.

7. Comparable operating profit

MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Operating profit	**278.2**	**45.8**	**347.5**	**52.8**	**70.4**
Restructuring costs					
Employment termination costs	4.1	4.9	11.4	22.0	37.5
Impairments of owned non-current assets	-	0.1	-	14.6	15.1
Impairments of inventories	0.5	1.6	0.6	3.3	5.3
Restructuring-related disposals of businesses*	-1.7	0.5	-2.2	37.5	43.7
Other restructuring costs**	1.3	5.5	10.8	13.9	29.4
Restructuring costs, total	**4.2**	**12.6**	**20.6**	**91.1**	**131.0**
Impacts of the purchase price allocation*****	**3.6**	**5.5**	**11.1**	**17.3**	**23.0**
Other items affecting comparability					
Insurance benefits	-	-5.0	-2.1	-5.0	-5.0
Expenses related to business acquisitions or disposals****	-237.8	1.4	-225.6	4.5	6.3
Merger plan with Konecranes Plc	16.4	1.8	33.5	2.1	6.9
Other costs***	0.3	-	1.1	-6.0	-6.0
Other items affecting comparability, total	**-221.2**	**-1.8**	**-193.1**	**-4.3**	**2.3**
Comparable operating profit*****	**64.8**	**62.2**	**186.0**	**156.9**	**226.7**

*Additional information regarding disposals of businesses is presented in note 15, Acquisitions and disposals. Information on the disposal of the joint venture ownership in Rainbow-Cargotec Industries Co., Ltd (RCI) concluded during the second quarter of 2020 is presented in note 16, Joint ventures and associated companies.

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

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

****Additional information regarding disposals of businesses is presented in note 15, Acquisitions and disposals. In 2021 includes approximately EUR 230 million profit including transaction costs and other related non-recurring items related to sale of Navis, a profit of EUR 7 million from the settlement of the purchase price of TTS acquisition as well as a loss of EUR 12 million from the establishment of the CSSC MacGregor Marine Equipment (CMME) joint venture. Costs in 2020 are related to the sale of Navis and the acquisition and integration of TTS.

*****Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation. 2020 comparison figures have been restated according to the new definition. As a result, in 2020 the comparable operating profit increased by EUR 6 million in the third quarter, EUR 17 million in January–September and EUR 23 million in the financial year. Additional information regarding the changed definition is presented in the stock exchange release published on 29 March 2021.

Kalmar's 2020 restructuring costs include costs related to the sale of the joint venture Rainbow-Cargotec Industries Co., Ltd (RCI) and integration expenses of simultaneously acquired operations. MacGregor's restructuring costs in 2020 relate mainly to the integration of the marine- ja offshore businesses of TTS Group ASA acquired in the end of July 2019 and winding down certain products in MacGregor's offshore product portfolio due to offshore markets' fundamental transition from the traditional oil and gas centric business towards more renewable energy sources.

8. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Owned assets					
Intangible assets	-0.5	0.4	1.4	1.2	2.0
Land and buildings	0.6	3.3	1.3	4.1	4.2
Machinery and equipment	10.1	8.3	24.8	28.9	40.5
Right-of-use assets					
Land and buildings	2.0	11.9	13.9	20.3	26.7
Machinery and equipment	3.7	3.5	10.9	8.4	12.3
Total	**15.8**	**27.5**	**52.3**	**63.0**	**85.7**

Depreciation, amortisation and impairment, MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Owned assets					
Intangible assets	6.1	8.2	19.9	29.9	39.1
Land and buildings	1.5	1.6	4.6	11.8	13.4
Machinery and equipment	10.4	11.0	31.8	32.7	43.7
Right-of-use assets					
Land and buildings	5.9	8.9	19.9	22.9	32.8
Machinery and equipment	3.4	3.6	10.4	11.0	15.0
Total	**27.4**	**33.4**	**86.6**	**108.2**	**144.0**

9. Taxes in statement of income

MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Current year tax expense	55.1	7.4	73.9	22.4	28.8
Change in current year's deferred tax assets and liabilities	-2.3	5.8	-3.2	3.0	-2.8
Tax expense for previous years	0.3	-1.5	2.9	3.1	0.5
Total	**53.1**	**11.7**	**73.5**	**28.5**	**26.4**

10. Net working capital

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Inventories	737.7	704.2	579.7
Operative derivative assets	16.8	19.2	32.2
Accounts receivable	595.7	547.0	535.0
Other operative non-interest-bearing assets	258.1	258.4	235.2
Working capital assets	**1,608.2**	**1,528.8**	**1,382.1**
Provisions	-99.1	-105.4	-113.1
Advances received	-199.5	-242.5	-182.7
Operative derivative liabilities	-23.9	-17.3	-17.7
Accounts payable	-458.0	-332.6	-353.0
Pension obligations	-114.2	-110.8	-115.5
Other operative non-interest-bearing liabilities	-507.3	-482.6	-493.0
Working capital liabilities	**-1,402.1**	**-1,291.2**	**-1,274.9**
Net working capital in the balance sheet	**206.1**	**237.6**	**107.1**
Net working capital of assets held for sale and associated liabilities held for sale*	-	-	-3.7
Total	**206.1**	**237.6**	**103.4**

*Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 17. Assets held for sale.

Assets and liabilities that are not allocated 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.

11. Interest-bearing net debt and liquidity

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Interest-bearing liabilities	1,069.7	1,257.4	1,183.1
Lease liabilities included in interest-bearing liabilities	163.0	174.8	166.2
Loans receivable and other interest-bearing assets	-15.3	-28.1	-22.7
Cash and cash equivalents	-589.6	-378.0	-484.8
Interest-bearing net debt in balance sheet	**464.8**	**851.4**	**675.5**
Interest-bearing net debt of assets and related liabilities held for sale	-	-	6.7
Interest-bearing net debt*	**464.8**	**851.4**	**682.2**
Equity	1,520.1	1,294.2	1,301.4
Gearing	**30.6%**	**65.8%**	**52.4%**

MEUR	Q3/21	Q3/20	2020
Operating profit, last 12 months	365.1	70.8	70.4
Depreciation, amortisation and impairment, last 12 months	122.4	151.9	144.0
EBITDA, last 12 months	**487.5**	**222.7**	**214.4**
Interest-bearing net debt / EBITDA, last 12 months*	**1.0**	**3.8**	**3.2**

*Additional information on assets held for sale and liabilities directly associated with assets held for sale is disclosed in note 17. Assets held for sale.

The fair values of interest-bearing assets and liabilities are not significantly different from their carrying amounts.

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Cash and cash equivalents	589.6	378.0	484.8
Committed long-term undrawn revolving credit facilities	300.0	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-193.2	-174.5	-155.6
Liquidity of asset held for sale and liabilities directly associated with asset held for sale	-	-	-1.8
Liquidity	**696.4**	**503.5**	**627.4**

12. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 30 Sep 2021	Negative fair value 30 Sep 2021	Net fair value 30 Sep 2021	Net fair value 30 Sep 2020	Net fair value 31 Dec 2020
Non-current					
Currency forwards, cash flow hedge accounting	-	-	-	0.0	0.1
Total non-current	**-**	**-**	**-**	**0.0**	**0.1**
Current					
Currency forwards, cash flow hedge accounting	2.3	4.0	-1.7	1.0	3.4
Currency forwards, other	6.8	8.3	-1.6	3.9	-9.5
Total current	**9.1**	**12.3**	**-3.3**	**4.9**	**-6.1**
Total derivatives	**9.1**	**12.3**	**-3.3**	**4.8**	**-6.1**

Financial assets and liabilities recognised at fair value through profit and loss comprise mainly currency derivatives. The recurring measurement of these instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables. Therefore, these measurements are categorised in the fair value hierarchy as level 2 fair values.

Nominal values of derivative financial instruments

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Currency forward contracts	3,144.0	2,398.5	2,447.5
Cash flow hedge accounting	1,747.5	1,342.7	1,219.0
Other	1,396.5	1,055.8	1,228.5
Total	**3,144.0**	**2,398.5**	**2,447.5**

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

13. Commitments

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Guarantees given on behalf of associated companies and joint ventures	2.8	3.8	1.3
Guarantees given on behalf of others	-	0.4	0.4
Customer financing	14.3	19.0	18.1
Off-balance sheet leases	0.6	0.6	0.7
Other contingent liabilities	2.5	0.9	2.5
Total	**20.2**	**24.7**	**23.0**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 30 Sep 2021 was EUR 412.7 (30 Sep 2020: 431.7 and 31 Dec 2020: 398.8) million.

Certain products are sold under customer finance arrangements in which some level of risk is typically retained by Cargotec. When the level of retained risk is low and, therefore, not reflected on the balance sheet, it is reported in full as a contingent liability under commitments. No significant liabilities are expected to arise from the commitments related to customer financing.

Off-balance sheet leases include the lease commitments related to short-term leases, low-value leases, and leases that have not yet commenced. The aggregate off-balance sheet lease expenses totalled EUR 1.3 (1–9/2020: 1.4 and 1–12/2020: 1.8) million.

Certain legal claims and disputes based on various grounds are pending against Cargotec around the world. Management believes that the outcome of these disputes will not have a material effect on Cargotec's financial position.

14. Related party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties include also the members of the Board of Directors, the CEO and other members of the Leadership Team, their close family members and entities controlled directly or indirectly by them. In addition, major shareholders with more than 20 percent ownership of shares or of the total voting rights in the company, are included in related parties.

Transactions with associated companies and joint ventures

MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Sale of products and services					
Associated companies	-	0.1	-	0.6	0.6
Joint ventures	0.2	0.5	0.7	4.1	5.8
Total	**0.2**	**0.6**	**0.7**	**4.8**	**6.5**
Purchase of products and services					
Associated companies	-	0.0	-	8.1	8.1
Joint ventures	1.0	1.0	3.2	34.6	35.8
Total	**1.0**	**1.0**	**3.2**	**42.7**	**43.9**

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

Balances with associated companies and joint ventures

MEUR	30 Sep 2021	30 Sep 2020	31 Dec 2020
Loans receivable			
Associated companies	13.3	26.2	20.3
Total	**13.3**	**26.2**	**20.3**
Accounts receivable			
Associated companies	0.1	0.0	0.1
Joint ventures	0.8	1.2	2.0
Total	**0.9**	**1.3**	**2.0**
Accounts payable			
Joint ventures	1.4	1.6	1.0
Total	**1.4**	**1.6**	**1.0**

Dividends received from associated companies and joint ventures

MEUR	Q3/21	Q3/20	Q1-Q3/21	Q1-Q3/20	2020
Dividends received					
Joint ventures	1.5	0.1	1.5	0.1	0.1
Total	**1.5**	**0.1**	**1.5**	**0.1**	**0.1**

Acquisitions and disposals with related parties are presented in note 15, Acquisitions and disposals.

Management remuneration

In addition to fees paid for Board membership, two members of the Board of Directors received a separate compensation of EUR 150,000 for their consultancy work regarding the proposed merger of Cargotec and Konecranes.

Cargotec did not have other material business transactions with its related parties than those presented above.

15. Acquisitions and disposals

Acquisitions in 2021

In September, Hiab acquired the share capital of Galfab LLC in the United States at a purchase price of EUR 2.4 million. Galfab is specialised in designing and manufacturing waste equipment including roll-off hoists and containers, compactors and balers for the waste industry in the US. The acquisition expands Hiab's product portfolio of demountables and Galfab's distribution network as part of Hiab's nationwide US sales and service network. As a result of the acquisition, approximately 100 employees transferred to Hiab.

Consolidation of the acquired business and measurement of intangible assets and goodwill recognised in the acquisition are provisional as of reporting date as the related valuations are ongoing. Fair value measurement of the acquired assets and liabilities is preliminary and subject to adjustments until the valuation is finalised. According to the preliminary assessment, the acquisition will generate intangible assets, and goodwill which will be tax-deductible.

In April, Hiab acquired Damen Hydrauliek Best B.V., Damen Hydrauliek Venray B.V. and Damen Hydrauliek Elsloo B.V. companies' sales and service businesses in the Netherlands at a purchase price of EUR 2.0 million. Half of the purchase price was paid on closing and the remainder is expected to be paid within the next 12 months. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. Based on the preliminary determination of fair values, EUR 0.75 million of intangible assets based on customer relationships have been identified, and EUR 0.6 million of goodwill that is not tax deductible. As a result of the acquisition, 30 employees transferred to Hiab.

In January, Hiab acquired the sales and service business of FNS - Fahrzeugbau und Nutzfahrzeugservice GmbH in Germany at a purchase price of EUR 2.8 million. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. In the preliminary fair value determination, intangible assets based on customer relationships have been identified in the amount of approximately EUR 1 million and the acquisition is estimated to generate goodwill of approximately EUR 2 million, which is not tax deductible. As a result of the acquisition, 15 employees transferred to Hiab.

Acquired net assets and goodwill related to Galfab, Damen and FNS acquisitions, MEUR	
Intangible assets	6.2
Property, plant and equipment	1.6
Inventories	9.4
Accounts receivable and other non-interest-bearing receivables	6.0
Accounts payable and other non-interest-bearing liabilities	-5.6
Interest-bearing liabilities	-18.3
Deferred tax liabilities	-1.4
Net assets	**-2.1**
Purchase price, payable in cash	7.2
Total consideration	**7.2**
Goodwill	**9.3**
Purchase price, paid in cash	6.2
Cash flow impact	**6.2**

Changes related to previous acquisitions in 2021

Further to the completion of the acquisition of the marine and offshore businesses of TTS Group ASA (now Nekkar ASA) in July 2019, MacGregor concluded in January 2021 a settlement agreement with Nekkar after challenging the calculation of the purchase price. In accordance with the settlement agreement, Nekkar made a total payment of NOK 94.0 million (EUR 9.1 million) to MacGregor as the final settlement of the disputed purchase price. The received payment included a deduction of NOK 8.0 million (EUR 0.8 million) that was previously withheld by MacGregor related to the fulfillment of Nekkar's tax obligations in China following the completion of the acquisition. The settlement amount had an approximately EUR 7 million positive impact on MacGregor’s first quarter 2021 operating profit.

Disposals in 2021

On July 1, 2021, Cargotec sold its Navis business to Accel-KKR, a Silicon Valley-based leading technology-focused investment firm for an enterprise value of EUR 380 million. The presented sales profit is preliminary and taking into account transaction costs and other related non-recurring items, the transaction is estimated to have a positive impact of approximately EUR 230 million on Cargotec's operating profit in 2021. The final purchase price will be determined based on customary working capital and debt-like adjustments at closing. The gain will be reported as an item affecting comparability and it does not impact Cargotec’s outlook for 2021.

The transaction follows the release issued in March 2021, in which the signing of the sale was announced, and the release issued in February 2020, in which Cargotec announced that it is evaluating strategic options for the future development of Navis. In December 2020, Cargotec announced that the Board had decided to begin the actual sale process of the Navis software business. Navis software solutions for terminal operators, carriers, and ship owners are used to optimise global container flows, and the main product of Navis, the N4 terminal operating system, is used by 340 customers in more than 80 countries. Navis recorded sales of EUR 49 million from the first six months of 2021 and EUR 107 million in 2020. As a result of the transaction, Cargotec's personnel reduced by approximately 700 persons.

The table below summarises the assets and liabilities derecognised from Cargotec's balance sheet in connection with the sale, and the preliminary sales profit.

Navis, sales profit calculation, MEUR	
Goodwill	-80.4
Intangible assets	-66.8
Property, plant and equipment	-7.0
Inventory	-0.5
Accounts receivable and other non-interest-bearing receivables	-38.7
Loans receivable and other interest-bearing assets	-1.4
Cash and cash equivalents	-15.7
Deferred tax assets	-1.7
Accounts payable and other non-interest-bearing liabilities	64.3
Interest-bearing liabilities	7.0
Deferred tax liabilities	12.2
Net assets	**-128.7**
Sales price, receivable in cash	374.3
Total consideration	**374.3**

Translation differences	**-3.8**
Sales profit	**241.8**
Sales price, received in cash	323.5
Sales price, receivable in cash	-15.7
Cash flow impact	**307.8**

In July, Hiab sold its South African subsidiary Hiab SA Proprietary Limited for EUR 1.1 million. The sale did not have a significant impact on the reported figures.

Acquisitions in 2020

On 26th of May Cargotec sold its 49% joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Simultaneously, certain operations and assets were acquired from the disposed joint venture, and approximately 160 RCI employees transferred from RCI to Kalmar. Via restructuring, Cargotec aims to simplify its operations related to global supply chains. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. The acquisition price paid on closing was EUR 3.9 million and an additional EUR 0.7 million will fall due within the next two years. The final balance sheet value of the acquired assets and deferred tax asset is EUR 1.5 million and the difference is recorded as goodwill, which is not tax deductible. Additional information about the sold ownership in RCI is disclosed in note 16, Joint ventures and associated companies.

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

Navis, part of Kalmar until 1 July 2021, acquired on 20 March 2020 the business assets of Biarri Rail based in Australia at a consideration of EUR 8.2 million in a transaction that was accounted for as a business combination. The purchase consideration includes a deferred payment of EUR 0.6 million that falls due in 18 months from the acquisition. The main asset acquired, Biarri Rail software, for planning and scheduling freight railroads. The acquired business supported Navis in expanding to inland terminals. The acquired business was consolidated into Kalmar segment's result from 1 April 2020. Consolidation of the acquired business and measurement of assets and liabilities is presented as final on reporting date. Intangible assets related to technologies were identified in determining the fair values, and the acquisition generated goodwill that is not tax-deductible.

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

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

16. Joint ventures and associated companies

Changes in joint ventures and associated companies in 2021

In January 2021, MacGregor established a joint venture in China with CSSC Nanjing Luzhou Machine Co., Ltd (LMC). The joint venture will further enhance MacGregor's cooperation with the China State Shipping Company (CSSC), the world's largest shipbuilding group by strengthening customer access, local presence, and competitiveness in China. The new CSSC MacGregor Marine Equipment (CMME) joint venture is providing electro-hydraulic merchant cargo cranes, merchant winches, and steering gear to the Chinese shipbuilding market. The relevant technologies and brands are licensed to the joint venture, and manufacturing of the products is outsourced.

MacGregor is committed to contributing EUR 3.3 million of capital to the joint venture of which EUR 1.9 million has been contributed and the remaining amount is expected to be contributed during the first quarter of 2022. MacGregor recognized a loss of EUR 12.7 million on establishment mainly due to the customer relationships and goodwill related to the transferred business derecognized from the balance sheet and allocated as the cost of the transaction.

In 2021, the parties to the Sinotruk Hiab (Shandong) Equipment Co., Ltd. joint venture have decided to close down the company. The value of guarantees issued by Cargotec on behalf of Sinotruk on September 30, 2021 amounted to EUR 4.0 (December 31, 2020: 3.8) million, of which EUR 1.2 (December 31, 2020: 2.5) million has been recognized as a liability at the time of reporting.

Changes in joint ventures and associated companies in 2020

In May 2020 Cargotec sold its 49 % joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Cargotec recognized a loss of EUR 35.6 million as a restructuring cost on disposal of the joint venture by derecognizing the joint venture ownership and recognizing a non-interest-bearing receivable of EUR 6.5 million as a consideration that is due after two years from the closing date. The gross value of the receivable is EUR 11.9 million and its carrying value on balance sheet includes an adjustment for both interest and expected credit loss. Certain functions and assets were acquired from the company sold in connection with the transaction, and approximately 160 RCI employees were transferred to Kalmar. Additional information about the acquired assets is presented in note 15, Acquisitions and disposals. Via restructuring, Cargotec aims to simplify its operations related to global supply chains.

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

In April 2020, Hiab performed an impairment assessment for its holding in the Sinotruk Hiab (Shandong) Equipment Co., Ltd. joint venture. Due to the company's business outlook and financial situation, the joint venture ownership was fully written down, resulting in a loss of EUR 4.0 million.

17. Assets held for sale

On July 1, 2021, Cargotec sold its Navis business to Accel-KKR, a Silicon Valley-based leading technology-focused investment firm for an enterprise value of EUR 380 million. Additional information about the sale is disclosed in note 15, Acquisitions and disposals.

Navis was presented from December 31, 2020 on as a disposal group classified as held for sale, according to which the balance sheet items related to Navis are presented in the consolidated balance sheet on a separate line as a disposal group, but in the income statement, Navis is not separated. The table below provides additional information on the held-for-sale assets and related liabilities.

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

ASSETS, MEUR	Note	30 Sep 2021	31 Dec 2020
Non-current assets			
Goodwill**		-	73.6
Other intangible assets		-	65.2
Property, plant and equipment		-	7.6
Loans receivable and other interest-bearing assets*	11	-	0.4
Deferred tax assets		-	2.1
Other non-interest-bearing assets		-	0.7
Total non-current assets		**-**	**149.7**
Current assets			
Inventories		-	-
Loans receivable and other interest-bearing assets*	11	-	0.2
Income tax receivables		-	0.7
Accounts receivable and other non-interest-bearing assets		-	34.7
Cash and cash equivalents*	11	-	0.4
Total current assets		**-**	**36.0**
Assets held for sale		**-**	**185.7**

LIABILITIES, MEUR		30 Sep 2021	31 Dec 2020
Non-current liabilities			
Interest-bearing liabilities*	11	-	5.5
Deferred tax liabilities		-	18.9
Pension obligations		-	1.2
Other non-interest-bearing liabilities		-	3.5
Total non-current liabilities		**-**	**29.1**
Current liabilities			
Current portion of interest-bearing liabilities*	11	-	2.2
Advances received		-	23.8
Accounts payable and other non-interest-bearing liabilities		-	15.4
Total current liabilities		**-**	**41.4**
Liabilities directly associated with the assets held for sale		**-**	**70.5**

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

18. Merger plan to combine Cargotec and Konecranes

On 1 October 2020, Cargotec Corporation and Konecranes Plc announced their combination agreement and a merger plan to combine the two companies through a merger. Extraordinary general meetings of Cargotec and Konecranes held on 18 December 2020 approved the merger. Various competition authorities in the EU, UK, and US, among others, are currently reviewing the proposed transaction. In July, the European Commission and the UK Competition and Markets Authority opened a phase II review in connection with the planned transaction. Cargotec and Konecranes expect the Phase II review to continue during H2/2021.

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

Cargotec and Konecranes are confident that the remaining approvals are received to allow completion of the transaction by the end of H1/2022. Until completion, both companies will operate fully separately and independently. More information about the merger is available from the web address www.sustainablematerialflow.com.

Cargotec and Konecranes update the total cost estimate in connection with the merger to be approximately EUR 100 million. The estimate presented in the half year financial reports on 28 July 2021 was approximately EUR 70 million. The costs consist mostly of expenses related to financial reporting, legal matters and advisory services (excluding the estimated transaction costs of the refinancing and integration planning). A considerable part of the total costs and the cost estimate increase are related to the processes for applying for the necessary merger control approvals for the merger. The cost estimate will be refined as the competition authority processes progress.

The proposed merger will create a global leader in sustainable material flows with a number of valuable customer-centric brands and complementary offerings in industry, factories, ports, terminals, road transport and sea freight handling.

Upon completion, the combination will be carried out as an absorption-type merger in which Konecranes shareholders receive as a merger consideration 2.0834 new Cargotec class B shares and 0.3611 new Cargotec class A shares for each Konecranes share held upon completion of the merger and after the share split described below. To enable the consideration of the merger, Cargotec will carry out a free share issue (share splitting) in which each Cargotec shareholder will be issued free of charge new Cargotec shares in proportion to their holdings. For each existing Cargotec A class share, two new Cargotec class A shares will be issued and for each Cargotec class B share, two new Cargotec class B shares will be issued. As a result of the transaction, the shareholders of Cargotec and Konecranes will each own about half of the new company.

In accordance with IFRS, the merger will be accounted for as a business combination in which Cargotec is the acquirer into which Konecranes will merge. The assets and liabilities of Konecranes on the merger date will be measured at fair value in the purchase price allocation and consolidated into Cargotec from then on.

The value of the acquisition depends on the market price of Cargotec's class A and B shares at the time of the merger. At the reporting date, 30 September 2021, the value of the shares to be paid to Konecranes shareholders in the merger based on the market price of Cargotec's class B share and the outstanding shares of Konecranes amounted to approximately EUR 2,838.6 million.

Key exchange rates for euro

Closing rates	**30 Sep 2021**	**30 Sep 2020**	**31 Dec 2020**
SEK	10.168	10.571	10.034
USD	1.158	1.171	1.227

Average rates	**Q1-Q3/21**	**Q1-Q3/20**	**2020**
SEK	10.144	10.565	10,479
USD	1.197	1.129	1,145

Key figures

		Q1-Q3/21	**Q1-Q3/20**	**2020**
Equity / share	EUR	23.53	20.04	20.14
Equity to asset ratio	%	39.1%	35.3%	35.3%
Interest-bearing net debt	MEUR	464.8	851.4	682.2
Interest-bearing net debt / EBITDA, last 12 months		1.0	3.8	3.2
Gearing	%	30.6%	65.8%	52.4%
Return on equity (ROE), last 12 months	%	18.6%	0.1%	0.6%
Return on capital employed (ROCE), last 12 months	%	14.3%	2.8%	2.8%

Additional information regarding interest-bearing net debt and gearing is disclosed in note 11, Interest-bearing net debt and liquidity.

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.

Calculation of key figures

IFRS key figures

$$\text{Earnings per share (EUR)} = \frac{\text{Net income attributable to the equity holders of the parent}}{\text{Average number of outstanding shares during financial year}}$$

$$\text{Diluted earnings per share (EUR)} = \frac{\text{Net income attributable to the equity holders of the parent}}{\text{Average number of diluted outstanding shares during financial year}}$$

Alternative performance measures

According to the ESMA Guidelines on Alternative Performance Measures, an Alternative Performance Measure (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. In addition to IFRS key figures, Cargotec uses the following alternative performance measures:

Key figure		Definition	Reason for use	Reconciliation
Operating profit (MEUR and % of sales)	=	Sales - cost of goods sold + other operating income - selling and marketing expenses - research and development expenses - administration expenses - restructuring costs - other operating expenses + share of associated companies' and joint ventures' net income	Operating profit is used to measure business profitability. It describes the profitability of the business before taking into account financial items and taxes.	Statement of income
Comparable operating profit (MEUR and % of sales)	=	Operating profit excluding items significantly affecting comparability	Comparable operating profit is used to monitor and forecast profit development and set related targets. It is calculated by excluding items significantly affecting comparability from operating profit, which makes it easier to compare the profitability of the business at different time periods.	Note 7, Comparable operating profit

Items significantly affecting comparability (MEUR)		Items significantly affecting comparability include, in addition to restructuring costs, mainly impacts of the purchase price allocation, capital gains and losses, gains and losses related to acquisitions and disposals, acquisition and integration costs including costs related to contemplated merger with Konecranes Plc, impairments and reversals of impairments of assets, insurance benefits, and expenses related to legal proceedings.	Factor used to calculate Comparable operating profit.	Note 7, Comparable operating profit
Cash flow from operations before financing items and taxes	=	Net income for the financial year + depreciation, amortisation and impairment + financing items + taxes + other adjustments + changes in net working capital	Represents cash flow from operations after income from sales less operating expenses. Measures the company's ability to meet its financial commitments, including interest payments, taxes, investments, and equity and debt payments. Used to monitor and forecast business performance.	Statement of cash flows
Interest-bearing net debt/EBITDA, last 12 months	=	Interest-bearing net debt / EBITDA, last 12 months	Used to measure corporate capital structure and financial capacity.	Note 11, Interest-bearing net debt and liquidity
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 11, Interest-bearing net debt and liquidity
EBITDA (MEUR), last 12 months	=	Operating profit + depreciation, amortisation and impairment, last 12 months	Factor used to calculate Interest-bearing net debt / EBITDA.	Note 11, Interest-bearing net debt and liquidity

Net working capital (MEUR)	=	Inventories + operative derivative assets + accounts receivable + other operative non-interest-bearing assets - provisions - advances received - operative derivative liabilities - accounts payable - pension obligations - other operative non-interest-bearing liabilities	Net working capital is used to follow the amount of capital needed for the business to operate. It does not include financing items, taxes nor non-current assets. Used also as a factor to calculate Operative capital employed.	Note 10, Net working capital
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 8, Capital expenditure, depreciation and amortisation
Return on equity (ROE) (%), last 12 months	= 100 x	Net income for the financial year, last 12 months / Total equity (average for the last 12 months)	Represents the rate of return that shareholders receive on their investments.	Net income for financial year: Income statement; Total equity: Balance sheet
Return on capital employed (ROCE) (%), last 12 months	= 100 x	Income before taxes + financing expenses, last 12 months / Total assets - non-interest-bearing debt (average for the last 12 months)	Represents relative profitability or the rate of return that has been received on capital employed requiring interest or other return.	Income before taxes and financing expenses: Income statement; Total assets and non-interest-bearing debt: Balance sheet
Non-interest-bearing debt	=	Total assets - total equity - non-current interest-bearing liabilities - current portion of interest-bearing liabilities - current other interest-bearing liabilities	Used as a factor to calculate Return on capital employed (ROCE).	Balance sheet

Equity to asset ratio	= 100 x	Total equity / Total assets - advances received	Used to measure solvency and describe the share of the company's assets financed by equity.	Balance sheet
Gearing (%)	= 100 x	Interest-bearing net debt / Total equity	Represents the company's indebtedness by measuring the amount of interest-bearing debt in proportion to equity capital. Some of Cargotec's loan agreements include a covenant restricting the corporate capital structure, measured by gearing.	Note 11, Interest-bearing net debt and liquidity

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.

Quarterly key figures

Cargotec		**Q3/21**	**Q2/21**	**Q1/21**	**Q4/20**	**Q3/20**
Orders received	MEUR	985	1,276	1,115	963	740
Service orders received	MEUR	271	284	299	265	229
Order book	MEUR	2,696	2,606	2,217	1,824	1,751
Sales	MEUR	822	853	730	873	777
Service sales	MEUR	264	268	254	262	244
Software sales	MEUR	13	37	36	44	38
Service and software sales, % of sales	%	34%	36%	40%	35%	36%
Operating profit	MEUR	278.2	44.8	24.5	17.6	45.8
Operating profit	%	33.8%	5.2%	3.4%	2.0%	5.9%
Comparable operating profit*	MEUR	64.8	69.6	51.6	69.8	62.2
Comparable operating profit*	%	7.9%	8.2%	7.1%	8.0%	8.0%
Earnings per share	EUR	3.40	0.40	0.15	0.10	0.41

Kalmar		**Q3/21**	**Q2/21**	**Q1/21**	**Q4/20**	**Q3/20**
Orders received	MEUR	421	600	529	445	328
Order book	MEUR	1,226	1,258	1,051	842	834
Sales	MEUR	377	382	324	411	364
Service sales	MEUR	115	111	112	119	106
Software sales	MEUR	13	37	36	45	38
Comparable operating profit*	MEUR	30.0	33.4	20.2	30.6	34.9
Comparable operating profit*	%	8.0%	8.8%	6.2%	7.5%	9.6%

Hiab		**Q3/21**	**Q2/21**	**Q1/21**	**Q4/20**	**Q3/20**
Orders received	MEUR	396	508	425	417	274
Order book	MEUR	922	831	642	503	386
Sales	MEUR	309	316	287	295	254
Service sales	MEUR	87	90	85	83	80
Comparable operating profit*	MEUR	41.7	45.4	38.8	41.7	31.5
Comparable operating profit*	%	13.5%	14.4%	13.5%	14.1%	12.4%

MacGregor		**Q3/21**	**Q2/21**	**Q1/21**	**Q4/20**	**Q3/20**
Orders received	MEUR	168	169	161	100	139
Order book	MEUR	549	517	524	480	532
Sales	MEUR	137	156	119	168	158
Service sales	MEUR	63	67	57	61	58
Comparable operating profit*	MEUR	2.5	3.1	3.3	5.7	4.0
Comparable operating profit*	%	1.8%	2.0%	2.8%	3.4%	2.5%

*Cargotec changed the definition of the alternative performance measure comparable operating profit starting from 1 January 2021 to align it with the definition used in the merger prospectus. In addition to the items significantly affecting comparability, the restated comparable operating profit will also exclude the impacts of the purchase price allocation. 2020 comparison figures have been restated according to the new definition. As a result, in 2020 the comparable operating profit increased by EUR 6 million in the third quarter, EUR 17 million in January-September and EUR 23 million in the financial year. Additional information regarding the changed definition is presented in the stock exchange release published on 29 March 2021.