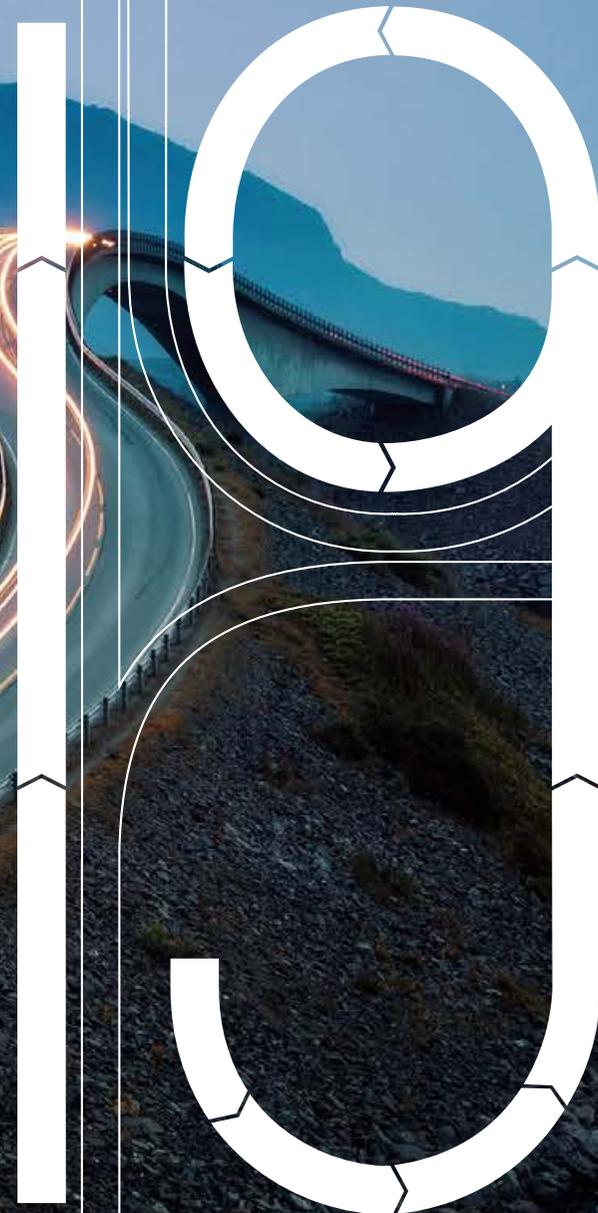




ANNUAL REVIEW 2019

SMARTER CARGO FLOW
FOR A BETTER EVERYDAY



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CARGOTEC

SMARTER CARGO FLOW FOR A BETTER EVERYDAY

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

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





YEAR 2019

Our comparable operating profit was good, our service business developed well, and our order book is strong. Our strategy proceeded as planned. MacGregor's situation continued to be challenging.

CARGOTEC IN BRIEF

Sales, MEUR
3,683

Comparable operating profit, MEUR
264.4

Services and software, % of sales
33%

Total personnel
12,587



AMERICAS (AMER)

Share of sales
34%

Share of personnel
13%

Assembly/
R&D Brazil
 United States

EUROPE, MIDDLE EAST AND AFRICA (EMEA)

Share of sales
48%

Share of personnel
68%

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

ASIA-PACIFIC (APAC)

Share of sales
18%

Share of personnel
19%

Assembly/
R&D China
 India
 Malaysia
 South Korea
 Singapore

Countries with assembly/R&D activity are highlighted on the map

BUSINESS AREAS IN BRIEF

KALMAR

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

Share of total sales: 47%

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

Number of personnel: 5,625

CABIN SIDE

HIAB

Hiab is the global market leader in on-road load handling solutions with customers operating in the land transport and delivery industries.

Share of total sales: 37%

Services, share of Hiab's sales: 25%

Number of personnel: 4,028

MACGREGOR

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

Share of total sales: 16%

Services, share of MacGregor's sales: 42%

Number of personnel: 2,350



CEO'S REVIEW

DEAR READER,

We made good progress in many areas in 2019. Our service business developed well. With an 8 percent overall growth in services sales, each business area increasing their services sales, and our software sales going up by 15 percent year-on-year, we are well on track towards reaching our targets.

Customer interest towards port automation is growing. Customer confidence in the benefits of port automation has increased and instead of trying to decide whether to automate container ports at all, they are now considering how to automate them. We received a substantial number of automation orders in 2019 and have 10 automation delivery projects ongoing. This had a positive effect on our software sales also.

Our comparable operating profit was good, with Kalmar's profit increasing by 13 percent and Hiab's by 27 percent. I would also like to note the determined work both Hiab and Kalmar have put into solving their supply chain challenges that stemmed from 2018. This paid off positively with improvements in supply chain operations towards the end of the year and had a positive effect on the performance of both business areas.

On the other hand, MacGregor's challenging situation continues. Cost overruns in certain offshore projects, low capacity utilisation, and lower sales margins led to a negative result in MacGregor. Sluggishness in the MacGregor market has now continued for about six years and has not yet shown any clear signs of recovery. Our streamlining actions in MacGregor will continue in 2020.

On a positive MacGregor note, we completed the TTS acquisition at the end of July. The transaction will ultimately make MacGregor stronger

and support its ambition to restore its profitability in the future. The scale benefits of the acquisition and synergies thereof create an opportunity to further improve MacGregor's productivity and global presence.

Good progress in strategy execution

Our strategy proceeded as planned in 2019, and we worked hard on our four strategic must-win battles – customer centricity, services, digitalisation and productivity¹.

I already mentioned the good progress in services and software. On the digitalisation front, we introduced several new digital services, solutions and applications during the year. MacGregor's OnWatch Scout (a digitally-enabled predictive maintenance service), Kalmar One (the first open automation system for container terminals), and Hiab's new waste collection crane are just some examples of those.

Our productivity programmes have already provided us with centralised global support services as well as various productivity initiatives across the company, and this work continues in 2020. In customer centricity we made good progress in transforming our processes and mindset to meet the requirements for a more customer centric company.

With regards to growing faster than the market and providing an increasing dividend, we have delivered on our targets. Our business areas have #1 or #2 positions in their respective markets, and our dividend has continued to increase for five consecutive years. Our earnings per share in 2019 was burdened by high restructuring costs but our cash flow improved significantly from the previous year. This enables a dividend increase also for 2019².

We still have work to do in achieving some of our financial targets. While our ROCE has improved from 5.0 percent (2013) to 7.3 percent in 2019, it is still behind our set target of 15 percent. In addition, our gearing is presently above our 50 percent target, having been negatively affected by the application of the IFRS 16 accounting standard in

2019. As for our plans to reach a 10 percent operating profit target, we are progressing according to our plans in most areas: good growth in services and software, increasing demand for port automation and good profitability development in Hiab and Kalmar support us in reaching this target. In MacGregor we unfortunately have headwind due to the difficult market situation.

We enable sustainable performance for our customers

In 2019, discussion and concerns about climate change rose in importance, and our industry was no exception. In a stakeholder survey that we conducted in 2019, results showed that our customers want – even expect – us to provide eco-efficient and low-carbon solutions that help them mitigate climate change in their own operations.

We have for years worked consistently to reduce our own environmental footprint and, even more importantly, developed solutions that allow our customers operate in a more sustainable fashion. In 2017, we launched our Offering for eco-efficiency portfolio which consists of solutions that enhance our customers' sustainability with cleaner technologies, software solutions or services supporting circular economy. We have regularly added solutions to the portfolio, and in 2019, it constituted 21 percent of our total sales. This shows that sustainability is not only good for the environment, it is also good for business.

Looking ahead

The market sentiment in 2019 was somewhat uncertain. Things that caused concern within the industry include items like the US-China trading dispute, Brexit, and the economic and regulatory uncertainty that impacted the maritime industry and MacGregor customers in particular.

Some challenges from 2019 may carry over to 2020. However, I feel we are well prepared for this year. Our strong order book and the expected benefits of the TTS integration, for example, give us solid tools to realise our promises in 2020.



The TTS acquisition was completed in July.

In our market outlook for 2020 we expect our comparable operating profit for 2020 to improve from 2019 (EUR 264 million). We need to be prepared and agile during the year to deliver on that estimate. We must prepare scenarios for any changes that the market may put before us during the year. We face this task with confidence and proceed with determination into 2020.

I want to thank our shareholders and customers for their confidence and trust in our operations, and our employees for their hard work and dedication.

Mika Vehviläinen
CEO, CARGOTEC

¹ Have a look at this report's strategy section to learn more about our strategic targets for 2019 and our achievements and ambitions for each of the must-win battles.

² Board of Directors' proposal to the Annual General Meeting.

Navis acquired Octopi, a cloud-based terminal operating system. Later in the year, it acquired the assets of the mixed cargo terminal TOS provider Jade Logistics.

To support its further growth, **Kalmar** was reorganised into three strategic business units: Kalmar Mobile Solutions, Kalmar Automation Solutions and Navis. Cargotec's financial reporting continues to be based on the Kalmar, Hiab and MacGregor business areas.

In a record-breaking agreement, **Hiab** provides MOFFETT truck mounted forklifts with ProCare Essential service contracts and HiConnect™ for each unit to one of the largest home improvement chains in the USA.

MacGregor designed the cargo system for the world's largest containership, MSC Gülsün. The design was developed in close collaboration with MSC to maximise cargo intake, provide a high degree of operational flexibility and reduce emissions per carried cargo unit.

Kalmar signed a service contract with Metsä Fibre, Finland, covering the Kalmar fleet at a pulp mill in Northern Finland. The performance-based agreement includes the provision of equipment, operators, operations management and maintenance services.

HIGHLIGHTS OF THE YEAR

TOWARDS INTELLIGENT AND SUSTAINABLE CARGO HANDLING SOLUTIONS

Q1

Q2

Q3

Q4

The **Hiab** MULTILIFT test area in Raisio, Finland, opened for testing skiploaders and hooklifts on trucks. The area allows examining equipment in difficult conditions and terrain.

Cargotec's new social intranet was launched to strengthen open dialogue, collaboration and knowledge sharing. The modern digital platform drives leadership, employee engagement and interaction.

MacGregor started functional testing of the OnWatch Scout digitally-enabled service, focused on optimising critical equipment availability, with pilot customers in Europe and Asia.

MacGregor completed the acquisition of the marine and offshore businesses of the TTS Group. Together, MacGregor and TTS are stronger and more impactful in supporting their customers and the maritime industry.

Kalmar was awarded the first prize in the Port Equipment Manufacturers Association Innovation Awards for the Kalmar Electric Terminal tractor and Kalmar FastCharge™ charging solutions.

Cargotec Business Services (**CBS**) set up a hub in the US and announced a plan to establish another hub for the APAC region in Singapore. CBS provides company-wide support with Finance, HR and Indirect Procurement services, covering 17 countries in Europe and the US.



GOOD DEVELOPMENT IN MANY AREAS

Kalmar and Hiab had an excellent year, while MacGregor was loss-making. The service business developed well, and our order book is strong. Cash flow increased significantly.

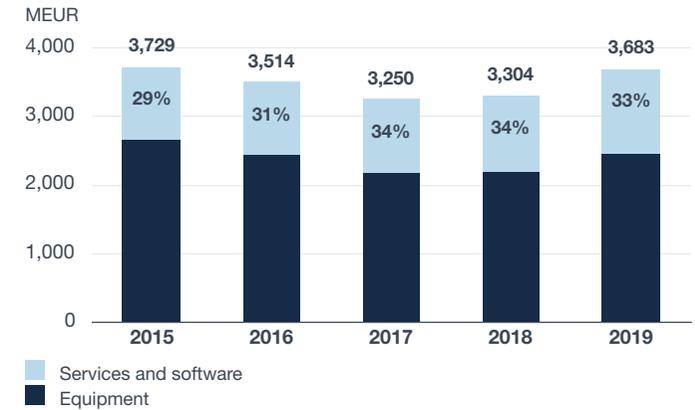
The comparable operating profit for 2019 increased by nine percent from the comparison period to EUR 264.4 million, representing 7.2 percent of sales. Sales increased by 11 percent to EUR 3,683 million. Cash flow increased to EUR 361.1 million. Our orders received declined slightly while our order book increased by five percent to EUR 2,089 million.

Service sales increased by 8 percent to EUR 1,062 million, and software sales by 15 percent to EUR 168 million. Service and software sales represented 33 percent of our sales.

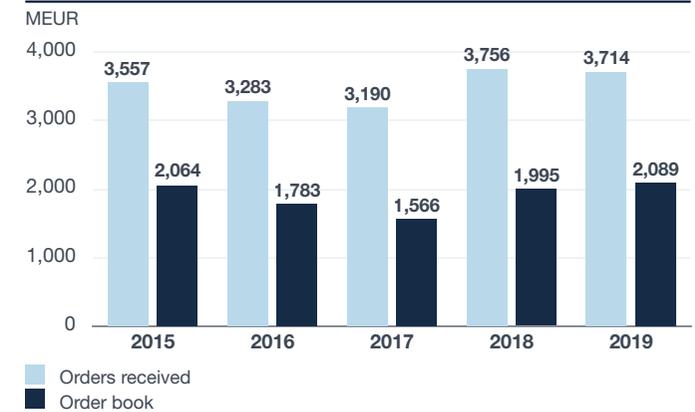
COMPARABLE OPERATING PROFIT



SALES



ORDERS RECEIVED AND ORDER BOOK



Dividend increase proposed

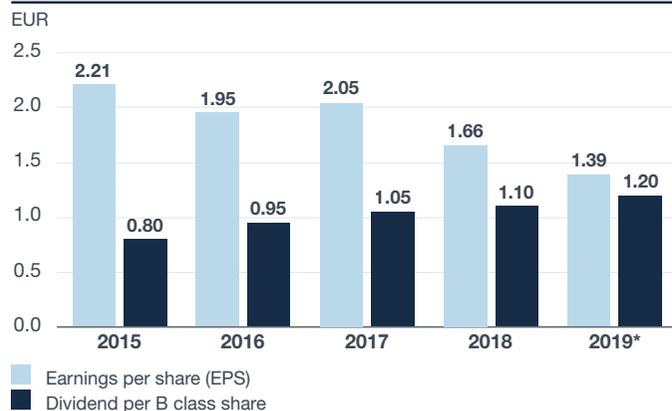
Cargotec's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.19 per class A share and EUR 1.20 per outstanding class B share be paid. This would make 2019 the sixth consecutive year when our dividend increases compared to the previous year. One of our financial targets is to offer our shareholders an increasing dividend.

IIFR increased from 2018

Following the inclusion of sites acquired during 2018, the Industrial Injury Frequency Rate (IIFR) for the assembly sites increased in 2019 to 7.0 (2018: 6.7). The slight increase stems from occupational health and safety risks, which are higher at these locations and impacted the result. Our plans to improve the IIFR on these locations are already in place. Our target for the year 2020 in assembly sites is IIFR 5.0.

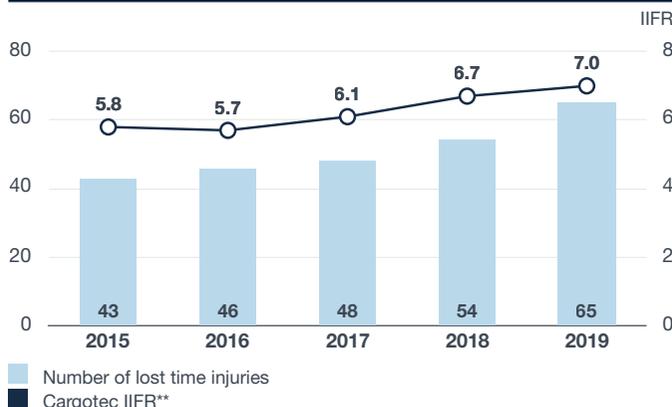
Offering for eco-efficiency portfolio consists of solutions aiming to provide tangible environmental benefits to our customers, such as low carbon solutions to mitigate climate change. Sales of the offering accounted for 21 percent of total sales in 2019 (2018: 21%).

EARNINGS PER SHARE (EPS) AND DIVIDEND



* Board's proposal for dividend

INDUSTRIAL INJURY FREQUENCY RATE*



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

DIVIDEND/EPS, CLASS B SHARE



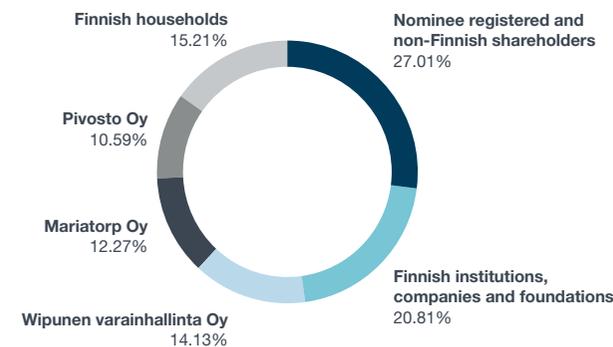
* Board's proposal for dividend

OFFERING FOR ECO-EFFICIENCY



* The 2016 share of sales is a company estimate and the figure has not been audited

BREAKDOWN BY SHAREHOLDER CATEGORY ON 31 DECEMBER 2019



Based on ownership records of the Euroclear Finland Ltd.



STRATEGY

Our strategy aims to secure our profitable growth by focusing on four must-win battles: customer centricity, services, digitalisation and productivity.

MEGATRENDS DRIVE GROWTH

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



Increasing concern for the environment

Customer need:

The scientific community and public opinion accept climate change as a fact, creating demand to reduce the environmental impact of world trade. Legislation, our customers and their customers require ships, ports, terminals and surrounding cities to be quieter, safer, more energy-efficient and low in emissions.

Our answer:

Our eco-efficient portfolio includes digitalisation and automation solutions, electric and hybrid offerings that reduce the environmental impact of our customers' operations. The demand for eco-efficient products and solutions is estimated to grow in the future, creating growth opportunities for us.

An example: Electric versions of Kalmar's empty container handlers, terminal tractors, forklift trucks, etc.

Population growth

Customer need:

The world's population today is 7.7 billion and it is estimated to reach 10 billion by 2056 (UN estimate). The increasing global population drives the consumption of goods and materials. This fuels global trade which in turn increases the demand for cargo transportation.

Our answer:

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

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

Urbanisation

Customer need:

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

Our answer:

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

An example: Electric MOFFETT truck mounted forklifts.



GDP per capita growth / World trade growth

Customer need:

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

Our answer:

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

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

Energy demand

Customer need:

Global energy demand is estimated to grow by 1–2 percent per year during the next few decades. The growing energy demand creates a need to further explore, produce and transport energy from various sources. Global energy mixes are also changing, with increasing focus on renewable energy and energy conservation.

Our answer:

Our reliable products and efficient solutions are required to support the production and transportation of energy, both in traditional fossil fuels and renewable energy. We provide advanced solutions to help customers reduce inefficiencies and environmental impact.

An example: MacGregor’s offshore solutions.

Digitalisation

Customer need:

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

Our answer:

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

An example: Hiab’s HiVision™ crane operating system and the HiConnect platform.

Purpose

SMARTER CARGO FLOW FOR A BETTER EVERYDAY

#SMARTERBETTERTOGETHER

Vision

GLOBAL LEADER IN INTELLIGENT CARGO HANDLING

Must-win battles

WIN THROUGH CUSTOMER CENTRICITY

We help our customers achieve their goals by aligning our offering and way of working to serve them better

ACCELERATE DIGITALISATION

We build and expand our digital solutions to offer a great customer experience and more efficient business processes

ADVANCE IN SERVICES

We extend our offering towards intelligent solutions that enable us to serve our customers wide across their lifecycle

PRODUCTIVITY FOR GROWTH

We focus on activities that add value and benefit our customers and us by developing our business operations and common platforms

Our way of working

LEAD WITH PURPOSE

EMPOWER FOR PERFORMANCE

COLLABORATE TO WIN

REFINED STRATEGY IN EXECUTION

With a refined strategy for the period 2019–2021, we continue to work towards our vision of becoming the global leader in intelligent cargo handling. The refined strategy aims to secure our profitable growth by focusing on four must-win battles: customer centricity, services, digitalisation and productivity.

We strive to be the leader in intelligent cargo handling. Cargo traffic and load handling are among the vital services that sustain our global society. Every day, millions of items, from raw materials to consumer products, are transported across the globe. Cargotec is strategically present across the global cargo handling network – across land, ports and at sea. This unique position allows us truly influence and shape the industry for the better. With the help of digitalisation, data and intelligence, we strive to lead the industry in intelligent cargo handling, to make global trade smarter, better and more sustainable.

Cargotec exists to bring our business areas together for a common purpose – enabling smarter cargo flow for a better everyday. Through providing strategic direction, common business platforms, leadership development, facilitating best practices and so on, we build a business that is better than the sum of its parts, supporting our business areas to create lasting value for society, the environment, our customers, our employees and our shareholders.

Our three business areas are in a strong position to capitalise on their established brands, long-term customer relationships, excellent equipment reputation and global service network. By combining our equipment, service, and software into intelligent offerings, we support our customers to efficiently and sustainably perform their businesses. For us, this creates significant opportunities for profitable growth.



KALMAR

Kalmar aims to become a service-driven solutions provider who guarantees availability and performance for its customers. As a market leader, Kalmar is able to shape the future of its industry. It drives the transformation of cargo and material handling through openness and collaboration as well as with innovative, digitally enabled and eco-efficient solutions.



HIAB

Hiab is committed to strengthening its market position by focusing on customer centricity. Its goal is to be the number one partner and load handling solutions provider in all of its prioritised markets and segments. Hiab continues to focus on services, innovation and taking advantage of the digital opportunities for improving its customers' efficiency and helping them manage the increased complexity of load handling.



MACGREGOR

MacGregor aims to be recognised as the leader in intelligent maritime cargo and load handling by becoming the preferred provider of lowest total cost solutions for shipbuilders, and the preferred partner for ship owners and operators by providing the highest lifecycle value.

TARGETS AND OUTCOMES

Cargotec's refined strategy for 2019–2021 aims to secure profitable growth by focusing on four must-win battles: customer centricity, productivity, services and digitalisation.

Must-win battles 2019–2021

2019 targets

2019 outcomes

2020 targets

Win through customer centricity

We help our customers achieve their goals by aligning our offering and way of working to serve them better.

Enhance customer insight capabilities. Develop and drive adoption of customer relationship management and field service tools. Engage teams and leaders in customer centricity and collaboration.

CRM and analytics deployed with improvements and driving utilisation. Field services tools under deployment and closer to completion. Customer centricity councils established among sales management to promote customer-focused collaboration. Cross business area councils to share best practices.

Upkeep high levels of customer delivery. Improvements in CRM and customer data quality. Enhance mechanism to listen and respond to customer needs. Various strategic marketing initiatives based on business area needs, e.g. strategic account management activities, customer journey mapping, segmentation and differentiated offerings.

Productivity for growth

We focus on activities that add value and benefit our customers and us by developing our business operations and common platforms.

Review operating models and practices to empower frontline to act for customers and to increase internal efficiency. Continue implementation of in-house shared services operations for administrative activities. Improve internal and external business processes by utilising digital solutions.

Cargotec development office established to prioritise and drive business cases in internal initiatives. Operating models improved for efficiency and performance. Lean community of practice established to enhance capabilities in Lean. Shared service implementation on track with 1/2 of planned countries completed, covering ~3/4 of our business (sales).

Continue improvement of operating models and practices for internal efficiency. Execute supply chain development projects in Hiab and Kalmar. Continue consolidation and implementation of shared services operations. Improve internal and external business processes by utilising digital solutions.

Advance in services

We extend our offering towards intelligent solutions that enable us to serve our customers wide across their lifecycles.

Continue to drive service sales. Enhance service offerings, earnings models and internal service processes by utilising digitalisation and connectivity. Improve service excellence and operations.

Service sales grew by 8 percent. New offerings added to portfolio. Service agreements continue to grow in our sales mix. New service units established in countries with high installed base. New performance based earnings models introduced in some business areas. Field service tools under deployment.

Continue service sales growth. Improve service profitability by improving pricing practices and effective sourcing. Streamline low performing operations. Continue deployment and adoption of field service tools.

Accelerate digitalisation

We build and expand our digital solutions to offer a great customer experience and more efficient business processes.

Expand digital customer offering to complement equipment and service business. Accelerate development of new data-driven business models. Utilise digital solutions to optimise internal and external processes. Drive connectivity in all new equipment.

Wider customer adoption of existing services, such as Hiab HiConnect and Kalmar Insight. New offerings like MacGregor OnWatch Scout launched. Connected equipment exceeded its target by 10 percent. Cargotec digital solutions hub established to speed up software and product development. Customer and internal process digitalisations continued.

Continue adoption of new digital services. Enhance service and maintenance with data and digital solutions. Continue developing new data-driven business models. Invest in data analytics. Improve and automate internal and customer processes with data, automation and machine learning.

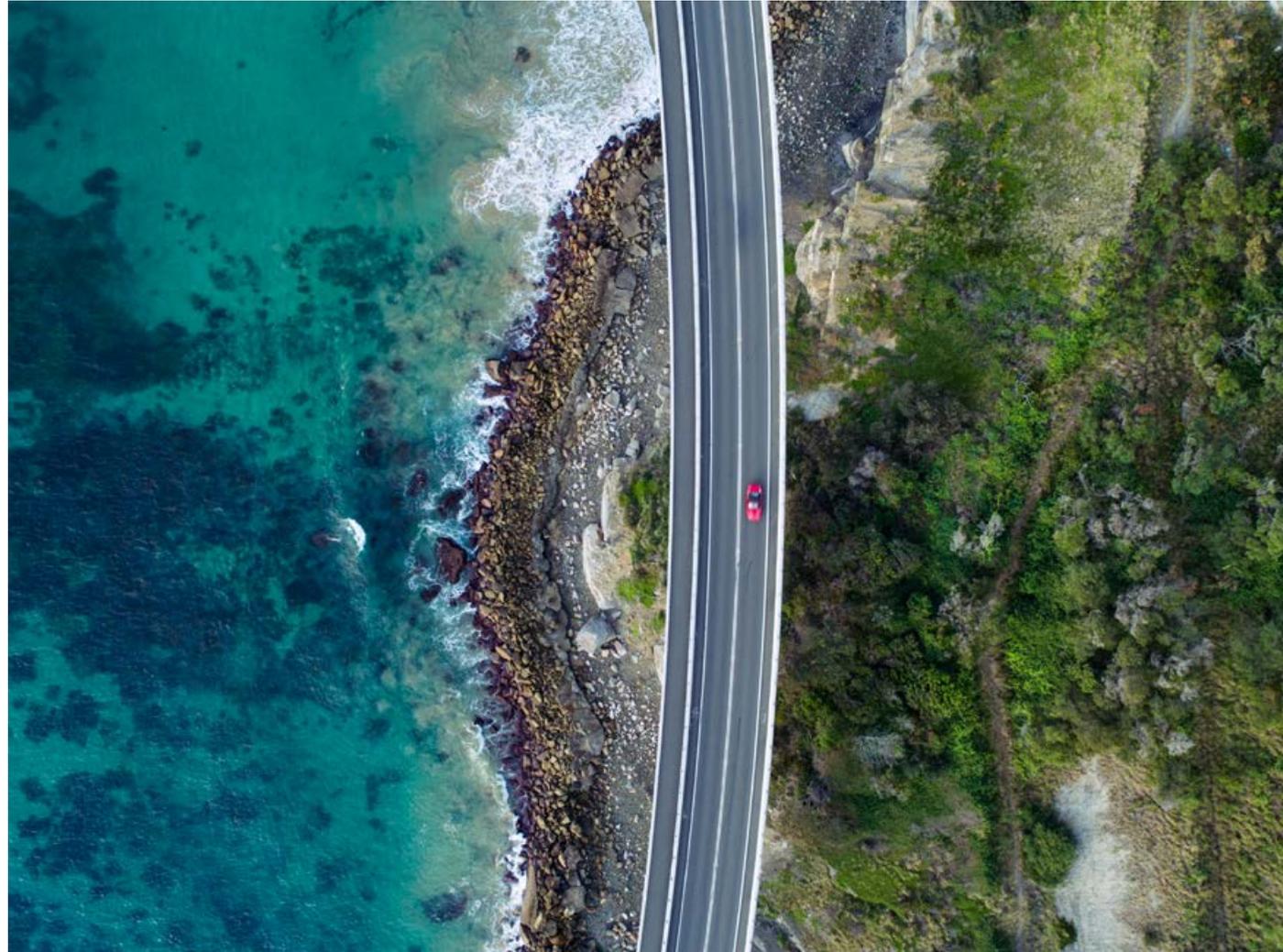
Financial targets

- Grow faster than the market
- Operating profit margin 10 percent in 3–5 years*
- Service and software sales 40 percent of net sales, minimum EUR 1.5 billion in 3–5 years*
- Increasing dividend in the range of 30–50 percent of earnings per share (EPS), dividend to be paid twice a year
- 15 percent return on capital employed (ROCE) in 3–5 years*
- Gearing below 50 percent

* Targets announced in September 2017

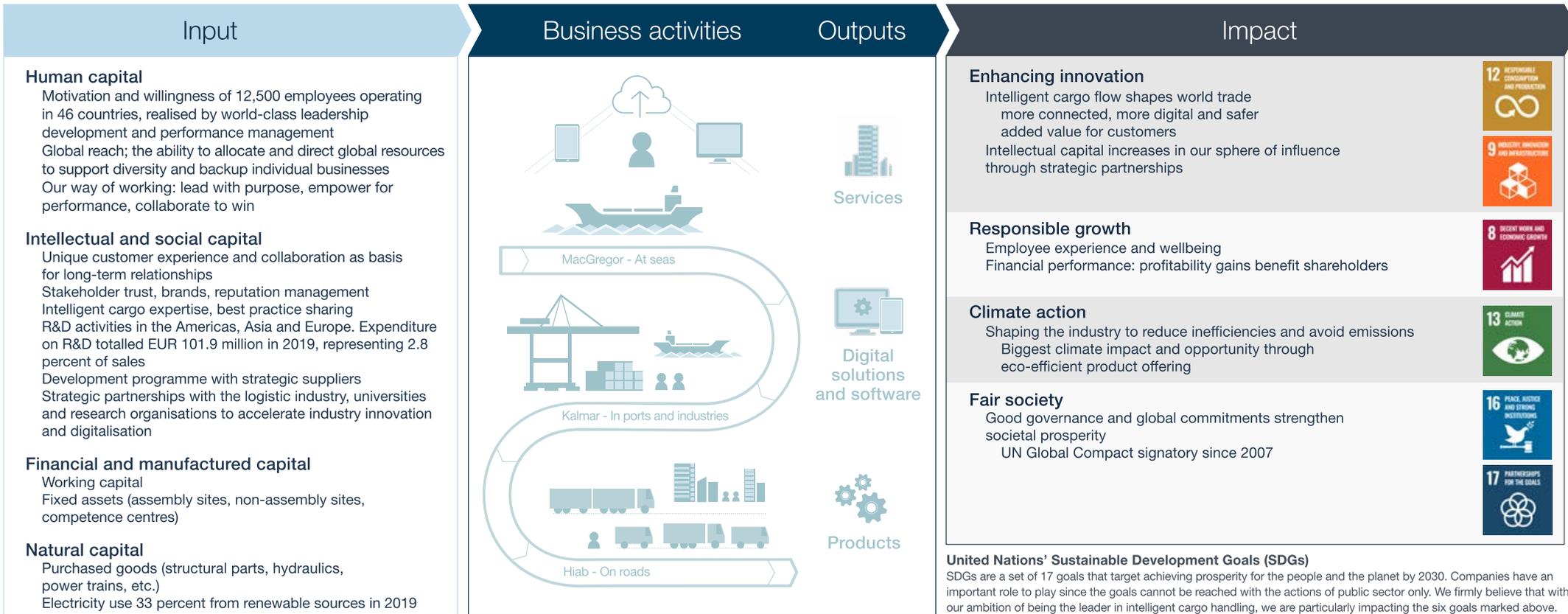
Sustainability targets 2020 (2021)

- Define an action programme for managing climate-related risks and opportunities
- Audit 50 percent of suppliers that failed the 2019 sustainability risk assessment
- IIFR 5.0 in assembly
- 40 percent of electricity in own operations will be renewable (50 percent by 2021)
- Process for global chemical risk management defined and implemented (2021)
- Offering for eco-efficiency product group to achieve double sales growth compared to traditional products (2021)



VALUE CREATION

<p>Vision LEADER IN INTELLIGENT CARGO HANDLING</p>	<p>Purpose SMARTER CARGO FLOW FOR A BETTER EVERYDAY</p>
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SUSTAINABILITY

Addressing climate change through eco-efficient, low-carbon solutions is of key importance to our customers. Our offering for eco-efficiency portfolio provides tangible environmental benefits to customers.



SUSTAINABILITY AS A BUSINESS DRIVER

Cargotec is connected to industries that produce the majority of world GDP (Gross Domestic Product). These industries also produce most of the global greenhouse gas emissions. Trade-related freight is estimated to cause more than 7 percent of global CO₂ emissions (OECD/ITF 2015). Cargotec's products and services offer great opportunities for climate change mitigation and decarbonisation. For example, developing more efficient products running with electricity instead of fossil fuels contributes to a more sustainable logistics industry and gives a competitive advantage to Cargotec.

Digitalisation plays a key role in decreasing emissions in the maritime and transportation industries. It will also be a major enabler for a wider societal change towards a more circular economy. In the future, data sharing, common platforms and collaboration will act as key drivers in achieving these targets and connecting industries. Cargotec's offering for eco-efficiency portfolio provides tangible environmental benefits for customers.

Cargotec signed the UN Global Compact in 2007. The Global Compact is a call for companies to align their strategy and operations with ten principles on human rights, labour, environment and anti-corruption. The UN Global Compact is advancing the business contribution on Sustainable Development Goals (SDGs). SDGs are a set of 17 goals that target achieving prosperity for the people and the planet by 2030. Companies have an important role to play since the goals cannot be reached with the actions of the public sector alone. We firmly believe that with our ambition



Material topics

Environment



Climate solutions

- Low-carbon solutions for customers
- Extended product life cycles
- Air quality
- Environmental impacts in the supply chain

Impacts from own operations

- Greenhouse gas emissions, waste, effluents and spills in Cargotec's own operations

Social



Safety and wellbeing

- Employee health, safety and wellbeing
- Safety of products and services
- Supplier and subcontractor safety

Working conditions and human rights

- Employee engagement and satisfaction
- Diversity and equal treatment of employees
- Fair wages
- Freedom of association and collective bargaining
- Human rights risks in the supply chain

Governance



Compliance

- Compliance with legal and ethical standards

Communication

- Open communication internally and externally

Sustainability management

- Leadership commitment to sustainability
- Systematic sustainability management

of being the leader in intelligent cargo handling, we are in a position to advance especially the six goals marked on the previous page.

We conducted a materiality assessment in autumn 2019 to update our sustainability focus areas with feedback from the key stakeholder groups. The results of the assessment prove that climate solutions and safety remain high on the agenda. The key material topics are summarised above according to the Environment, Social and Governance (ESG) themes.

The responses of all the stakeholder groups indicated that addressing climate change through eco-efficient, low-carbon solutions for customers is of key importance. This reflects the fact that through Cargotec's product offering we make the greatest contribution towards mitigating climate change. The logistics industry has a big carbon footprint which can be abated by delivering innovative and efficient solutions to our customers.

Employee and product safety were also highlighted throughout the entire value chain. Cargotec has focused on the safety of its own operations and products and has set clear targets for the safety performance. There has been good development and we continue to focus on safety improvement programmes and actions across the organisation.

We consider good governance and practices, including efficient risk management processes, the foundation for conducting business. We promote transparent communication and uphold open dialogue with key stakeholders. The Board of Directors is committed to sustainable

business practices. As an example, they discussed the climate-related matters during a Climate Day that was held in March 2019.

Highlights and targets of our sustainability work in 2019

The Industrial Injury Frequency Rate (IIFR) for Cargotec assembly sites was 7.0 in 2019. We were able to bring the rate down at many of our assembly sites, with about 24 percent of them achieving IIFR zero levels. Kalmar assembly sites have performed exceptionally well, achieving an IIFR of 3.8. All in all, the assembly unit IIFR has increased,

“CLIMATE SOLUTIONS AND SAFETY REMAIN THE KEY SUSTAINABILITY FOCUS AREAS”

after four new sites that account for a significant amount of lost time injuries, were added to the evaluation. The occupational health and safety risks are higher at these locations than at others. Improvement plans have already been put in place and we expect to see results during the upcoming months. The non-assembly sites' IIFR has improved to 6.8. We continue our efforts to further improve health and safety in all our operations.

We have initiated an action programme for managing climate-related risks and opportunities, and have planned to define it during 2020. To reduce the climate impact of our own operations, we have committed to increase the share of renewable energy in our operations. At the end of 2019, 33 percent of our electricity use was renewable. All our sites in Finland and Sweden, as well as three sites in Italy, one site in the US and one in the Netherlands, are powered by certified renewable electricity. Our target for 2020 is to increase the share of renewable electricity to 40 percent and further to 50 percent by the end of 2021.

Mitigating climate change with low carbon solutions for customers is a great opportunity for us. Our eco-efficiency portfolio consists of products that enhance our customers' sustainability with cleaner technologies, intelligent solutions and services promoting circular economy. The offering consists of equipment, software and services that meet at least one of the four portfolio criteria. The criteria is built around four themes: systems efficiency, efficiency for environmental industries, emission efficiency, and resource efficiency. All new solutions need to pass an external review process prior to inclusion in the portfolio. During the year 2019, two new products were added to the portfolio. Sales of the offering amounted to 21 percent of total sales in 2019 (2018: 21%). Read more at cargotec.com.

One of our targets for this year was to launch the global chemical risk management project. Kalmar and Hiab have initiated a current state analysis at the non-assembly sites (i.e. service sites and frontline units), which are considered higher risk sites. MacGregor had to postpone the launch due to organisational changes throughout the QEHS organisation. We will continue our work in this area during the next year based on the results of assessments across the organisation.

Sustainability targets 2019	Performance
• IIFR 5.0 in assembly	• IIFR was 7.0 in assembly
• 40 percent of electricity in own operations will be renewable	• 33 percent electricity was renewable
• Global chemical risk management project launched	• Launched in Kalmar and Hiab
• Re-audit 50 percent of suppliers that failed the 2018 sustainability self-assessment questionnaire	• 82 percent of suppliers were audited
• Renewed human rights risk assessment implemented in M&A cases	• Risk assessment renewed

Sustainability targets 2020 (2021)

- Define an action programme for managing climate-related risks and opportunities
- Audit 50 percent of suppliers that failed the 2019 sustainability risk assessment
- IIFR 5.0 in assembly
- 40 percent of electricity in own operations will be renewable (50 percent by 2021)
- Process for global chemical risk management defined and implemented (2021)
- Offering for eco-efficiency product group to achieve double sales growth compared to traditional products (2021)



A worry-free working environment for everyone

Safety begins with a mindset allowing everyone to feel safe. The safety programmes of each business area focus heavily on prevention with multiple proactive safety management tools in use. What is common to all is the use of the safety pyramid. Keeping our eyes open for any unsafe conditions or actions contributes to a more safe working environment for all. Safety is definitely a team effort.

Safety pyramid 2019



“THIS YEAR 5 OUT OF 21 ASSEMBLY SITES HAD NO LOST TIME INJURIES”

In our sourcing functions, we continued upgrading our supplier sustainability management programme. 93 percent of our strategic suppliers have been invited to adopt the sustainability self-assessment tool, which focuses on screening human rights and other sustainability risks in our supply chain. In addition, we proceeded with our supplier code of conduct process, which aims to mitigate any risks for breaching international human rights. Suppliers within the process now cover 89 percent of our direct sourcing spend.

During the year, we carried out an analysis of the most important operational aspects related to human rights risks and measures to mitigate those risks. We identified the main risks related to human rights violations in our supply chain and in activities concerning mergers and acquisitions (M&A). In terms of M&A-related human rights risks, we conducted a review and updated the process of screening possible risks in each M&A case to be more straightforward.

During the period we maintained a satisfactory level of sustainability reporting at all Cargotec sites. This is the second consecutive year we have the whole organisation included in the consolidated figures, and we have seen good overall progress in the timeliness and quality of the reporting. We continued to develop safety campaigns and building the safety culture throughout the company, focusing our efforts on improving the overall performance. Widening the reporting scope to include consolidated data for the recent acquisitions had a clear impact, especially on the health and safety figures reported. More information about these can be found in the separate Global Reporting Initiative (GRI) index on our website: cargotec.com.

Sustainability governance

Sustainability is on the agenda of the Cargotec Board of Directors, and the Board reviews sustainability at least on an annual basis. During the period, the Board also reviewed sustainability megatrends as well as related business and corporate responsibility actions. Cargotec Leadership Team conducts bi-annual sustainability reviews and approves corporate level sustainability targets. Cargotec’s Senior Vice President, Communications is responsible for sustainability issues within the Leadership Team and reports to the CEO.

To ensure that targets match business area operations, the management teams of Kalmar, Hiab and MacGregor hold a sustainability review at least bi-annually for their respective business areas, reviewing and approving possible adjustment needs of the corporate level sustainability targets.

Operationally, sustainability is managed both at the corporate and business area level on a monthly basis. The key responsible organisations are units working with strategy, quality, R&D, sourcing, QEHS (quality, environment, health and safety), corporate audit, HR and legal.

The corporate level sustainability targets are proposed, reported on and monitored by Cargotec’s Corporate Sustainability function, and each business area has its own function responsible for coordinating its sustainability work.

The business areas and the Corporate Sustainability function jointly implement and monitor the sustainability targets in both shared and separate processes. In general, the results and anomalies are reported to the Cargotec Leadership Team. In addition, certain sustainability perspectives, when relevant, are presented separately as part of other projects. Sustainability issues are always addressed separately as and when needed.

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

Policies, management approach and grievance mechanisms

The main goals and principles of our sustainability work are defined by Cargotec’s Code of Conduct and other related policies. The Code of Conduct defines our way of working. It describes the basic principles of ethical integrity together with our Anti-Corruption Policy, which

categorically prohibits transgression of any kind in our actions. The Cargotec Code of Conduct can be reviewed at www.cargotec.com.

Our social responsibility principles are defined in more detail in our Employment Policy and in other related HR policies. The implementation of HR policies is monitored primarily through our human resource information system ZONE, which has been in use globally since January 2015. ZONE offers good visibility of our workforce, enabling us to assess the implementation rate of certain HR policies and processes. To ensure that our social responsibility principles are understood everywhere at Cargotec, the Code of Conduct review is also included in Cargotec's Performance and Development Plan discussions.

Cargotec's EHS (environment, health and safety) policy determines our principles regarding environmental and safety management. The EHS policy is included in our integrated management systems, including processes described in the EHS and Quality management standards ISO 9001, ISO 14001 and ISO 45001 (OHSAS18001). The coverage of externally certificated systems at Cargotec's assembly sites based on sales volume are as follows: ISO 9001: 93 percent, ISO 14001: 88 percent and ISO 45001 (OHSAS18001): 85 percent. The EHS matters are also integrated into the R&D processes in each business area to ensure that the environmental, health and safety aspects are taken into account in product development at a reasonable level within each individual product type.

Cargotec's supply chain management consists of Cargotec Sourcing Council, which includes Cargotec's CEO, business area presidents and sourcing heads. In its annual meetings, the council reviews sourcing development including sustainability. All three business areas have supply management teams that report directly to the business area in order to better support the needs of the business. Teams collaborate closely in, for example, supplier development and sustainability areas to gain synergies across the entire corporation.

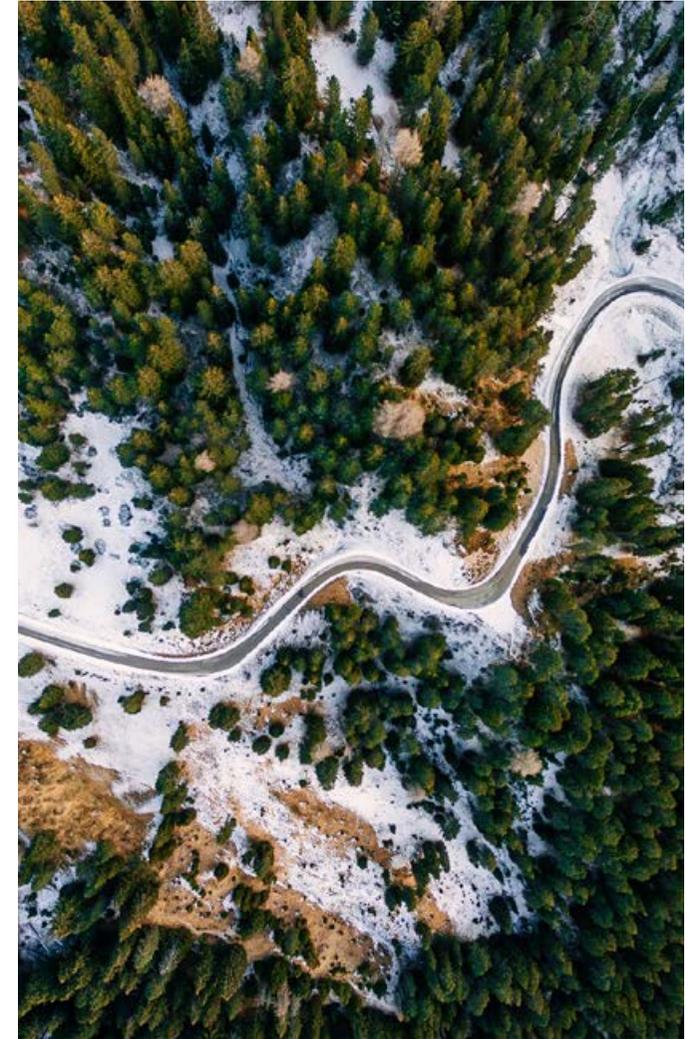
The supplier criteria applied on both the corporate and business area level aim to ensure that our suppliers conduct their business in compliance with international human rights and environmental laws.

In the supplier assessment checklist, 20 percent of the questions are related to issues regarding the environment, labor, ethics and compliance, or health and safety. All new suppliers are audited against this supplier criteria prior to acceptance. Additionally, new suppliers receive the sustainability self-assessment tool.

Cargotec's economic responsibility principles are prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

Code of Conduct concerns and potential misconduct are reported to the Ethics and Compliance team either directly or through the Speak-Up line. The Speak-Up line is operated by an external provider and managed by the Ethics and Compliance function.

During 2019, 40 cases of potential misconduct were reported to the Ethics and Compliance team (2018: 55). All reported cases were referred to the monthly Code of Conduct Panel of the Cargotec Leadership Team, which is chaired by the CEO. The Code of Conduct Panel decides upon case closure, remediation and disciplinary action. During the year, 54 cases were closed and improvement actions were initiated. Some cases resulted in disciplinary actions such as warnings, personnel dismissals and termination of third party relationships. Nine cases reported during 2019 concerned HR issues, two cases related to health and safety issues, nine reported cases related to possible conflict of interest, one case related to privacy matters and 19 cases were related to unethical business conduct such as fraud, corruption or policy violations. There were no case reports related to suspected human rights violations, nor were there reports about environmental grievances. The Code of Conduct cases were reported to the Board of Directors' Audit and Risk Management Committee on a quarterly basis, and the Chief Compliance Officer provided an annual update to the full Board of Directors. As part of the investigation process, the Ethics and Compliance team agrees with relevant business area management team members on remedial actions, such as improved controls, training or disciplinary actions. The final decision on disciplinary actions is made by the Code of Conduct Panel.





PERSONNEL

Our success as an organisation depends greatly on the performance of our employees. As a company we can only thrive when we engage our people and offer them opportunities to enhance their expertise.



EMPOWERING OUR PEOPLE THROUGH LEARNING AND COLLABORATION

We recognise that our success as an organisation depends greatly on the performance of our employees. We can only truly thrive as a company by engaging our people and offering opportunities for them to enhance their expertise. As for our leaders, they work at the interface between individual teams, team members, and the rest of the organisation. Skilled and inspiring leaders are therefore essential to enable our people to turn our strategy into reality.

Persistent leadership development work bears fruit

Over the past few years, we have invested significantly into cultivating skilled and inspiring leaders while methodically gathering data that enables them to enhance their performance. To sustain our work to build world-class leadership, our group-wide leadership development programmes LEAD and GROW were launched in 2016 and 2017, and they will continue in 2020. So far over 2,000 leaders have participated in these programmes.

Our drive to train ourselves as well as make use of our leaders' skills and experience in training other leaders is a great source of pride within our organisation. We have been striving determinedly to develop our leaders, and our leadership and employee engagement survey results prove that this effort is fruitful. All the indices measuring our leaders' effectiveness continue to rise.

Another method we have employed to tap into the rich wealth of expertise within the organisation is mentorship. Cargotec comprises different businesses and cultures, and mentorship enables us to grow closer together by supporting collaboration and knowledge sharing. Mentoring programmes throughout Cargotec will continue.

To help guarantee that we have the right leaders as well as people with the right capabilities in place to allow us to effectively implement our strategy, we adopted a more sustainable model for succession planning in 2019. The planning work aims to make the talent process more effective and raise our preparedness, should the need to find an appropriate successor for a critical position arise. In 2019, we also started cooperating with an external partner to make the talent acquisition process more transparent and systematic, while simultaneously introducing substantial cost savings.

Capability renewal

As we continued on the path of fulfilling our strategy in 2019, we focused greater attention towards renewing our capabilities as well as planning and transforming our workforce. In reaching these aims, one vital task is to foster an environment and practices that promote learning and collaboration.

LEARN is Cargotec's new e-learning experience platform. The purpose of the platform is to support our competence and skills base, while creating a firm foundation for Cargotec as a knowledge company at the head of the industry. Our employees have shown strong drive and willingness to continuously develop their talent, and as a result LEARN has been well received.

Launched in October 2019, LEARN expands on tools and practices already existing in the organisation. It also facilitates the task of offering mandatory and elective training modules of various types throughout the year. Employees have already begun to use the platform to share content and exchange insights. In 2020, we will promote the platform further and gather feedback to guide us in its development.

In March 2019, we launched Connect, our new social intranet to boost employee experience and strengthen cross-organisational collaboration. The modern digital platform enables easy access to relevant information whenever and wherever needed. Our goal is to build a culture of inclusion, openness, interaction, knowledge sharing and dialogue across the company and within teams, projects and communities. Employee interaction builds a foundation for executing our strategy.

Connect enables strong leadership and employee engagement to pursue Cargotec's goals. Employees have been eager to adopt the new collaboration and communication channel, and in 2020 we will continue to engage and activate our leaders and personnel further.

Agile performance management nurtures a feedback-rich culture

To transform strategy into reality, strategic targets must be connected to the individual performance plans and goals set for employees. To accomplish this, performance management processes have been among the focus areas in developing our HR work in recent years. The Performance and Development Plan (PDP) serves as the basis for managing the performance of each employee at Cargotec, making it an essential process for both managers and employees. Line managers set and review appropriate business targets for the year with each team member, taking care to link individual tasks and targets to the company strategy. The PDP concept is now systematically and fully implemented in all Cargotec entities globally.

In order to encourage teams to maintain constant dialogue on their performance, roles, and work climate, information systems for continuous performance management were rolled out in 2019. These systems allow annual targets to be divided into shorter-term targets, and for progress towards them to be discussed in a flexible manner. This advancement towards an agile model promotes a feedback-rich culture where team members can easily seek from and offer input to their colleagues. Furthermore, with financial planning increasingly carried out on a continuous basis, managing performance in an agile way allows for greater responsiveness towards business areas' current circumstances.

Motivating high performance with rewards

At Cargotec, our incentive programmes reinforce our high-performing culture and pay-for-performance philosophy. In 2019, we focused efforts on cascading financial targets and ensuring that all senior business roles have clear and correct information on their responsibilities in relation to their business area goals. The business area -specific targets cascade down to the divisions of the different business areas, with the management teams' as well as mid-level managers' division-specific financial targets contributing towards attaining their respective goals.

To ensure a close and well-functioning link between financial performance and bonus pay-outs, the weight of financial targets for senior business managers was increased during the year, with incentives attached to the attainment of those figures. Approximately 7,300 of our employees were covered by our incentive programmes in 2019.

“OUR INCENTIVE PROGRAMMES REINFORCE
OUR HIGH-PERFORMING CULTURE AND
PAY-FOR-PERFORMANCE PHILOSOPHY”



CBS harmonises global processes and safeguards equal treatment of employees

At the end of the year, Cargotec Business Services (CBS) organisation served 57 percent of our total headcount, as compared to 25 percent at the end of 2018. At this volume, the opportunity to introduce productivity and efficiency improvements and effectively optimise our ways of working is within reach. Once implementation is complete, CBS will truly become a strategic enabler for the organisation, instituting a unified way of delivering all business support services. CBS HR Services are expected to serve 75 percent of the personnel by the end of Q2 2020 and, according to the current roadmap, CBS would cover all significant operating countries by the end of 2020.

In tandem with the increasing implementation of the CBS organisation, the importance and functionality of ZONE as Cargotec’s master data system has also grown. ZONE facilitates the synchronisation of our HR policies, processes, and tools across business areas and operating countries by gathering all personnel data into a single interface. It serves as the main platform for planning and analysing people-related activities, such as performance management processes, development needs, external and internal recruitment as well as salaries and incentives. In this way, ZONE also helps to ensure fair and equal treatment of our employees globally.

When it was launched in 2017, CBS focused primarily on providing operational services; however, its input in and coverage of strategic processes have increased. Not only have operational HR activities been transferred to CBS, but ownership of strategic process implementation and people analytics as well. One example is the Compass survey, which is managed by CBS.

“COMMUNITIES DISTRIBUTE LEARNINGS THROUGHOUT THE ORGANISATION”



Communities contribute to Cargotec’s strategic ambitions.

Communities of Practice connect and engage employees

Open to all employees at Cargotec, Communities of Practice are made up of people who share a passion for something they do and interact regularly to learn to do it better. Some communities refer to themselves as Tribes. About 800 members currently belong to ten active communities, and more are being started.

Communities of Practice meet primarily online, for instance, in virtual meetings and workshops, and by using the community channels of Connect, Cargotec’s new social intranet. They also organise activities to create a shared body of knowledge. Employees can

seek help with challenges and access expertise, while also benefitting from opportunities to network, boost their personal development, and make work more meaningful. For the organisation, advantages include closer alignment in ways of working, shared problem solving, and finding synergies across business areas – not to mention the development of competencies and better talent retention.

Furthermore, many of the communities – like the Lean, Change Management, Data Enthusiasts, and Software Robotics communities – are closely linked to Cargotec’s vision to become the leader in intelligent cargo handling, particularly the organisation’s must-win battles of productivity and digitalisation. In this way,

their activities support and contribute to Cargotec’s strategic ambitions.

“Communities distribute learnings throughout the organisation, as we want to break down silos and get people to share success stories as well as hear about failures and what we’ve learned from them. Secondly, people can share experiences and talk to each other. A third advantage we’ve gained is solving problems together. For instance, if anyone has a challenge, we can collaborate and find answers together. Lastly, we benefit from the joy and advantage of learning,” says **Alisa Knuutinen**, Digital Transformation Specialist at Cargotec.

“A Community of Practice is a great catalyst to connect colleagues from different parts of the organisation. It helps build a culture of mutual support. It’s also a way to create a movement from within the company, where enthusiastic people bring topics forward. I receive many messages on how the Lean Community’s webinars have inspired changes in ways of working, and how we helped people to connect and start collaborating around an issue. Many people ask for further hands-on lean support – feedback that shows we’re on the right track, and there is potential for more!” enthuses **Brigitte Guttenberger**, Programme manager, Cargotec Lean initiative and MacGregor Strategy PMO.



BUSINESS AREAS

Kalmar and Hiab achieved record-high comparable operating profits, while MacGregor's result was negative. Digitalisation and automation, as well as interest towards sustainable performance, were the main trends in 2019. The finalising of the TTS acquisition enables MacGregor's productivity and global presence improvement in the future.



KALMAR

INTEREST IN AUTOMATION INCREASED

Kalmar's sales increased in 2019, and its orders remained stable. Customer interest in automation and eco-efficient solutions increased. Services sales grew slightly.

In 2019, the market proved to be more active than estimated during the year. Many of our customers faced strong competition, which led them to look for new ways to improve their productivity. Major trends in 2019 were electrification and outsourcing non-core activities.

Our order intake increased compared to the previous year. Software sales increased by 15 percent with orders for Navis terminal operating systems developing favourably. The Bromma container crane spreaders division performed well. We had 10 automation delivery projects ongoing in 2019.

Interest towards automation is growing

Customers' approach towards automation is becoming more positive. In 2019, they started to think about *when* and *how* to automate, rather than *whether* they should automate their operations at all.

In October, we brought to market Kalmar One, the first open automation system for container terminals. Kalmar One enables automated container handling operations regardless of vendor, equipment type, operation mode or level of terminal automation.

We also introduced automated truck handling (ATH) to our Kalmar AutoStrad™ solution for automating quay, stack and landside operations. ATH enables a fully automated container flow between quay cranes and trucks and automates the container placements to road trucks.

During the year, we had ten automation delivery projects ongoing, and received several new orders. For example, in April we concluded an agreement to deliver eight AutoStrads to Patrick in Australia, and in May we announced that Dublin Ferryport Terminals will extend its Kalmar AutoRTG system with two new AutoRTG cranes.

Determined steps to enhance eco-efficiency

In 2018, we announced our commitment to provide electrically powered versions of our full offering by 2021. Our customers have reacted positively to the announcement, switching increasingly to electric or hybrid solutions.

In March, our long-time customer DP World, one of the world’s leading operators of marine and inland terminals, placed an order for 63 Kalmar hybrid straddle carriers to its four European container terminals. The hybrid straddle carriers significantly reduce both the fuel consumption and CO₂ emissions of a terminal’s straddle carrier operations when compared to traditional machines. Compared to diesel versions, hybrid machines also generate much less noise. Eco-efficient solutions were also delivered to customers in the US, Turkey and Germany, for example.

Kalmar in brief

Kalmar offers cargo handling solutions and services for ports, terminals, distribution centres and the heavy industry. Our vision is to be the preferred partner to our customers. Our mission is to help our customers to improve their productivity.

Offering

Kalmar’s product range includes ship-to-shore cranes, rubber-tired and rail-mounted gantry cranes, straddle and shuttle carriers, reachstackers, empty container handlers, terminal tractors, forklift trucks and automated guided vehicles. Kalmar’s offering also covers maintenance contracts, technical support, spare parts, training and crane upgrades. The Kalmar One automation system, Navis N4 terminal operating system (TOS) and the Navis Smart suite of terminal applications, Octopi SaaS TOS, loading computer, stowage planning and fleet performance monitoring software, and Bromma spreaders are also part of the Kalmar business area.

Sustainability

Our solutions and services help customers reduce fuel consumption and emissions, optimise cargo flows, cut costs and improve operational safety, equipment availability and lifetime. We are committed to having our full offering available as electrically powered versions by 2021. We drive a high-performing safety culture.

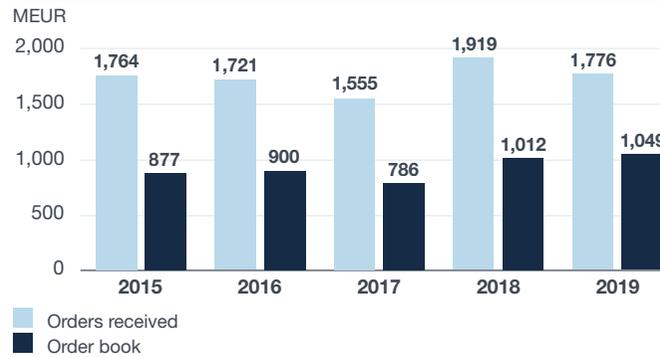
Customers

Our customers are ports and terminals globally as well as distribution centres and heavy industry mainly in Europe and in the United States.

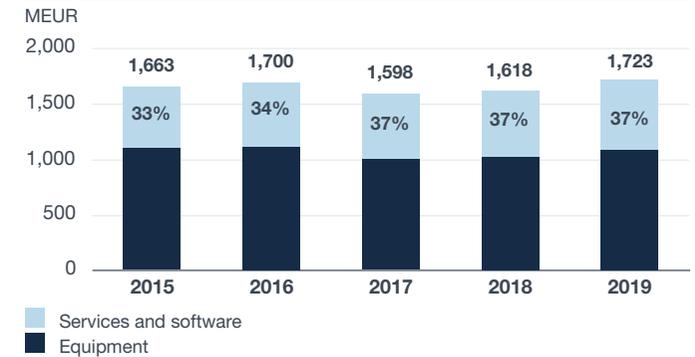
COMPARABLE OPERATING PROFIT



ORDERS RECEIVED AND ORDER BOOK



SALES



We brought several new electric offerings to market in 2019, such as the industry's first fully electric empty container handler and a medium electric forklift powered by emission-free lithium-ion battery technology. Kalmar's electric offering is designed to help customers to reduce fuel costs and comply with airborne and noise emissions standards without compromising performance.

Services are being outsourced

In 2019, customer demand for maintenance outsourcing grew, which contributed to our services sales. The interest increased especially in industrial segments and smaller terminals.

We assumed the responsibility for log handling operations at Iggesund Paperboard, Sweden. The three-year contract includes the provision of equipment, operators, maintenance services as well as the Kalmar Insight performance management software. Our five-year software maintenance and support agreement with PSA Singapore – also signed in 2019 – covers their entire automated guided vehicle (AGV) fleet software development, maintenance support as well as professional services. In addition, we concluded a comprehensive software maintenance and support agreement with Australian terminal operator Patrick Terminals. The agreement covers the equipment automation systems at the company's Brisbane and Sydney terminals.

“CUSTOMERS’ APPROACH TOWARDS AUTOMATION IS BECOMING MORE POSITIVE”



DP World cooperation continued in Antwerp

Kalmar delivered 19 hybrid straddle carriers (HSC) to DP World Antwerp Gateway, Belgium. The terminal is semi-automatic, and with its expanding hybrid Kalmar straddle carrier fleet, its fuel consumption and CO₂ emissions are expected to be significantly reduced in the future.



PTP mega-terminal uses Navis N4

PTP upgraded its terminal operating system (TOS) in Malaysia to Navis N4 to improve performance and scalability. PTP is now the largest single terminal running on N4, moving 12.5 MTEU per year. This is a fine example of how Navis's advanced TOS technology can support even the largest mega-terminals of the world.



NFI selects Kalmar to support lower emissions

Kalmar supplies NFI Industries with 25 Kalmar Ottawa Electric T2E Terminal Tractors to be used in selected NFI distribution centres in California. NFI continually seeks innovative ways to reduce its environmental impact. The T2E tractor features the latest battery technology and a fully electric powertrain, producing zero emissions at source.

HIAB

STRONG RESULT, ADVANCEMENTS IN DIGITALISATION

Hiab achieved a strong comparable operating profit in 2019. Hiab's services developed favourably, and it won significant orders during the year. Customers appreciated Hiab's commitment to continuously develop its digital offering.

The supply chain issues we had in 2018 were for a large part solved during 2019, and we focused on efficient delivery. Our orders received increased by four percent compared to 2018. Towards the end of 2019, this amounted to a record delivery level, especially for loader cranes and truck mounted forklifts.

Construction activity, our main business driver, remained on a healthy level both in Europe and in the US. We have also successfully diversified our business exposure to other industries and decreased our dependency on the construction sector. The demand for services improved during the year.

“DEMAND FOR HIAB'S
SERVICES IMPROVED
DURING THE YEAR”



Customers appreciate our advancements in digitalisation

Customers appreciate our commitment to continuously develop our digital offering to increase the safety, productivity, reliability and ease of use of our solutions.

From the second half of 2019 onwards, connectivity is a standard feature on the majority of new Hiab equipment, starting with HIAB loader cranes and MULTILIFT hooklifts. Usage and equipment status have been stored on our advanced equipment for years already and used in service instances. Connectivity allows all that data to be accessed anytime and anywhere, enabling business-critical insight for Hiab customers. Connectivity also enables a new level of service support – remote diagnostics and troubleshooting, for example – and it also provides our customers with the possibility to switch to using Hiab’s Connected Services, like HiConnect™, even at a later stage. Digital intelligence can help secure a best-in-class product lifetime value for our customers.

Hiab in brief

Hiab is the world’s leading provider of on-road load handling equipment, intelligent services and smart and connected solutions. Our vision is to be the number one partner and preferred load handling solution provider to our customers.

Offering

Hiab’s class-leading load handling equipment includes HIAB, EFFER and ARGOS loader cranes, LOGLIFT and JONSERED forestry and recycling cranes, MOFFETT and PRINCETON truck mounted forklifts, MULTILIFT skiploaders and hooklifts, and tail lifts under the ZEPRO, DEL and WALTCO brands. Hiab ProCare™ service, the award-winning HiVision™ crane operating system and the HiConnect™ platform demonstrate Hiab’s constant drive to provide intelligent services and smart solutions that add value to its customers.

Sustainability

We at Hiab are committed to safe and compliant operations and regular supply chain sustainability assessments. Hiab’s business lines and production units are ISO certified for quality assurance, sustainability and occupational health and safety. Our equipment can be run on alternative power sources and we have developed emission-free solutions to help our customers enhance their operations.

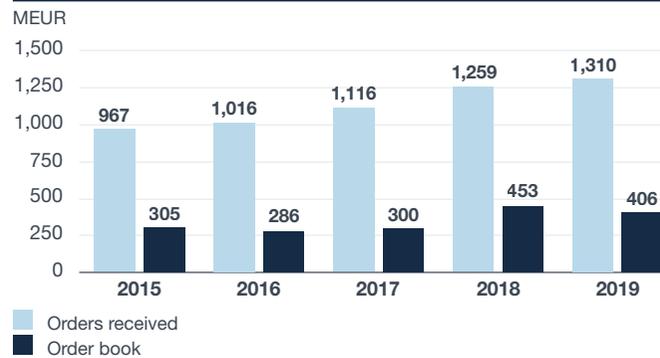
Customers

Hiab’s customers come from a broad range of industries and segments, for which our load handling solutions create value. We serve customers ranging from single truck and small fleet owners to international fleet operators across private and public sectors.

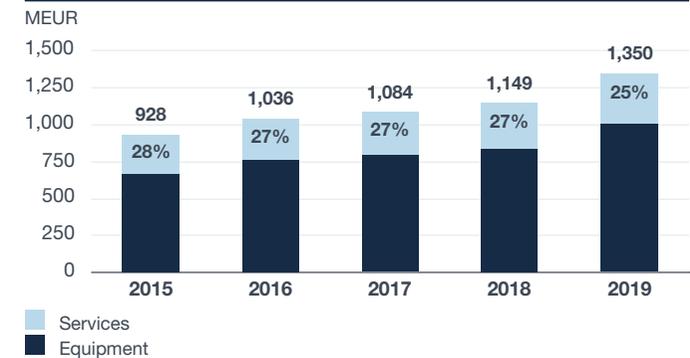
COMPARABLE OPERATING PROFIT



ORDERS RECEIVED AND ORDER BOOK



SALES



During the year, we continued developing autonomous and semi-autonomous features in our offering. As an example, combining our HiVision™ system with these features can lead to interesting and differentiated outcomes, in particular in loader cranes.

Celebrations, innovations and commitments

Hiab celebrated its 75th year in 2019. It all started in Sweden in 1944, when a ski manufacturer Eric Sundin needed to get heavy timber from the woods into his ski factory. The Hiab Method that he developed not only solved his challenge but also pioneered the load handling industry, which is still going strong.

Another “75th” anniversary took place in May, when we delivered our 75,000th truck mounted forklift to Die Behrens-Gruppe of Germany. The milestone unit was an emission-free electric MOFFETT E-series that was specially painted and decorated to mark the occasion.

In June, we launched a new crane for the waste collection market. The HIAB S-HiPro 230W is designed to be used with underground refuse containers. The crane makes the operator’s work easier in increasingly crowded and hectic urban centres.

In August, we extended the standard warranty to two years for all LOGLIFT and JONSERED forestry and recycling crane models globally. The warranty is valid for all cranes ordered as of 1 August 2019. Terms and conditions remain the same, including the three-year warranty on steel components. With the extension, we want to emphasise our commitment to our customers and assure them that Hiab is a safe choice year after year.



HiVision™ makes operating a hooklift easier, safer and faster

Hiab’s HiVision™ creates an augmented reality (AR) experience by combining operational information with real-life footage. HiVision™ was expanded to MULTILIFT hooklifts in 2019. With HiVision™, the driver sees a virtual presentation of the work area from inside the truck cabin on a display that can also be used to operate the machine.



Service excellence accelerates growth

Hiab’s services growth strategy is built around digital solutions, M&A and service excellence. Hiab’s service sales have grown by eight percent per year since 2014, especially in maintenance. About half of the maintenance sales comes from spare parts. In 2019, Hiab’s spare parts webshop served over 50 countries.



Hiab helped a customer reshape its business model

In a record-breaking agreement with one of the largest home improvement chains in the USA, Hiab provides the customer with MOFFETT truck mounted forklifts equipped with Hiab HiConnect™ platforms, supported by a ProCare Essential service contract. This allows the customer to realise the transformation it has sought: an increased efficiency in fleet management.



MACGREGOR

MILESTONE ACQUISITION, DISAPPOINTING RESULT

MacGregor's market situation continued to be challenging, and its comparable operating profit for 2019 was negative. The TTS acquisition was completed during the year, with teams cooperating effectively and with determination.

The merchant and offshore businesses faced continuing challenges in 2019. The seaborne trade growth forecast dropped from previous estimates, and merchant ship contracting did not show signs of improvement. Shipowners were cautious about their spending, prioritising expenditure on environmental regulation compliance. On the offshore side, overcapacity issues still prevail.

In 2019, our orders received and sales grew, mainly because of the TTS acquisition. We won several promising contracts, some of which already demonstrated the additional strengths gained from the TTS acquisition.

We implemented several cost reduction actions during the year. For example, we have significantly re-structured our offshore activities and simplified our organisational structure. This work continues in 2020.

“WE WON PROMISING
CONTRACTS IN 2019”

TTS acquisition strengthens our capabilities

The acquisition of the marine and offshore businesses of TTS Group ASA was completed in July, with the TTS results consolidated into MacGregor's financial figures as of 1 August 2019. The integration work started after that, making material progress during the remainder of the year, aligned to realising forecast synergies.

The combination of MacGregor and TTS will produce greater scale and diversification and strengthen our portfolio of offerings and market positions. Together we can add more value to our customers' business activities through, for example, a more extensive global service network.

MacGregor in brief

MacGregor aims to be recognised as the leader in intelligent maritime cargo and load handling by being the preferred provider of lowest total cost solutions for shipbuilders, and the preferred partner for shipowners and operators through enabling the highest lifecycle value.

Maritime markets and offerings

We offer engineering and lifetime service solutions for merchant cargo and passenger vessels; the offshore oil and gas and renewable energy sectors; fishing, research and marine-resource vessels; naval operations and logistics vessels, and ports and terminals. Our strong portfolio of MacGregor, Hatlapa, NMF, Porsgrunn, Pusnes, Rapp, Triplex and TTS products, services and solutions are all designed to perform with the sea.

Sustainability

We support sustainable development by providing our customers with eco-efficient solutions and services that help them optimise cargo and load handling flows, improve safety, extend equipment service life, and reduce environmental impact and emissions.

Customers

Our customers are shipbuilders, owners and operators whom we serve in maritime and offshore segments with our solutions and services.

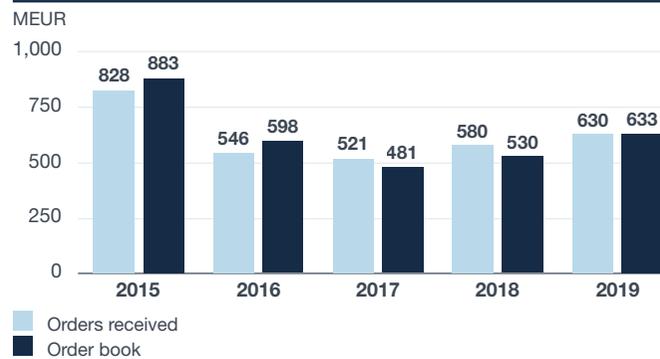
Creating additional customer value with TTS

- Enhanced knowledge and expertise
- Broader product portfolio
- Increased innovation and technical development capabilities
- Larger installed base and wider global service network

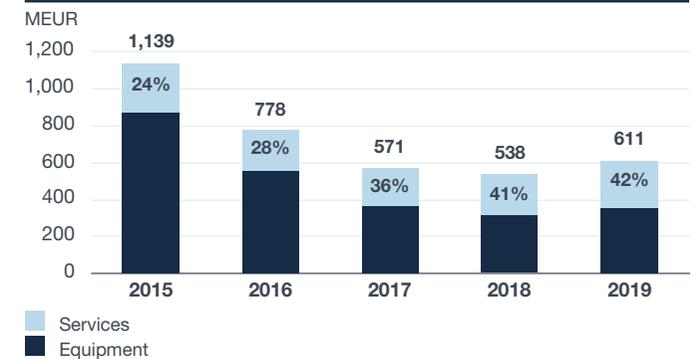
COMPARABLE OPERATING PROFIT



ORDERS RECEIVED AND ORDER BOOK



SALES



In terms of the TTS acquisition, the Chinese competition authority approval includes certain temporary requirements, which we are fully committed to complying with. Some of these requirements will be concluded by the summer of 2021, while the remainder will end during the following three years.

Advances in orders, service and R&D

Despite the market challenges, we secured several major orders during the year. We delivered MacGregor products to a naval project in Europe and TTS products to a RoRo project in Asia, with a total value of more than EUR 20 million. The contracts include ramps, car deck and lifting platform equipment. We also signed an important framework purchasing agreement with COSCO Shipping, one of the world's largest shipowning groups, to provide support for MacGregor equipment installed on their fleet of more than 1,000 ships operating globally.

We also made progress in developing new, digitally enabled offerings, such as OnWatch Scout, our condition monitoring and predictive maintenance solution. During the year we commenced work with several offshore and merchant crane-focused pilot customers based in Europe and Asia. In December, we announced a collaboration with Kongsberg Digital, part of KONGSBERG, to test the OnWatch Scout interface within their Vessel Insight data infrastructure solution.

Also in December, we introduced our Breakbulk Optimiser offering to the market. Breakbulk Optimiser is an automated, cloud-based application that increases breakbulk cargo planning efficiency, optimises vessel capacity utilisation and reduces emissions per unit of cargo carried.

Following the acquisition of Rapp Marine in 2018, we continue to develop and provide integrated system solutions for the fishery and research vessel markets worldwide, including the first electric submersible pump for pelagic fishing vessels. This innovative system provides higher pumping control and efficiency at lower power requirements without the risk of lubricant spillage, and supports the need for high quality, prime condition fish to meet growing consumer demand.



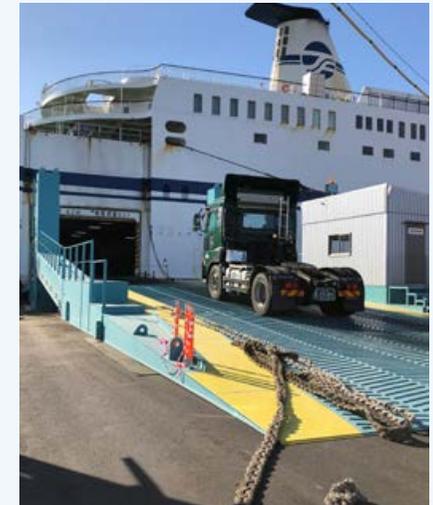
MacGregor cargo system design to the world's largest containership

MacGregor designed the cargo system and supplied the majority of components for the world's largest containership, MSC Gülsün. The ship's capacity is more than 23,000 TEU. The design was developed in close collaboration with MSC to maximise cargo intake, provide for a high degree of operational flexibility, and reduce emissions per unit of cargo carried.



Startup cooperation supports digital development

Cargotec addresses the biggest challenges in maritime, cargo transport and logistics by collaborating with innovative startups. MacGregor and Arundo Analytics, Norway, are working together on data analysis within our condition-based digital offering, OnWatch Scout, which maximises equipment availability and minimises unplanned downtime.



Efficient vehicle loading in Japan

Following a two-year period working in close collaboration with a Japanese domestic ferry operator to develop a customer-specific replacement linkspan, MacGregor installed the new solution in early 2019. The solution enables smooth, efficient loading and unloading of vehicles on the daily ferry service.

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Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec's sales in 2019 totalled approximately EUR 3.7 billion and it employs around 12,500 people. www.cargotec.com



Annual Review 2019



Financial Review 2019



GRI Index 2019

Cargotec's reporting for the year 2019 consists of three documents: the Annual review, the Financial review, and the GRI index. The financial review includes the Board of Directors' report, the financial statements, the auditor's report, the corporate governance statement and the remuneration statement. All documents are available on the company website www.cargotec.com.