

Record-high adjusted  
EBITA-% powered by  
excellent commitment  
and execution

Interim Report  
January–September 2020

**Q3**



# Record-high adjusted EBITA-% powered by excellent commitment and execution

This report contains comparison to Konecranes' historical figures which are Konecranes' stand-alone financial information as reported for 2019. These do not include figures for MHE-Demag as the acquisition of MHE-Demag was completed in January 2020. The combined operations of Konecranes and MHE-Demag started on January 2, 2020.

To provide a basis for comparison, this Report contains under separate headings comments to the financial performance of MHE-Demag for the year 2020. Please note that starting from the fourth quarter 2020 any comments on the stand-alone MHE-Demag performance are based on estimates due to the proceeding integration work and legal entity consolidation.

Figures in brackets, unless otherwise stated, refer to the same period a year earlier.

## THIRD QUARTER HIGHLIGHTS

- Order intake EUR 565.5 million (715.3), -20.9 percent (-18.8 percent on a comparable currency basis), orders declined in all Business Areas. Excluding MHE-Demag, order intake declined 24.6 percent
- Service annual agreement base value increased 5.9 percent (+10.9 percent in comparable currencies) to EUR 278.8 million (263.4). Service order intake was EUR 218.9 million (256.4), -14.6 percent (-11.1 percent on a comparable currency basis). Excluding MHE-Demag, the annual agreement base value increased 1.4 percent while order intake in Service declined 19.2 percent
- Order book EUR 1,742.8 million (1,923.2) at the end of September, -9.4 percent (-6.7 percent on a comparable currency basis). Excluding MHE-Demag, the order book declined 16.0 percent
- Sales EUR 767.9 million (841.3), -8.7 percent (-6.6 percent on a comparable currency basis), sales declined in all Business Areas. Excluding MHE-Demag, sales declined 12.9 percent
- Adjusted EBITA margin 10.4 percent (8.6) and adjusted EBITA EUR 80.1 million (72.4); continued successful demand-supply balancing, cost flexing, permanent cost adjustments and further progress on strategic initiatives drove the positive development
- Operating profit EUR 40.3 million (17.9), 5.2 percent of sales (2.1), restructuring costs totaling EUR 27.7 million (48.3)
- Earnings per share (diluted) EUR 0.33 (0.04).

## FINANCIAL GUIDANCE

Based on the current order book and demand environment, Konecranes expects the full-year 2020 net sales to decrease from the previous year. Konecranes expects the full-year 2020 adjusted EBITA margin to decrease compared to the previous year.

## JANUARY–SEPTEMBER 2020 HIGHLIGHTS

- Order intake EUR 1,884.0 million (2,386.0), -21.0 percent (-20.3 percent on a comparable currency basis)
- Service order intake EUR 694.1 million (765.1), -9.3 percent (-8.0 percent on a comparable currency basis)
- Sales EUR 2,242.1 million (2,393.6), -6.3 percent (-5.4 percent on a comparable currency basis)
- Adjusted EBITA margin 7.1 percent (7.8) and adjusted EBITA EUR 158.7 million (187.8); the adjusted EBITA margin improved in Service and decreased in Industrial Equipment and Port Solutions
- Operating profit EUR 90.8 million (83.2), 4.0 percent of sales (3.5), restructuring costs totaling EUR 37.8 million (86.0)
- Earnings per share (diluted) EUR 0.85 (0.46)
- Free cash flow EUR 188.9 million (115.7)
- Net debt EUR 742.7 million (674.2) and gearing 61.5 percent (54.8).

## DEMAND OUTLOOK

The worldwide demand picture remains subject to significant volatility due to the COVID-19 pandemic. In Europe and North America, the current demand environment within the industrial customer segments has started to show signs of improvement but continues to be volatile and remains below the year-end 2019 level. While China's demand conditions have improved from early 2020, demand environment in the rest of Asia-Pacific is weak.

While global container throughput has started to recover, many port operators continue to postpone decision-making in the current environment. However, long-term prospects related to container handling remain good overall.

# Key figures

	Third quarter			January–September			R12M	1–12/2019
	7–9/2020	7–9/2019	Change %	1–9/2020	1–9/2019	Change %		
Orders received, MEUR	565.5	715.3	-20.9	1,884.0	2,386.0	-21.0	2,665.3	3,167.3
Order book at end of period, MEUR				1,742.8	1,923.2	-9.4		1,824.3
Sales total, MEUR	767.9	841.3	-8.7	2,242.1	2,393.6	-6.3	3,175.4	3,326.9
Adjusted EBITDA, MEUR <sup>1)</sup>	103.2	96.7	6.7	232.2	261.4	-11.2	344.0	373.2
Adjusted EBITDA, % <sup>1)</sup>	13.4%	11.5%		10.4%	10.9%		10.8%	11.2%
Adjusted EBITA, MEUR <sup>2)</sup>	80.1	72.4	10.7	158.7	187.8	-15.5	246.0	275.1
Adjusted EBITA, % <sup>2)</sup>	10.4%	8.6%		7.1%	7.8%		7.7%	8.3%
Adjusted operating profit, MEUR <sup>1)</sup>	71.2	66.2	7.5	131.8	169.2	-22.1	212.9	250.4
Adjusted operating margin, % <sup>1)</sup>	9.3%	7.9%		5.9%	7.1%		6.7%	7.5%
Operating profit, MEUR	40.3	17.9	124.7	90.8	83.2	9.1	156.3	148.7
Operating margin, %	5.2%	2.1%		4.0%	3.5%		4.9%	4.5%
Profit before taxes, MEUR	35.6	9.0	297.0	94.1	55.2	70.5	157.4	118.5
Net profit for the period, MEUR	25.9	3.7	601.7	67.7	37.0	83.2	113.6	82.8
Earnings per share, basic, EUR	0.33	0.04	749.0	0.85	0.46	87.5	1.43	1.03
Earnings per share, diluted, EUR	0.33	0.04	749.0	0.85	0.46	87.5	1.43	1.03
Interest-bearing net debt/Equity, %				61.5%	54.8%			52.6%
Net debt/Adjusted EBITDA, R12M <sup>1)</sup>				2.2	1.9			1.8
Return on capital employed, %							6.5%	6.3%
Adjusted return on capital employed, % <sup>3)</sup>							10.2%	12.7%
Free cash flow, MEUR	81.4	81.3		188.9	115.7		221.6	148.5
Average number of personnel during the period				17,068	16,081	6.1		16,104

<sup>1)</sup> Excluding adjustments, see also note 11 in the summary financial statements

<sup>2)</sup> Excluding adjustments and purchase price allocation amortization, see also note 11 in the summary financial statements

<sup>3)</sup> ROCE excluding adjustments, see also note 11 in the summary financial statements

## President and CEO Rob Smith:

*In the third quarter Konecranes reported a record-high quarterly adjusted EBITA margin of 10.4% despite the challenging market environment thanks to excellent employee commitment, strong teamwork and high performance. While we continue to expect market volatility and fluctuations due to the COVID-19 pandemic, our Q2 and Q3 performance and our ongoing strategic development give us the confidence and capability to overcome future challenges.*

The third quarter started in a more positive environment compared to Q2, however it became evident during the quarter that the global COVID-19 pandemic is far from over. This was reflected in the overall market uncertainty. Despite the improving macroeconomic indicators, global demand has not returned to pre-pandemic levels, and our business is known for being rather late-cyclical. As a result, our Q3 order intake was approximately 19% lower in comparable currencies versus a year ago, including MHE-Demag.

Our sales improved 11% sequentially in comparable currencies and were down 6.6% versus a year ago. The sequential development reflected the generally improved access to customer sites compared to the second quarter. Despite the better overall situation compared to the widespread lockdowns in Q2, completing installments in the midst of ongoing travel restrictions and strict quarantines has been quite challenging, and I would like to give special thanks and recognition to the commitment of our employees as well as our customers to enabling safe and timely deliveries, installations and on-site service work.

We have continued to examine all facets of our business to ensure our cost base is competitive in this uncertain and reduced demand environment. Real-time demand-supply balancing assisted by our digital telemetry system, cost-flexing measures and permanent cost adjustments have continued in the third quarter. In parallel with our high-performance focus, we have successfully progressed our strategic agenda. Service revenue and profitability growth, Industrial Equipment profitability improvement, project management, lean operations, procurement excellence and business process efficiency improvement are key initiatives that underpin our strategy. Together, these initiatives and cost competitiveness led to a record-high adjusted EBITA margin of 10.4% in Q3 - a great achievement amid challenging circumstances.

Service order intake was impacted by the lower industrial activity due to the COVID-19, especially in South-East Asia and the Americas. However, sales declined only 2% year-on-year in comparable currencies, and we succeeded in growing the agreement base value almost 11%, including MHE-Demag. Service achieved a record-high adjusted EBITA mar-

gin of 18.7% - a clear sign that our robust service business model, digital service platform and focus on productivity are delivering exciting results.

In terms of execution, Industrial Equipment had an excellent quarter which culminated in an adjusted EBITA margin of 5.0%, with a sequential improvement of 3.3 percentage points. While we still have much work to do, we have made good progress with our process crane business turnaround some of which is visible in our Q3 profitability. To further improve our productivity, we decided to close production at our Glasgow site and started co-operation negotiations with the aim to centralize process crane-related personnel resources in Finland and in Germany.

In Port Solutions, order intake remained at a low level in Q3. Customer decision-making continues to be slow and planned investment projects are being postponed. Net sales decreased year-on-year but improved sequentially. Due to the global nature of the business, travel restrictions and quarantines impact Port Solutions the most of our three businesses. Nevertheless, the Q3 project execution was very good and Port Solutions closed the quarter with an adjusted EBITA margin of 7.1%.

Today we have reiterated our full-year 2020 guidance. Based on our current order book and the demand environment, we expect our net sales and adjusted EBITA margin to finish below 2019 levels. Based on our orderbook and the current circumstances, we expect our Q4 sales to grow from Q3. Given our performance record in the last two quarters, we expect to sustain or improve our adjusted EBITA margin in Q4 compared to Q3.

As discussed in connection with our Q2 report, we have been fine-tuning our strategy over the last quarters. To support growing customer demand for more comprehensive solutions, products and services, we decided to extend our ambitions beyond lifting into the broader material flow, and we identified the strategic initiatives mentioned earlier to strengthen our core competencies. We will continue our high-performance and strategic focus and expect our strategic initiatives to deliver further results in the coming quarters.

Before concluding, I would like to mention the merger with Cargotec that was announced on 1 October. The merger is well-aligned with our strategy and our growth ambitions. The merger remains subject to regulatory approvals and other conditions to closing, and the two companies will continue as independent and separate entities until the completion of the merger.

# Konecranes Plc's January–September 2020 Interim report

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To provide a basis for comparison, this Report contains under separate headings comments to the financial performance of MHE-Demag for the year 2020. Please note that starting from the fourth quarter 2020 any comments on the stand-alone MHE-Demag performance are based on estimates due to the proceeding integration work and legal entity consolidation.

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## MARKET REVIEW

The world's manufacturing sector, according to the aggregated J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI), started the year 2020 slightly in expansion. In February however, COVID-19 swung the index visibly below the 50.0 mark signaling weakening conditions. The deterioration continued into the second quarter and the index bottomed in April with the lowest level since 2009. The global manufacturing sector's rapid improvement in the end of the second quarter continued also in the third quarter but with a steadier pace as the sector's PMI continued to recover. The monthly sequential improvements pushed the index to expansion territory in July and it reached its 25-month high in September.

In the eurozone, manufacturing sector operating conditions resumed their improvement in the third quarter from the downturn caused by the coronavirus. The PMI ended the quarter in expansion at the highest level since 2018. All country-specific PMIs were at 50.0 or above at the end of the third quarter. The development during the quarter varied within the index while the overall improvement from the second quarter was headed by Germany, Italy and the Netherlands. The UK Manu-

facturing PMI also sustained its improvement and although the index slightly decreased in September, it marked the fourth consecutive month in expansion. The manufacturing industry capacity utilization rate in the European Union also shifted to improvement in the third quarter from the previous quarters' drops, but it is still far off from pre-COVID levels.

In the US, the manufacturing sector's PMI rebounded to expansion territory in the third quarter similarly to Europe and stayed on a growth path during the entire quarter. The US unemployment rate also maintained its steady monthly drops from the April peak. The US manufacturing capacity utilization rate's solid ascent which started in the end the second quarter continued in the beginning of the third quarter, but it halted in September and the utilization rate is yet to achieve its level prior to the coronavirus pandemic.

As for the emerging markets, China's manufacturing sector operating conditions carried on in expansion above the 50.0 mark and with solid improvement throughout the third quarter after the sharp drop in February. In both Brazil and India, the Manufacturing PMIs posted substantial growth and recovery continued at a swift pace with the indices ending strongly in expansion. In Russia, the manufacturing sector operating conditions ended the quarter in contraction as the PMI dropped below the 50.0 mark in September.

Global container throughput, according to the RWI/ISL Container Throughput Index, continued to rise in the third quarter following the COVID-19 induced plunge earlier in the year. In addition to the continued positive development witnessed in Chinese ports already earlier, container throughput in ports elsewhere outside China also began to revive and show improving figures again in the third quarter. At the end of August, global container throughput was approximately at the same level as the year before.

Regarding raw material prices, at the end of the third quarter steel price was around the previous year's level and copper price had increased above the previous year's level. The average EUR/USD exchange rate was approximately at same level compared to the year-ago period.

**ORDERS RECEIVED AND NET SALES**

	7-9/ 2020	7-9/ 2019	Change percent	Change % at comparable currency rates	1-9/ 2020	1-9/ 2019	Change percent	Change % at comparable currency rates	1-12/2019
Orders received, MEUR	565.5	715.3	-20.9	-18.8	1,884.0	2,386.0	-21.0	-20.3	3,167.3
Net sales, MEUR	767.9	841.3	-8.7	-6.6	2,242.1	2,393.6	-6.3	-5.4	3,326.9

**ORDERS RECEIVED AND NET SALES EXCLUDING MHE-DEMAG**

	7-9/ 2020	7-9/ 2019	Change percent	Change % at comparable currency rates	1-9/ 2020	1-9/ 2019	Change percent	Change % at comparable currency rates	1-12/2019
Orders received, MEUR	539.5	715.3	-24.6	-22.6	1,798.5	2,386.0	-24.6	-23.9	3,167.3
Net sales, MEUR	732.7	841.3	-12.9	-10.9	2,158.2	2,393.6	-9.8	-8.9	3,326.9

**ORDERS RECEIVED**

In the third quarter, orders received totaled EUR 565.5 million (715.3), representing a decrease of 20.9 percent. On a comparable currency basis, order intake decreased 18.8 percent. Orders received decreased in the Americas and EMEA but increased in APAC.

Excluding MHE-Demag, the third quarter orders received totaled EUR 539.5 million (715.3) representing a decrease of 24.6 percent. On a comparable currency basis, order intake decreased 22.6 percent.

In Service, orders received decreased 14.6 percent on a reported basis and 11.1 percent on a comparable currency basis. In Industrial Equipment, order intake decreased 20.2 percent on a reported basis and 17.7 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 15.2 percent on a reported basis and 12.3 percent on a comparable currency basis. In Port Solutions, order intake decreased 34.4 percent on a reported basis and 34.1 percent on a comparable currency basis.

In January–September, orders received totaled EUR 1,884.0 million (2,386.0), representing a decrease of 21.0 percent. On a comparable currency basis, order intake decreased 20.3 percent. Orders received decreased in the Americas and EMEA but increased in APAC.

In Service, order intake decreased 9.3 percent on a reported basis and 8.0 percent on a comparable currency basis. In Industrial Equipment, orders received decreased 20.9 percent on a reported basis and 20.0 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 19.5 percent on a reported basis and 18.5 percent on a comparable currency basis. In Port Solutions, order intake decreased 33.1 percent on a reported basis and 32.9 percent on a comparable currency basis.

**ORDER BOOK**

At the end of September, the value of the order book totaled EUR 1,742.8 million (1,923.2), which was 9.4 percent lower compared to previous year. On a comparable currency basis, the order book decreased 6.7 percent. The order book decreased 6.2 percent in Service, increased 0.6 percent in Industrial Equipment and decreased 16.7 percent in Port Solutions.

Excluding MHE-Demag, the value of the order book totaled EUR 1,615.9 million at the end of September, representing a decrease of 16.0 percent.

**SALES**

In the third quarter, Group sales decreased 8.7 percent to EUR 767.9 million (841.3). On a comparable currency basis, sales decreased 6.6 percent. Sales decreased 5.6 percent in Service, 4.1 percent in Industrial Equipment and 18.1 percent in Port Solutions. Industrial Equipment's external sales decreased 3.2 percent.

Excluding MHE-Demag, the third quarter sales totaled EUR 732.7 million (841.3) representing a decrease of 12.9 percent. On a comparable currency basis, sales decreased 10.9 percent.

In January–September, Group sales totaled EUR 2,242.1 million (2,393.6), representing a decrease of 6.3 percent. On a comparable currency basis, sales decreased 5.4 percent. Sales decreased 4.7 percent in Service, 5.0 percent in Industrial Equipment and 10.6 percent Port Solutions. Industrial Equipment's external sales decreased 5.0 percent.

At the end of September, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 52 (51), Americas 33 (35) and APAC 16 (14) percent.

## FINANCIAL RESULT

In the third quarter, the Group adjusted EBITA increased to EUR 80.1 million (72.4). The adjusted EBITA margin increased to 10.4 percent (8.6). The adjusted EBITA margin was 18.7 percent (16.2) in Service, 5.0 percent (2.9) in Industrial Equipment and 7.1 percent (8.2) in Port Solutions. The increase in the Group adjusted EBITA margin was primarily due to continued successful demand-supply balancing, cost flexing, permanent cost adjustments and further progress on strategic initiatives. Gross margin increased slightly on a year-on-year basis.

Excluding MHE-Demag, the Group adjusted EBITA was EUR 76.2 million (72.4). The adjusted EBITA margin improved to 10.4 percent (8.6).

In January–September, the Group adjusted EBITA decreased to EUR 158.7 million (187.8). The adjusted EBITA margin declined to 7.1 percent (7.8). The adjusted EBITA margin increased in Service to 16.5 percent (16.0) but decreased in Industrial Equipment to 0.9 percent (2.1) and in Port Solutions to 4.4 percent (6.9). The decline in the Group adjusted EBITA margin was mainly attributable to lower sales as well as the one-time cost overruns in the first quarter.

Excluding MHE-Demag, the Group adjusted EBITA was EUR 154.6 million (187.8). The adjusted EBITA margin decreased to 7.2 percent (7.8).

In January–September, the consolidated adjusted operating profit declined to EUR 131.8 million (169.2). The adjusted operating margin declined to 5.9 percent (7.1).

In January–September, the consolidated operating profit totaled EUR 90.8 million (83.2). The operating profit includes adjustments of EUR 41.0 million (86.0), which are mainly comprised of restructuring costs. The operating margin declined in Service to 14.4 percent (15.0) and in Port Solutions to 0.0 percent (5.9) but improved in Industrial Equipment to -0.7 percent (-6.8).

In January–September, depreciation and impairments totaled EUR 100.0 million (92.9). The impact arising from the purchase price allocations for acquisitions represented EUR 27.0 million (18.5) of the depreciation and impairments. In January–September, the purchase price allocation impact resulting from the MHE-Demag acquisition was EUR 8.5 million.

In January–September, the share of the result in associated companies and joint ventures was EUR 20.9 million (-0.5). The increase in the share of the result in associated companies and joint ventures was mainly due to Konecranes remeasuring its previously held equity interest in MHE-Demag

at its acquisition date fair value. Please refer to Note 5 for additional information.

In January–September, financial income and expenses totaled EUR -17.7 million (-27.5). Net interest expenses accounted for EUR 15.6 million (13.9) of the sum and the remainder was mainly attributable to realized and unrealized exchange rate differences related to the hedging of future cash flows, which are not included in the hedge accounting.

January–September profit before taxes was EUR 94.1 million (55.2).

Income taxes in January–September were EUR -26.3 million (-18.2). The Group's effective tax rate was 28.0 percent (33.0).

January–September net profit was EUR 67.7 million (37.0).

In January–September, the basic earnings per share were EUR 0.85 (0.46) and the diluted earnings per share were EUR 0.85 (0.46).

On a rolling 12-month basis, the return on capital employed was 7.9 percent (6.1) and the return on equity 7.9 percent (5.9). The adjusted return on capital employed was 10.8 percent (13.2).

## MHE-Demag

In the third quarter, MHE-Demag's orders received totaled EUR 30.3 million. In January–September, MHE-Demag's orders received totaled EUR 101.3 million. At the end of September, the value of MHE-Demag's order book totaled EUR 126.9 million.

In the third quarter, MHE-Demag's sales totaled EUR 39.5 million. In January–September, MHE-Demag's sales totaled EUR 99.1 million.

In the third quarter, MHE-Demag's adjusted EBITA was EUR 4.5 million. The adjusted EBITA margin was 11.3 percent. In January–September, MHE-Demag's adjusted EBITA was EUR 6.1 million. The adjusted EBITA margin was 6.1 percent. In January–September, MHE-Demag's adjusted operating profit was EUR -2.5 million. The adjusted operating profit margin was -2.5 percent.

In January–September, the purchase price allocation amortization resulting from the MHE-Demag acquisition was EUR 7.1 million. The release of MHE-Demag purchase price allocation in inventories was EUR 1.4 million.

Refer to Note 5 for additional information on the fair value and the purchase allocation calculation of the acquired business.

### BALANCE SHEET

At the end of September, the consolidated balance sheet amounted to EUR 4,104.2 million (3,738.7). The total equity at the end of the reporting period was EUR 1,207.5 million (1,230.4) or EUR 15.15 per share (15.37). The total equity attributable to the equity holders of the parent company was EUR 1,198.9 million (1,211.4).

Net working capital totaled EUR 425.4 million (399.7). Sequentially, net working capital decreased by EUR 24.1 million. The sequential decrease in net working capital resulted mainly from a decrease in inventories and a decrease in receivables arising from percentage of completion method.

### CASH FLOW AND FINANCING

Net cash from operating activities in January–September was EUR 219.0 million (132.7). The increase in net cash from operating activities was mainly due to the change in net working capital as well as to a lesser extent, lower financing items during January–September. Cash flow before financing activities was EUR 64.8 million (112.9), which included cash inflows of EUR 1.5 million (14.8) related to sale of property, plant and equipment, and cash outflows of EUR 124.1 million (2.8) related to acquisition of Group companies and EUR 31.6 million (31.8) related to capital expenditure.

At the end of September, interest-bearing net debt was EUR 742.7 million (674.2). Net debt increased mainly due to the financing related to the acquisition of MHE-Demag which was completed in January 2020. The equity to asset ratio was 32.8 percent (37.0) and the gearing 61.5 percent (54.8).

At the end of September, cash and cash equivalents amounted to EUR 522.4 million (186.6). To secure its liquidity position, Konecranes agreed on a new bilateral term loan of EUR 150 million for general corporate purposes in the second quarter. None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

In June 2020, Konecranes paid dividends, amounting to EUR 51.4 million or EUR 0.65 per share, to its shareholders.

In August 2020, Konecranes paid dividends, amounting to EUR 43.5 million or EUR 0.55 per share, to its shareholders.

### CAPITAL EXPENDITURE

Capital expenditure in January–September, excluding acquisitions and joint arrangements, amounted to EUR 25.9 million (32.2). The amount consisted mainly of investments in machinery and equipment, buildings, office equipment and information technology.

### ACQUISITIONS AND DIVESTMENTS

In January–September, the cash impact of capital expenditure for acquisitions and joint arrangements was EUR -124.1 million (-2.8).

On December 5, 2019 Konecranes signed an agreement to acquire from Jebsen & Jensen its 50 percent share in MHE-Demag. The transaction was closed on January 2, 2020 and the purchase price consideration was EUR 148.3 million. After the acquisition Konecranes holds 100 percent of the shares in the company.

### PERSONNEL

In January–September, the Group had an average of 17,068 employees (16,081). On September 30, the number of personnel was 16,957 (16,219). During January–September, the Group's personnel increased by 761 people net.

On September 30, MHE-Demag's number of personnel was 1,671. During January–September, the Group's personnel excluding MHE-Demag decreased by 910 people net.

At the end of September, the number of personnel by Business Area was as follows: Service 8,051 employees (7,680), Industrial Equipment 5,772 employees (5,546), Port Solutions 3,021 employees (2,895) and Group staff 113 (98).

The Group had 9,817 (10,119) employees working in EMEA, 2,880 (3,314) in the Americas and 4,260 (2,786) in APAC.



**BUSINESS AREAS****SERVICE**

	7-9/ 2020	7-9/ 2019	Change percent	Change % at comparable currency rates	1-9/ 2020	1-9/ 2019	Change percent	Change % at comparable currency rates	1-12/2019
Orders received, MEUR	218.9	256.4	-14.6	-11.1	694.1	765.1	-9.3	-8.0	1,015.1
Order book, MEUR	230.2	245.5	-6.2	-0.6	230.2	245.5	-6.2	-0.6	215.7
Agreement base value, MEUR	278.8	263.4	5.9	10.9	278.8	263.4	5.9	10.9	267.7
Net sales, MEUR	294.6	312.1	-5.6	-2.0	874.7	918.1	-4.7	-3.4	1,259.7
Adjusted EBITA, MEUR <sup>1)</sup>	55.1	50.6	8.7		144.6	147.2	-1.8		208.5
Adjusted EBITA, % <sup>1)</sup>	18.7%	16.2%			16.5%	16.0%			16.6%
Purchase price allocation amortization, MEUR	-4.0	-2.6	53.0		-12.1	-7.9	52.8		-10.5
Adjustments, MEUR	-1.2	-0.6			-6.5	-1.8			-3.4
Operating profit (EBIT), MEUR	49.9	47.4	5.1		126.0	137.4	-8.3		194.6
Operating profit (EBIT), %	16.9%	15.2%			14.4%	15.0%			15.5%
Personnel at the end of period	8,051	7,680	4.8		8,051	7,680	4.8		7,762

<sup>1)</sup> Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

**SERVICE EXCLUDING MHE-DEMAG**

	7-9/ 2020	7-9/ 2019	Change percent	Change % at comparable currency rates	1-9/ 2020	1-9/ 2019	Change percent	Change % at comparable currency rates	1-12/2019
Orders received, MEUR	207.3	256.4	-19.2	-15.8	653.2	765.1	-14.6	-13.4	1,015.1
Order book, MEUR	208.7	245.5	-15.0	-9.9	208.7	245.5	-15.0	-9.9	215.7
Agreement base value, MEUR	267.0	263.4	1.4	6.2	267.0	263.4	1.4	6.2	267.7
Net sales, MEUR	276.9	312.1	-11.3	-7.9	826.0	918.1	-10.0	-8.8	1,259.7
Adjusted EBITA, MEUR <sup>1)</sup>	51.2	50.6	1.0		136.8	147.2	-7.1		208.5
Adjusted EBITA, % <sup>1)</sup>	18.5%	16.2%			16.6%	16.0%			16.6%

<sup>1)</sup> Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

## SERVICE

**In the third quarter**, order intake in Service decreased 14.6 percent to EUR 218.9 million (256.4). On a comparable currency basis, orders received decreased 11.1 percent. Both field service orders and parts orders decreased. Order intake decreased in the Americas and EMEA but increased in APAC.

The order book decreased 6.2 percent to EUR 230.2 million (245.5). On a comparable currency basis, the order book decreased 0.6 percent.

The annual value of the agreement base increased 5.9 percent year-on-year to EUR 278.8 million (263.4). On a comparable currency basis, the annual value of the agreement base increased 10.9 percent. Sequentially, the annual value of the agreement base decreased 1.4 percent on a reported basis and increased 0.6 percent on a comparable currency basis.

Sales decreased 5.6 percent to EUR 294.6 million (312.1). On a comparable currency basis, sales decreased 2.0 percent. Both field service sales and parts sales decreased. Sales decreased in the Americas and EMEA but increased in APAC.

The third-quarter adjusted EBITA was EUR 55.1 million (50.6) and the adjusted EBITA margin 18.7 percent (16.2). The increase in the adjusted EBITA margin was mainly attributable to temporary and permanent cost flexing actions and productivity gains underpinned by digitalization. Gross margin improved on a year-on-year basis. The operating profit was EUR 49.9 million (47.4) and the operating margin 16.9 percent (15.2).

**In January–September**, orders received totaled EUR 694.1 million (765.1), corresponding to a decrease of 9.3 percent. On a comparable currency basis, orders received decreased 8.0 percent.

Sales decreased 4.7 percent to EUR 874.7 million (918.1). On a comparable currency basis, sales decreased 3.4 percent. Both field service sales and parts sales decreased.

The adjusted EBITA was EUR 144.6 million (147.2) and the adjusted EBITA margin was 16.5 percent (16.0). The increase in the adjusted EBITA margin was mainly attributable to temporary and permanent cost flexing actions. The operating profit was EUR 126.0 million (137.4) and the operating margin 14.4 percent (15.0).

## MHE-Demag

**In the third quarter**, MHE-Demag's order intake related to Service totaled EUR 12.9 million. The value of the order book was EUR 21.4 million and the agreement base value was EUR 11.8 million at the end of the quarter. MHE-Demag's sales in the third quarter was EUR 18.9 million. The adjusted EBITA was EUR 3.9 million which translates to an adjusted EBITA margin of 20.6 percent. The adjusted operating profit for MHE-Demag within Service was EUR 2.5 million and the adjusted operating profit margin was 13.2 percent.

**In January–September**, MHE-Demag's order intake related to Service totaled EUR 45.2 million. MHE-Demag's sales in January–September was EUR 52.9 million. The adjusted EBITA was EUR 7.8 million which translates to an adjusted EBITA margin of 14.7 percent. The adjusted operating profit for MHE-Demag within Service was EUR 3.6 million and the adjusted operating profit margin was 6.8 percent.

**INDUSTRIAL EQUIPMENT**

	7-9/ 2020	7-9/ 2019	Change percent	Change % at comparable currency rates	1-9/ 2020	1-9/ 2019	Change percent	Change % at comparable currency rates	1-12/2019
Orders received, MEUR	226.8	284.0	-20.2	-17.7	739.9	935.2	-20.9	-20.0	1,251.5
of which external, MEUR	193.3	227.9	-15.2	-12.3	632.3	785.2	-19.5	-18.5	1,068.4
Order book, MEUR	669.1	665.1	0.6	6.0	669.1	665.1	0.6	6.0	648.9
Net sales, MEUR	270.1	281.7	-4.1	-1.3	806.6	849.5	-5.0	-3.9	1,185.5
of which external, MEUR	235.9	243.7	-3.2	-0.2	694.7	731.2	-5.0	-3.7	1,020.4
Adjusted EBITA, MEUR <sup>1)</sup>	13.4	8.3	62.4		7.3	17.6	-58.3		18.2
Adjusted EBITA, % <sup>1)</sup>	5.0%	2.9%			0.9%	2.1%			1.5%
Purchase price allocation amortization, MEUR	-3.1	-1.7	82.5		-9.4	-5.1	83.0		-6.9
Adjustments, MEUR	-3.2	-40.1			-3.7	-70.0			-72.7
Operating profit (EBIT), MEUR	7.1	-33.6	121.1		-5.8	-57.5	90.0		-61.4
Operating profit (EBIT), %	2.6%	-11.9%			-0.7%	-6.8%			-5.2%
Personnel at the end of period	5,772	5,546	4.1		5,772	5,546	4.1		5,397

<sup>1)</sup> Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

**INDUSTRIAL EQUIPMENT EXCLUDING MHE-DEMAG**

	7-9/ 2020	7-9/ 2019	Change percent	Change % at comparable currency rates	1-9/ 2020	1-9/ 2019	Change percent	Change % at comparable currency rates	1-12/2019
Orders received, MEUR	212.4	284.0	-25.2	-22.9	695.2	935.2	-25.7	-24.9	1,251.5
of which external, MEUR	176.1	227.9	-22.7	-20.1	576.7	785.2	-26.6	-25.6	1,068.4
Order book, MEUR	563.6	665.1	-15.3	-10.7	563.6	665.1	-15.3	-10.7	648.9
Net sales, MEUR	252.2	281.7	-10.5	-7.9	770.3	849.5	-9.3	-8.2	1,185.5
of which external, MEUR	215.5	243.7	-11.6	-8.8	648.7	731.2	-11.3	-10.1	1,020.4
Adjusted EBITA, MEUR <sup>1)</sup>	13.3	8.3	61.4		11.0	17.6	-37.7		18.2
Adjusted EBITA, % <sup>1)</sup>	5.3%	2.9%			1.4%	2.1%			1.5%

<sup>1)</sup> Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

## INDUSTRIAL EQUIPMENT

**In the third quarter,** Industrial Equipment's orders received totaled EUR 226.8 million (284.0), corresponding to a decrease of 20.2 percent. On a comparable currency basis, orders received decreased 17.7 percent. External orders received decreased 15.2 percent on a reported basis and 12.3 percent on a comparable currency basis. Order intake decreased in standard cranes, process cranes and components. Orders received decreased in the Americas and EMEA but increased in APAC.

The order book increased 0.6 percent to EUR 669.1 million (665.1). On a comparable currency basis, the order book increased 6.0 percent.

Sales decreased 4.1 percent to EUR 270.1 million (281.7). On a comparable currency basis, sales decreased 1.3 percent. Sales decreased in standard cranes and components but increased in process cranes. Sales decreased in the Americas and EMEA but increased in APAC. External sales decreased 3.2 percent on a reported basis and 0.2 percent on a comparable currency basis.

The third-quarter adjusted EBITA was EUR 13.4 million (8.3) and the adjusted EBITA margin 5.0 percent (2.9). The increase in the adjusted EBITA margin was mainly attributable to temporary and permanent cost flexing actions as well as progress on strategic initiatives. Gross margin stayed approximately flat on a year-on-year basis. Operating profit was EUR 7.1 million (-33.6) and the operating margin 2.6 percent (-11.9).

**In January–September,** orders received totaled EUR 739.9 million (935.2), corresponding to a decrease of 20.9 percent. On a comparable currency basis, orders received decreased 20.0 percent. External orders received decreased 19.5 percent on a reported basis and 18.5 percent on a comparable currency basis. Order intake decreased in standard cranes, process cranes and components.

Sales decreased 5.0 percent to EUR 806.6 million (849.5). On a comparable currency basis, sales decreased 3.9 percent. Sales decreased in standard cranes and components but increased in process cranes. External sales decreased 5.0 percent on a reported basis and 3.7 percent on a comparable currency basis.

The adjusted EBITA was EUR 7.3 million (17.6) and the adjusted EBITA margin 0.9 percent (2.1). The decrease in the adjusted EBITA margin was mainly attributable to lower sales and weaker sales mix as well as the cost overrun in the process crane project which was closed in the second quarter. The operating profit was EUR -5.8 million (-57.5) and the operating margin -0.7 percent (-6.8).

## MHE-Demag

**In the third quarter,** MHE-Demag's order intake related to Industrial Equipment totaled EUR 17.5 million and the value of the order book was EUR 105.5 million at the end of the quarter. MHE-Demag's sales in the third quarter was EUR 21.0 million. The adjusted EBITA was EUR 0.6 million which translates to an adjusted EBITA margin of 2.8 percent. The adjusted operating profit for MHE-Demag within Industrial Equipment was EUR -0.9 million and the adjusted operating profit margin was -4.1 percent.

**In January–September,** MHE-Demag's order intake related to Industrial Equipment totaled EUR 56.2. MHE-Demag's sales in January–September was EUR 47.3 million. The adjusted EBITA was EUR -1.8 million which translates to an adjusted EBITA margin of -3.7 percent. The adjusted operating profit for MHE-Demag within Industrial Equipment was EUR -6.1 million and the adjusted operating profit margin was -12.8 percent.

## PORT SOLUTIONS

	7-9/ 2020	7-9/ 2019	Change percent	Change % at comparable currency rates	1-9/ 2020	1-9/ 2019	Change percent	Change % at comparable currency rates	1-12/2019
Orders received, MEUR	163.3	249.0	-34.4	-34.1	590.8	882.9	-33.1	-32.9	1,147.3
Order book, MEUR	843.6	1,012.6	-16.7	-16.1	843.6	1,012.6	-16.7	-16.1	959.7
Net sales, MEUR	250.2	305.6	-18.1	-18.0	710.7	795.4	-10.6	-10.5	1,115.7
of which service, MEUR	37.6	48.4	-22.4	-21.0	123.6	140.2	-11.8	-11.4	185.9
Adjusted EBITA, MEUR <sup>1)</sup>	17.8	25.0	-28.8		31.1	55.1	-43.7		86.9
Adjusted EBITA, % <sup>1)</sup>	7.1%	8.2%			4.4%	6.9%			7.8%
Purchase price allocation amortization, MEUR	-1.8	-1.8	0.1		-5.5	-5.5	0.0		-7.3
Adjustments, MEUR	-22.9	-4.4			-25.7	-2.6			-8.3
Operating profit (EBIT), MEUR	-6.9	18.8	-136.7		-0.1	47.1	-100.3		71.3
Operating profit (EBIT), %	-2.8%	6.1%			0.0%	5.9%			6.4%
Personnel at the end of period	3,021	2,895	4.4		3,021	2,895	4.4		2,938

<sup>1)</sup> Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

The acquisition of MHE-Demag in January 2020 does not have an impact on Business Area Port Solutions.

**In the third quarter**, Port Solutions' order intake totaled EUR 163.3 million (249.0), representing a decrease of 34.4 percent. On a comparable currency basis, orders received decreased 34.1 percent. Orders received decreased in EMEA and APAC but increased in the Americas.

The order book decreased 16.7 percent to EUR 843.6 million (1,012.6). On a comparable currency basis, the order book decreased 16.1 percent.

Sales decreased 18.1 percent to EUR 250.2 million (305.6). On a comparable currency basis, sales decreased 18.0 percent.

The third-quarter adjusted EBITA was EUR 17.8 million (25.0) and the adjusted EBITA margin 7.1 percent (8.2). The decrease in the adjusted EBITA margin was mainly attributable to lower sales and to a lesser extent, weaker sales mix. Gross margin increased slightly on a year-on-year basis. Operating profit was EUR -6.9 million (18.8) and the operating margin -2.8 percent (6.1).

**In January–September**, orders received totaled EUR 590.8 million (882.9), corresponding to a decrease of 33.1 percent. On a comparable currency basis, orders received decreased 32.9 percent.

Sales decreased 10.6 percent to EUR 710.7 million (795.4). On a comparable currency basis, sales decreased 10.5 percent.

The adjusted EBITA was EUR 31.1 million (55.1) and the adjusted EBITA margin 4.4 percent (6.9). The decrease in the adjusted EBITA margin was mainly attributable to a one-time cost overrun in a port crane project in the first quarter as well as lower sales. Gross margin decreased on a year-on-year basis. Operating profit was EUR -0.1 million (47.1) and the operating margin 0.0 percent (5.9).

### Group overheads

In the third quarter, the adjusted unallocated Group overhead costs and eliminations were EUR 6.1 million (11.5), representing 0.8 percent of sales (1.4).

The unallocated Group overhead costs and eliminations were EUR 9.8 million (14.6), representing 1.3 percent of sales (1.7). These included merger related transaction costs and restructuring costs of EUR 3.6 million (3.1).

In January–September, the adjusted unallocated Group overhead costs and eliminations were EUR 24.2 million (32.1), representing 1.1 percent of sales (1.3).

The unallocated Group overhead costs and eliminations were EUR 29.3 million (43.8), representing 1.3 percent of sales (1.8). These included merger related transaction costs and restructuring costs of EUR 5.1 million (11.6).

### Covid-19 impact on Konecranes

The coronavirus pandemic (COVID-19) has affected Konecranes' overall performance negatively in 2020. Overall, the pandemic has weakened global demand conditions and made the demand environment uncertain which has had a negative impact on order intake. Additionally, physical restrictions on the daily conduct of people and businesses have led to lower revenue recognition.

COVID-19 started to impact Konecranes' business to a larger extent towards the end of the first quarter and has continued since. Due to the pandemic, order intake and net sales have declined in all three Business Areas in 2020.

In Service, COVID-19 has affected net sales, as scheduled maintenance activities were postponed due to access restrictions and regional lockdowns. COVID-19 has not led to major order cancellations within Service, but scheduled work and projects have been postponed.

In Industrial Equipment, COVID-19 started to affect net sales in the end of the first quarter. Net sales have been negatively impacted by delivery delays resulting from access limitations to customer sites. Industrial Equipment has not seen major order cancellations, but orders and deliveries have been postponed.

In Port Solutions, the negative impact of COVID-19 became visible in the second quarter. The order intake and net sales of the shorter cycle products, such as lift trucks and reach

stackers, was negatively affected faster. Travel and access restrictions had a negative impact on net sales in the second and third quarter. No major orders received have been cancelled. However, due to the uncertain market conditions, customers have become cautious, and decision-making regarding new orders has been postponed.

During parts of the first half of the year, some Konecranes factories were closed due to local COVID-19 related physical restrictions. Although material deliveries and component availability have become more challenging, none of our factories were closed as a result of material shortages. All Konecranes factories have been in operation throughout the third quarter, except for one site in Indonesia which was closed for a short period in August.

The impact of COVID-19 on the Group's profitability has been mitigated through almost real-time demand-supply balancing and cost-flexing actions. For example, these have included temporary layoffs, reduced working hours and streamlined spending. Permanent cost adjustments have also been made.

Some customer payment delays have occurred, but the impact has been limited. Konecranes has further enhanced payment collection and credit control. The delays in deliveries have led to some increase in inventory levels. At the same time, accounts receivables have decreased as a result of active cash collection. The risk of excess inventories has been limited through efficient demand-supply balancing. Konecranes has seen only limited changes in its supplier network.

To secure its liquidity position, Konecranes agreed on a new bilateral term loan of EUR 150 million for general corporate purposes in the second quarter.

Additional information on COVID-19 impact on Konecranes is presented in notes 3 and 8.

The worldwide demand picture remains subject to significant volatility due to the COVID-19 pandemic. There are still uncertainties regarding the COVID-19 pandemic, and it is too early to estimate how long and to which extent it will impact Konecranes' business and performance. Konecranes has reiterated its guidance for full-year 2020, reflecting the current order book and demand environment.

## ADMINISTRATION

### Decisions of the Annual General Meeting

The resolutions of the Konecranes Annual General Meeting have been published in the stock exchange release dated June 11, 2020.

### Composition of the Shareholders' Nomination Board

On September 11, Konecranes announced the composition of the Shareholders' Nomination Board.

The Shareholders' Nomination Board is comprised of one member appointed by each of the four largest shareholders of Konecranes Plc. The shareholders entitled to appoint a member are determined on the basis of the shareholders' register of the Company maintained by Euroclear Finland Ltd. on 31 August each year.

The following members were appointed to Konecranes' Shareholders Nomination Board:

- Peter Therman, Deputy Chairman of the Board of Directors of Hartwall Capital, appointed by HC Holding Oy Ab with 7,931,238 shares,
- Pauli Anttila, Investment Director of Solidium Oy, appointed by Solidium Oy with 6,744,506 shares,
- Stig Gustavson, appointed by Stig Gustavson and family with 2,366,157 shares, and
- Mikko Mursula, Chief Investment Officer of Ilmarinen, appointed by Ilmarinen Mutual Pension Insurance Company with 2,255,000 shares.

In addition, Christoph Vitzthum, the Chairman of the Board of Directors of Konecranes, serves as an expert in the Nomination Board without being a member.

The now appointed Nomination Board will forward its proposals for the 2021 Annual General Meeting to the Board of Directors by 31 January 2021.

### Dividend distribution

On August 16, Konecranes announced that the Board of Directors had decided on the distribution of dividend based on the authorization granted to the Board by the Annual General Meeting.

The Board of Directors decided on August 16 that a dividend of EUR 0.55 per share is to be paid from the distributable assets of the parent Company. The dividend was paid on 26 August 2020.

The company had already paid a dividend of EUR 0.65 per share for the financial year ended 31 December 2019. This dividend was paid on 23 June 2020. Based on the resolution

of the Annual General Meeting and the August 16 decision by the Board of Directors, the total aggregate dividend for the financial period 2019 is thus EUR 1.20 per share.

### Performance share plan 2020

On July 23, 2020, Konecranes announced that the Board of Directors had resolved to establish a new Performance Share Plan 2020. The Plan has a performance period from 2020 to 2022 with three separate measurement periods and separate targets for 2020, 2021 and 2022.

The criterion for the measurement period 2020 is adjusted earnings per share (EPS). The EPS target for the first measurement period was also resolved by the Board of Directors.

The target group of the Plan for the performance period 2020–2022 consists of a maximum of 170 key employees of the Konecranes group.

Additional information, including essential terms and conditions of the Plan, is available in the stock exchange release dated June 23, 2020.

## SHARE CAPITAL AND SHARES

On September 30, 2020 the company's registered share capital totaled EUR 30.1 million. On September 30, 2020, the number of shares including treasury shares totaled 79,221,906.

### TREASURY SHARES

On September 30, 2020, Konecranes Plc was in possession of 87,447 treasury shares, which corresponds to 0.1 percent of the total number of shares and which had on that date a market value of EUR 2.3 million.

On January 2, 2020, 2,500 treasury shares were conveyed without consideration to the key employees as a reward payment for the Vesting Period 2018–2019 of Konecranes Restricted Share Unit Plan 2017.

On February 7, 2020, 300,000 new shares were issued in the company to the company itself without consideration. The new shares issued were registered with the Trade Register on February 25, 2020.

On February 27, 2020, 10,874 treasury shares were conveyed without consideration to the employees as a reward payment for the Savings Period 2016–2017 of Konecranes Employee Share Savings Plan.

On March 11, 2020, 280,659 treasury shares were conveyed without consideration to the key employees as a reward payment for the Performance Period 2017–2019 of Konecranes Performance Share Plan 2017.

On September 1, 2020, 1,000 treasury shares were conveyed without consideration to the key employee as a reward payment for the Konecranes Restricted Share Unit Plan 2017.

### MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on September 30, 2020 was EUR 26.76. The volume-weighted average share price in January–September 2020 was EUR 21.81, the highest price being EUR 33.08 in February and the lowest EUR 14.05 in March. In January–September, the trading volume on the Nasdaq Helsinki totaled 67.2 million, corresponding to a turnover of approximately EUR 1,466.5 million. The average daily trading volume was

355,810 shares representing an average daily turnover of EUR 7.8 million.

In addition, according to Fidessa, approximately 75.7 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in January–September 2020.

On September 30, 2020, the total market capitalization of Konecranes Plc was EUR 2,120.0 million including treasury shares. The market capitalization was EUR 2,117.6 million excluding treasury shares.

### NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In January–September 2020, Konecranes received the following notifications of major shareholdings.

Date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %	Total, shares
February 25, 2020	HC Holding Oy Ab	Below 10%	9.97		9.97	7,901,238
March 11, 2020	HC Holding Oy Ab	Above 10%	10.01		10.01	7,931,238

### RISKS AND UNCERTAINTIES

Global pandemics, such as COVID-19, have and may have a negative impact on Konecranes' customers and its own operations. Physical restrictions on the daily conduct of people and businesses can lead to lower revenue recognition and adversely impact cash flow. Physical restrictions may also lead to component shortages and inventory obsolescence. Furthermore, global pandemics can increase the likelihood of weaker demand conditions and, as a result, may lead to overcapacity and credit losses.

Konecranes operates in emerging countries that face political, economic, and regulatory uncertainties. Adverse changes in the operating environment of these countries may result in currency losses, elevated delivery costs, or loss of assets. Konecranes operates a crane factory in Zaporozhye, Ukraine.

The operations in emerging countries have had a negative impact on the aging structure of accounts receivable and may increase credit losses or the need for higher provisions for doubtful accounts.

Political risks and uncertainties have also increased outside the emerging countries due to the emergence of populism, patriotism and protectionism in a number of Western economies. This has led and can lead to further increases in tariffs on imported goods, such as components that Konecranes manufactures centrally before exporting them to most of the countries in which it operates. The resulting tariffs may result in a decrease in profitability.

Konecranes has made several acquisitions and expanded organically into new countries. A failure to integrate the acquired businesses, MHPS and MHE-Demag in particular, or grow newly established operations may result in a decrease in profitability and impairment of goodwill and other assets.

One of the key strategic initiatives of Konecranes is oneKONECRANES. This initiative involves a major capital expenditure on information systems. A higher-than-expected development or implementation costs, or a failure to extract business benefits from new processes and systems may lead to an impairment of assets or decrease in profitability.

Konecranes delivers projects, which involve risks related, for example, to engineering and project execution with Konecranes' suppliers. A failure to plan or manage these projects may lead to higher-than-estimated costs or disputes with customers.

Challenges in financing, e.g. due to currency fluctuations, may force customers to postpone projects or even cancel the existing orders. Konecranes intends to avoid incurring costs for major projects under construction in excess of advance payments. However, it is possible that the cost-related commitments in some projects temporarily exceed the amount of advance payments.

The Group's other risks are presented in the Notes to the Financial Statements and the Governance Supplement to the Annual Report.



## EVENTS AFTER THE END OF THE REPORTING PERIOD

### Merger of Konecranes Plc and Cargotec Corporation

On October 1, 2020 Konecranes Plc (“Konecranes”) and Cargotec Corporation (“Cargotec”) announced that their respective Boards of Directors signed a combination agreement and a merger plan to combine the two companies through a merger.

The combination is subject to, among other items, approval by a majority of two-thirds of votes cast and shares represented at the respective EGMs of Konecranes and Cargotec, and the obtaining of merger control approvals. Completion is expected in the fourth quarter of 2021, subject to all conditions for completion being fulfilled. Until the completion, both companies will operate as independent and separate entities.

For additional information, please see the merger announcement stock exchange release dated October 1, 2020, including the merger plan.

### Restricted Share Unit Plan 2020

On October 27, 2020, Konecranes announced that the Board of Directors had decided to establish a share-based incentive plan, Restricted Share Unit Plan 2020, for the Group key employees. The Plan is intended for selected key employees only, approximately 100 employees, including the Konecranes Leadership Team members.

Additional information, including essential terms and conditions of the Plan, is available in the stock exchange release dated October 27, 2020.

### Changes in the Konecranes Leadership Team

On October 27, 2020, Konecranes announced that Topi Tiitola (b. 1969) has been appointed Senior Vice President, Integration and Project Management Office, and Member of the Konecranes Leadership Team.

As of November 1, 2020, the Konecranes Leadership Team will consist of the following members:

- Rob Smith, President and CEO
- Teo Ottola, CFO, Deputy CEO
- Fabio Fiorino, Executive Vice President, Business Area Service
- Carolin Paulus, Executive Vice President, Business Area Industrial Equipment
- Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Juha Pankakoski, Executive Vice President, Technologies
- Timo Leskinen, Senior Vice President, Human Resources
- Sirpa Poitsalo, Senior Vice President, General Counsel
- Topi Tiitola, Senior Vice President, Integration and Project Management Office.

## DEMAND OUTLOOK

The worldwide demand picture remains subject to significant volatility due to the COVID-19 pandemic. In Europe and North America, the current demand environment within the industrial customer segments has started to show signs of improvement but continues to be volatile and remains below the year-end 2019 level. While China’s demand conditions have improved from early 2020, demand environment in the rest of Asia-Pacific is weak.

While global container throughput has started to recover, many port operators continue to postpone decision-making in the current environment. However, long-term prospects related to container handling remain good overall.

## FINANCIAL GUIDANCE

Based on the current order book and demand environment, Konecranes expects the full-year 2020 net sales to decrease from the previous year. Konecranes expects the full-year 2020 adjusted EBITA margin to decrease compared to the previous year.

Espoo, October 28, 2020  
Konecranes Plc  
Board of Directors

**Important Notice**

Securities laws in the United States and in other jurisdictions restrict Konecranes from discussing or disclosing any information with respect to the contemplated merger of Konecranes and Cargotec (the “Merger”) further to the information disclosed in this report. Further information regarding the Merger can be found at <https://sustainablematerialflow.com/>. Until the completion of the Merger, Cargotec and Konecranes will carry out their respective businesses as separate and independent companies. The information contained in this report concerns only Konecranes.

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.

The information in this report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction and it does not constitute an offer of or an invitation by or on behalf of, Konecranes, or any other person, to purchase any securities.

The information in this report contains forward-looking statements, which are information on Konecranes’ current expectations and projections relating to its financial condition, results of operations, plans, objectives, future performance and business. All statements other than statements of historical fact included herein are forward-looking statements including, without limitation, those regarding:

- expectations for general economic development and market situation,
- expectations for general developments in the industry,
- expectations regarding customer industry profitability and investment willingness,
- expectations for company growth, development, and profitability,
- expectations regarding market demand for Konecranes’ products and services,
- expectations regarding the successful completion of acquisitions on a timely basis and Konecranes’ ability to achieve the set targets and synergies,
- expectations regarding competitive conditions and
- expectations regarding cost savings.

These statements may include, without limitation, any statements preceded by, followed by or including words such as “target,” “believe,” “expect,” “aim,” “intend,” “may,” “anticipate,” “estimate,” “plan,” “project,” “will,” “can have,” “likely,” “should,” “would,” “could” and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond Konecranes’ control that could cause Konecranes’ actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding Konecranes’ present and future business strategies and the environment in which it will operate in the future.

Information in this report, including but not limited to forward-looking statements, applies only as of the date of this document and is not intended to give any assurances as to future results.

# Consolidated statement of income

EUR million	Note	7–9/ 2020	7–9/ 2019	Change percent	1–9/ 2020	1–9/ 2019	Change percent	1–12/ 2019
<b>Sales</b>	7	<b>767.9</b>	<b>841.3</b>	<b>-8.7</b>	<b>2,242.1</b>	<b>2,393.6</b>	<b>-6.3</b>	<b>3,326.9</b>
Other operating income		2.7	2.9		6.4	12.3		19.6
Materials, supplies and subcontracting		-354.2	-388.0		-992.2	-1,039.9		-1,505.0
Personnel cost		-249.9	-252.0		-762.5	-776.6		-1,080.7
Depreciation and impairments	8	-32.5	-31.3		-100.0	-92.9		-123.6
Other operating expenses		-93.7	-155.0		-303.1	-413.2		-488.5
<b>Operating profit</b>		<b>40.3</b>	<b>17.9</b>	<b>124.7</b>	<b>90.8</b>	<b>83.2</b>	<b>9.1</b>	<b>148.7</b>
Share of associates' and joint ventures' result		0.0	0.6		20.9	-0.5		4.5
Financial income		18.0	0.9		28.5	5.7		2.5
Financial expenses		-22.7	-10.4		-46.2	-33.2		-37.2
<b>Profit before taxes</b>		<b>35.6</b>	<b>9.0</b>	<b>297.0</b>	<b>94.1</b>	<b>55.2</b>	<b>70.5</b>	<b>118.5</b>
Taxes	10	-9.7	-5.3		-26.3	-18.2		-35.7
<b>PROFIT FOR THE PERIOD</b>		<b>25.9</b>	<b>3.7</b>	<b>601.7</b>	<b>67.7</b>	<b>37.0</b>	<b>83.2</b>	<b>82.8</b>
<b>Profit for the period attributable to:</b>								
Shareholders of the parent company		25.8	3.0		67.5	35.9		81.0
Non-controlling interest		0.1	0.6		0.2	1.1		1.8
Earnings per share, basic (EUR)		0.33	0.04	747.0	0.85	0.46	87.5	1.03
Earnings per share, diluted (EUR)		0.33	0.04	747.0	0.85	0.46	87.5	1.03

## Consolidated statement of other comprehensive income

EUR million	7–9/ 2020	7–9/ 2019	1–9/ 2020	1–9/ 2019	1–12/ 2019
<b>Profit for the period</b>	<b>25.9</b>	<b>3.7</b>	<b>67.7</b>	<b>37.0</b>	<b>82.8</b>
<b>Items that can be reclassified into profit or loss</b>					
Cash flow hedges	5.8	-10.0	5.7	-11.1	-0.7
Exchange differences on translating foreign operations	-5.7	2.1	-14.7	7.9	6.8
Income tax relating to items that can be reclassified into profit or loss	-1.2	2.0	-1.1	2.2	0.2
<b>Items that cannot be reclassified into profit or loss</b>					
Re-measurement gains (losses) on defined benefit plans	0.0	0.0	0.0	0.0	-27.6
Income tax relating to items that cannot be reclassified into profit or loss	0.0	0.0	0.0	0.0	8.1
<b>Other comprehensive income for the period, net of tax</b>	<b>-1.1</b>	<b>-5.9</b>	<b>-10.2</b>	<b>-1.0</b>	<b>-13.2</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>24.8</b>	<b>-2.3</b>	<b>57.5</b>	<b>36.0</b>	<b>69.6</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders of the parent company	24.8	-3.0	57.8	35.1	67.4
Non-controlling interest	0.0	0.7	-0.2	0.9	2.2

# Consolidated balance sheet

EUR million

ASSETS	Note	30.9.2020	30.9.2019	31.12.2019
<b>Non-current assets</b>				
Goodwill		1,018.8	910.2	908.2
Intangible assets		544.3	542.9	531.6
Property, plant and equipment		338.0	334.3	332.8
Advance payments and construction in progress		24.6	14.3	15.7
Investments accounted for using the equity method		6.3	69.0	73.9
Other non-current assets		0.8	0.8	0.9
Deferred tax assets		119.7	121.4	123.4
<b>Total non-current assets</b>		<b>2,052.5</b>	<b>1,992.9</b>	<b>1,986.5</b>
<b>Current assets</b>				
Inventories				
Raw material and semi-manufactured goods		306.8	299.4	298.4
Work in progress		454.1	415.5	339.1
Advance payments		17.2	27.6	21.2
Total inventories		778.2	742.6	658.7
Accounts receivable		459.4	509.0	530.4
Other receivables		35.6	36.2	33.0
Loans receivable		0.7	0.7	0.7
Income tax receivables		37.4	39.4	30.5
Receivable arising from percentage of completion method	7	119.9	148.2	167.8
Other financial assets		24.3	5.7	8.1
Deferred assets		73.8	53.8	60.3
Cash and cash equivalents		522.4	182.8	378.2
<b>Total current assets</b>		<b>2,051.7</b>	<b>1,718.4</b>	<b>1,867.7</b>
<b>Assets held for sale</b>		<b>0.0</b>	<b>27.4</b>	<b>0.0</b>
<b>TOTAL ASSETS</b>		<b>4,104.2</b>	<b>3,738.7</b>	<b>3,854.2</b>

# Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	30.9.2020	30.9.2019	31.12.2019
<b>Equity attributable to equity holders of the parent company</b>				
Share capital		30.1	30.1	30.1
Share premium		39.3	39.3	39.3
Paid in capital		752.7	752.7	752.7
Fair value reserves	14	4.1	-8.8	-0.5
Translation difference		-10.6	5.2	3.7
Other reserve		57.4	64.9	58.8
Retained earnings		258.4	292.1	272.4
Net profit for the period		67.5	35.9	81.0
<b>Total equity attributable to equity holders of the parent company</b>		<b>1,198.9</b>	<b>1,211.4</b>	<b>1,237.5</b>
Non-controlling interest		8.6	19.0	9.2
<b>Total equity</b>		<b>1,207.5</b>	<b>1,230.4</b>	<b>1,246.7</b>
<b>Non-current liabilities</b>				
Interest-bearing liabilities	13	937.0	652.0	785.8
Other long-term liabilities		286.0	266.7	290.4
Provisions		17.2	21.0	19.1
Deferred tax liabilities		149.4	138.3	143.1
<b>Total non-current liabilities</b>		<b>1,389.7</b>	<b>1,078.0</b>	<b>1,238.4</b>
<b>Current liabilities</b>				
Interest-bearing liabilities	13	328.7	209.5	248.4
Advance payments received	7	417.7	411.6	337.3
Accounts payable		211.1	206.0	236.2
Provisions		153.0	161.4	151.7
Other short-term liabilities (non-interest bearing)		52.2	45.6	44.3
Other financial liabilities		7.4	23.3	6.2
Income tax liabilities		16.8	26.0	14.6
Accrued costs related to delivered goods and services		144.8	163.5	156.0
Accruals		175.2	180.7	174.4
<b>Total current liabilities</b>		<b>1,507.0</b>	<b>1,427.6</b>	<b>1,369.1</b>
<b>Liabilities directly attributable to assets held for sale</b>		<b>0.0</b>	<b>2.6</b>	<b>0.0</b>
<b>Total liabilities</b>		<b>2,896.7</b>	<b>2,508.2</b>	<b>2,607.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,104.2</b>	<b>3,738.7</b>	<b>3,854.2</b>

# Consolidated statement of changes in equity

EUR million	Equity attributable to equity holders of the parent company				
	Share capital	Share premium	Paid in capital	Cash flow hedges	Translation difference
<b>Balance at 1 January, 2020</b>	<b>30.1</b>	<b>39.3</b>	<b>752.7</b>	<b>-0.5</b>	<b>3.7</b>
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				4.5	-14.3
Total comprehensive income				4.5	-14.3
<b>Balance at 30 September, 2020</b>	<b>30.1</b>	<b>39.3</b>	<b>752.7</b>	<b>4.1</b>	<b>-10.6</b>
<b>Balance at 1 January, 2019</b>	<b>30.1</b>	<b>39.3</b>	<b>752.7</b>	<b>0.1</b>	<b>-2.8</b>
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-8.8	8.0
Total comprehensive income				-8.8	8.0
<b>Balance at 30 September, 2019</b>	<b>30.1</b>	<b>39.3</b>	<b>752.7</b>	<b>-8.8</b>	<b>5.2</b>

EUR million	Equity attributable to equity holders of the parent company				Total equity
	Other Reserve	Retained earnings	Total	Non-controlling interest	
<b>Balance at 1 January, 2020</b>	<b>58.8</b>	<b>353.4</b>	<b>1,237.5</b>	<b>9.2</b>	<b>1,246.7</b>
Dividends paid to equity holders		-95.0	-95.0	-0.3	-95.2
Equity-settled share based payments	-1.5	0.0	-1.5		-1.5
Acquisitions		0.0	0.0	0.0	0.0
Profit for the period		67.5	67.5	0.2	67.7
Other comprehensive income		0.0	-9.8	-0.4	-10.2
Total comprehensive income	0.0	67.5	57.7	-0.2	57.5
<b>Balance at 30 September, 2020</b>	<b>57.3</b>	<b>325.9</b>	<b>1,198.9</b>	<b>8.6</b>	<b>1,207.5</b>
<b>Balance at 1 January, 2019</b>	<b>55.2</b>	<b>391.2</b>	<b>1,265.8</b>	<b>18.4</b>	<b>1,284.1</b>
Change in accounting principles (IFRS 16)		-4.5	-4.5		-4.5
<b>Balance at 1 January, 2019, restated</b>	<b>55.2</b>	<b>386.7</b>	<b>1,261.3</b>	<b>18.4</b>	<b>1,279.6</b>
Dividends paid to equity holders		-94.6	-94.6	-0.3	-94.9
Equity-settled share based payments	9.7	0.0	9.7		9.7
Profit for the period		35.9	35.9	1.1	37.0
Other comprehensive income		0.0	-0.8	-0.2	-1.0
Total comprehensive income	0.0	35.9	35.1	0.9	36.0
<b>Balance at 30 September, 2019</b>	<b>64.9</b>	<b>327.9</b>	<b>1,211.4</b>	<b>19.0</b>	<b>1,230.4</b>

# Consolidated cash flow statement

EUR million	1–9/2020	1–9/2019	1–12/2019
<b>Cash flow from operating activities</b>			
Profit for the period	67.7	37.0	82.8
Adjustments to net income			
Taxes	26.3	18.2	35.7
Financial income and expenses	17.7	27.5	34.7
Share of associates' and joint ventures' result	-20.9	0.5	-4.5
Depreciation and impairments	100.0	92.9	123.6
Profits and losses on sale of fixed assets and businesses	-1.2	-4.9	-0.5
Other adjustments	-0.6	9.4	3.2
<b>Operating income before change in net working capital</b>	<b>188.9</b>	<b>180.7</b>	<b>275.0</b>
Change in interest-free current receivables	133.6	2.5	-40.3
Change in inventories	-90.2	-100.3	-18.9
Change in interest-free current liabilities	16.8	109.2	46.7
<b>Change in net working capital</b>	<b>60.3</b>	<b>11.4</b>	<b>-12.5</b>
<b>Cash flow from operations before financing items and taxes</b>	<b>249.2</b>	<b>192.1</b>	<b>262.5</b>
Interest received	14.9	20.4	26.5
Interest paid	-28.0	-34.6	-46.1
Other financial income and expenses	13.5	-12.4	-24.2
Income taxes paid	-30.5	-32.8	-45.9
<b>Financing items and taxes</b>	<b>-30.2</b>	<b>-59.4</b>	<b>-89.7</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>219.0</b>	<b>132.7</b>	<b>172.8</b>
<b>Cash flow from investing activities</b>			
Acquisition of Group companies, net of cash	-124.1	-2.8	-3.1
Divestment of Businesses, net of cash	0.0	0.0	4.2
Capital expenditures	-31.6	-31.8	-40.7
Proceeds from sale of property, plant and equipment	1.5	14.8	16.4
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-154.1</b>	<b>-19.8</b>	<b>-23.2</b>
<b>Cash flow before financing activities</b>	<b>64.8</b>	<b>112.9</b>	<b>149.6</b>
<b>Cash flow from financing activities</b>			
Proceeds from non-current borrowings	151.7	0.0	140.0
Repayments of non-current borrowings	-2.5	-20.7	-20.6
Repayments of lease liability	-31.5	-31.6	-44.3
Proceeds from (+), payments of (-) current borrowings	70.7	-13.5	19.6
Change in loans receivable	0.2	0.0	-0.1
Dividends paid to equity holders of the parent	-95.0	-94.6	-94.6
Dividends paid to non-controlling interests	-0.3	-0.3	-4.5
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>93.4</b>	<b>-160.8</b>	<b>-4.5</b>
Translation differences in cash	-14.0	4.0	2.6
<b>CHANGE OF CASH AND CASH EQUIVALENTS</b>	<b>144.2</b>	<b>-43.9</b>	<b>147.7</b>
Cash and cash equivalents at beginning of period	378.2	230.5	230.5
Cash and cash equivalents in assets held for sale	0.0	3.8	0.0
Cash and cash equivalents at end of period	522.4	182.8	378.2
<b>CHANGE OF CASH AND CASH EQUIVALENTS</b>	<b>144.2</b>	<b>-43.9</b>	<b>147.7</b>

The effect of changes in exchange rates has been eliminated by converting the beginning balance at the rates current on the last day of the reporting period.

**FREE CASH FLOW (alternative performance measure)**

EUR million	1-9/2020	1-9/2019	1-12/2019
Net cash from operating activities	219.0	132.7	172.8
Capital expenditures	-31.6	-31.8	-40.7
Proceeds from sale of property, plant and equipment	1.5	14.8	16.4
<b>Free cash flow</b>	<b>188.9</b>	<b>115.7</b>	<b>148.5</b>

## Notes

### 1. CORPORATE INFORMATION

Konecranes Plc (“Konecranes Group” or “the Group”) is a Finnish public limited company organized under the laws of Finland and domiciled in Hyvinkää. The company is listed on the NASDAQ Helsinki.

Konecranes is a world-leading manufacturer and servicer of cranes, lifting equipment and machine tools, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes operates internationally, with its products being manufactured in North and South America, Europe, Africa, the Middle East, and Asia and sold worldwide. Konecranes has three operating segments, which it calls Business Areas: Business Area Service, Business Area Industrial Equipment and Business Area Port Solutions.

### 2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of Konecranes Plc for nine months ending 30.9.2020 and 30.9.2019 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as of December 31, 2019. The unaudited interim condensed consolidated financial statements including notes thereto are presented in millions of euros and all values are rounded to the nearest million (€ 000 000) except when otherwise indicated.

### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with IFRS requires management to make estimates and

judgments that affect the valuation of reported assets and liabilities and other information, such as contingent liabilities and recognition of income and expenses in the statement of income. These assumptions, estimates and judgments are based on management’s historical experience, best knowledge about the events and other factors, such as expectations on future events, which are assessed to be reasonable in the given circumstances. Although these estimates and judgments are based on the management’s best understanding of current events and circumstances, actual results may differ from the estimates. Possible changes in estimates and assumptions are recognized in the financial reporting period the estimate or assumption is changed.

Konecranes reviews its customer credit risks related to accounts receivable and ongoing projects as part of normal quarterly reporting process. Provision has been prepared based on the historical credit loss pattern but it is also adjusted case by case with forward-looking risk positions. There has not yet been any significant change in payment delays related to customer receivables, but credit risks might increase in case the Covid-19 pandemic continues for longer period. To limit this risk, the Group applies a conservative credit policy towards customers. It is Konecranes practice to review customers carefully before entering into formal business relationships and to require credit reports from new customers. Customer credit risks are mitigated with advance payments, letters of credits, payment guarantees and credit insurance where applicable.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The Company’s accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2019.



## Notes

### 5. ACQUISITIONS

On December 5, 2019 Konecranes signed an agreement to acquire from Jebsen & Jensen its 50% share in MHE-Demag. The transaction was closed on January 2, 2020 and the purchase price consideration was EUR 148.3 million. After the acquisition Konecranes holds 100% of the shares in the company.

MHE-Demag is a leading supplier of industrial cranes and services in Southeast Asia under the MHE and Demag brands, engineering, manufacturing and maintaining a comprehensive range of industrial cranes and hoists. Its customized solutions serve a wide range of industries and customers from general manufacturing to aerospace. MHE-Demag also provides warehousing equipment such as lift trucks and dock levelers, aerial work platforms, building maintenance units and compact construction equipment, as well as automated car parking systems. With the acquisition, Konecranes increases its presence and market coverage in strategically important and fast-growing Southeast Asia. MHE-Demag has approximately 1,800 employees, including some 700 service engineers. MHE-Demag operates 11 factories and more than 70 service locations throughout Southeast Asia and is headquartered in Singapore. MHE-Demag runs own operations in Australia, Indonesia, Malaysia, Singapore, the Philippines, Taiwan, Thailand and Vietnam. In addition, MHE-Demag has distribution through resellers in several countries including Brunei, Cambodia, Laos, Mongolia, Myanmar, Papua New Guinea and Timor-Leste.

In 2019, MHE-Demag's net sales were approximately SGD 296 million (EUR 196 million) and EBITA approximately SGD 21 million (EUR 14 million). Konecranes is the main supplier to MHE-Demag, selling crane components under the Demag brand name. Konecranes sales to MHE-Demag in 2019 was approximately EUR 27 million.

Konecranes remeasured its previously held equity interest in MHE-Demag at its acquisition date fair value and recognised the EUR 21.1 million gain in share of associates' and joint ventures' result row of statement of income. Under the acquisition method of accounting, the total purchase price is allocated to the tangible and identified intangible assets acquired and liabilities assumed based on their fair values as of the date of acquisition. The intangible assets consist of customer relationships, sales order backlog and trade name. The accumulated transaction costs were EUR 0.9 million during 2019. The fair values of acquired businesses are as follows:

EUR million	Fair value
<b>Intangible assets</b>	
Clientele	36.1
Trademark	2.1
Other intangible assets	10.2
Property, plant and equipment	38.9
Deferred tax assets	4.2
Inventories	43.4
Accounts receivable	50.3
Other assets	23.7
Cash and cash equivalents	17.6
<b>Total assets</b>	<b>226.6</b>
Deferred tax liabilities	12.5
Defined benefit plans	1.0
Other long-term liabilities	11.1
Accounts payable and other current liabilities	79.4
<b>Total liabilities</b>	<b>104.1</b>
<b>Net assets</b>	<b>122.6</b>
Purchase consideration, paid in cash	141.7
Purchase consideration, deferred	6.6
Earlier non-controlling interest in associated company	67.8
Fair value increase to non-controlling interest	21.1
<b>Acquisition cost</b>	<b>237.2</b>
<b>Goodwill</b>	<b>114.7</b>
<b>Cash flow on acquisition</b>	
Purchase consideration, paid in cash	141.7
Purchase consideration, deferred	6.6
Transaction costs	-0.9
Cash and cash equivalents in acquired companies	-17.6
<b>Net cash flow arising on acquisition</b>	<b>129.8</b>
<b>Goodwill allocation to Cash Generating Units:</b>	
Industrial Cranes	99.9
Industrial Service	14.8
<b>Total</b>	<b>114.7</b>

# Notes

## 6. SEGMENT INFORMATION

### 6.1. Operating segments

EUR million

Orders received by Business Area	1–9/2020	% of total	1–9/2019	% of total	1–12/2019	% of total
Service <sup>1)</sup>	694.1	34	765.1	30	1,015.1	30
Industrial Equipment	739.9	37	935.2	36	1,251.5	37
Port Solutions <sup>1)</sup>	590.8	29	882.9	34	1,147.3	34
./. Internal	-140.8		-197.2		-246.5	
<b>Total</b>	<b>1,884.0</b>	<b>100</b>	<b>2,386.0</b>	<b>100</b>	<b>3,167.3</b>	<b>100</b>

<sup>1)</sup> Excl. Service Agreement Base

Order book total <sup>2)</sup>	30.9.2020	% of total	30.9.2019	% of total	31.12.2019	% of total
Service	230.2	13	245.5	13	215.7	12
Industrial Equipment	669.1	38	665.1	35	648.9	36
Port Solutions	843.6	48	1,012.6	53	959.7	53
<b>Total</b>	<b>1,742.8</b>	<b>100</b>	<b>1,923.2</b>	<b>100</b>	<b>1,824.3</b>	<b>100</b>

<sup>2)</sup> Percentage of completion deducted

Sales by Business Area	1–9/2020	% of total	1–9/2019	% of total	1–12/2019	% of total
Service	874.7	37	918.1	36	1,259.7	35
Industrial Equipment	806.6	34	849.5	33	1,185.5	33
Port Solutions	710.7	30	795.4	31	1,115.7	31
./. Internal	-149.9		-169.4		-234.1	
<b>Total</b>	<b>2,242.1</b>	<b>100</b>	<b>2,393.6</b>	<b>100</b>	<b>3,326.9</b>	<b>100</b>

Adjusted EBITA by Business Area	1–9/2020		1–9/2019		1–12/2019	
	MEUR	EBITA %	MEUR	EBITA %	MEUR	EBITA %
Service	144.6	16.5	147.2	16.0	208.5	16.6
Industrial Equipment	7.3	0.9	17.6	2.1	18.2	1.5
Port Solutions	31.1	4.4	55.1	6.9	86.9	7.8
Group costs and eliminations	-24.2		-32.1		-38.5	
<b>Total</b>	<b>158.7</b>	<b>7.1</b>	<b>187.8</b>	<b>7.8</b>	<b>275.1</b>	<b>8.3</b>

Operating profit (EBIT) by Business Area	1–9/2020		1–9/2019		1–12/2019	
	MEUR	EBIT %	MEUR	EBIT %	MEUR	EBIT %
Service	126.0	14.4	137.4	15.0	194.6	15.5
Industrial Equipment	-5.8	-0.7	-57.5	-6.8	-61.4	-5.2
Port Solutions	-0.1	0.0	47.1	5.9	71.3	6.4
Group costs and eliminations	-29.3		-43.8		-55.9	
<b>Total</b>	<b>90.8</b>	<b>4.0</b>	<b>83.2</b>	<b>3.5</b>	<b>148.7</b>	<b>4.5</b>

## Notes

	30.9.2020	30.9.2019	31.12.2019
	MEUR	MEUR	MEUR
<b>Business segment assets</b>			
Service	1,424.4	1,360.1	1,327.7
Industrial Equipment	930.0	917.3	863.3
Port Solutions	932.2	921.2	922.0
Unallocated items	817.5	540.2	741.2
<b>Total</b>	<b>4,104.2</b>	<b>3,738.7</b>	<b>3,854.2</b>

	30.9.2020	30.9.2019	31.12.2019
	MEUR	MEUR	MEUR
<b>Business segment liabilities</b>			
Service	190.5	215.7	194.1
Industrial Equipment	356.5	357.3	345.3
Port Solutions	439.4	435.4	417.7
Unallocated items	1,910.3	1,499.8	1,650.3
<b>Total</b>	<b>2,896.7</b>	<b>2,508.2</b>	<b>2,607.5</b>

<b>Personnel by Business Area (at the end of the period)</b>	30.9.2020	% of total	30.9.2019	% of total	31.12.2019	% of total
Service	8,051	47	7,680	47	7,762	48
Industrial Equipment	5,772	34	5,546	34	5,397	33
Port Solutions	3,021	18	2,895	18	2,938	18
Group staff	113	1	98	1	99	1
<b>Total</b>	<b>16,957</b>	<b>100</b>	<b>16,219</b>	<b>100</b>	<b>16,196</b>	<b>100</b>

# Notes

## Orders received by Business Area, Quarters

	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service <sup>1)</sup>	218.9	209.1	266.1	250.0	256.4	253.2	255.4
Industrial Equipment	226.8	234.9	278.2	316.3	284.0	330.0	321.2
Port Solutions <sup>1)</sup>	163.3	184.2	243.2	264.4	249.0	304.0	329.9
./. Internal	-43.6	-46.7	-50.5	-49.3	-74.3	-64.5	-58.4
<b>Total</b>	<b>565.5</b>	<b>581.5</b>	<b>737.0</b>	<b>781.3</b>	<b>715.3</b>	<b>822.7</b>	<b>848.1</b>

<sup>1)</sup> Excl. Service Agreement Base

## Order book by Business Area, Quarters

	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	230.2	249.8	256.9	215.7	245.5	236.8	234.1
Industrial Equipment	669.1	725.4	754.5	648.9	665.1	668.5	639.4
Port Solutions	843.6	929.4	949.9	959.7	1,012.6	1,062.5	1,004.0
<b>Total</b>	<b>1,742.8</b>	<b>1,904.5</b>	<b>1,961.3</b>	<b>1,824.3</b>	<b>1,923.2</b>	<b>1,967.8</b>	<b>1,877.6</b>

## Sales by Business Area, Quarters

	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	294.6	276.5	303.7	341.6	312.1	308.9	297.1
Industrial Equipment	270.1	269.9	266.6	336.0	281.7	293.2	274.6
Port Solutions	250.2	207.9	252.6	320.3	305.6	248.0	241.8
./. Internal	-47.0	-49.7	-53.3	-64.7	-58.2	-56.0	-55.2
<b>Total</b>	<b>767.9</b>	<b>704.7</b>	<b>769.6</b>	<b>933.3</b>	<b>841.3</b>	<b>794.0</b>	<b>758.2</b>

## Adjusted EBITA by Business Area, Quarters

	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	55.1	47.6	41.9	61.4	50.6	49.7	46.8
Industrial Equipment	13.4	4.5	-10.6	0.6	8.3	8.5	0.8
Port Solutions	17.8	13.3	0.0	31.7	25.0	19.5	10.6
Group costs and eliminations	-6.1	-7.9	-10.2	-6.4	-11.5	-10.7	-9.9
<b>Total</b>	<b>80.1</b>	<b>57.5</b>	<b>21.1</b>	<b>87.3</b>	<b>72.4</b>	<b>67.0</b>	<b>48.3</b>

## Adjusted EBITA margin by Business Area, Quarters

	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	18.7	17.2	13.8	18.0	16.2	16.1	15.7
Industrial Equipment	5.0	1.7	-4.0	0.2	2.9	2.9	0.3
Port Solutions	7.1	6.4	0.0	9.9	8.2	7.9	4.4
<b>Group EBITA margin total</b>	<b>10.4</b>	<b>8.2</b>	<b>2.7</b>	<b>9.4</b>	<b>8.6</b>	<b>8.4</b>	<b>6.4</b>

## Personnel by Business Area, Quarters (at the end of the period)

	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	8,051	8,271	8,657	7,762	7,680	7,563	7,527
Industrial Equipment	5,772	5,874	6,030	5,397	5,546	5,537	5,502
Port Solutions	3,021	3,017	3,052	2,938	2,895	2,864	2,849
Group staff	113	108	111	99	98	94	93
<b>Total</b>	<b>16,957</b>	<b>17,270</b>	<b>17,850</b>	<b>16,196</b>	<b>16,219</b>	<b>16,058</b>	<b>15,971</b>

# Notes

## 6.2. Geographical areas

### EUR million

Sales by market	1–9/2020	% of total	1–9/2019	% of total	1–12/2019	% of total
Europe-Middle East-Africa (EMEA)	1,165.4	52	1,238.6	52	1,714.1	52
Americas (AME)	725.7	32	832.4	35	1,145.8	34
Asia-Pacific (APAC)	351.1	16	322.6	13	467.0	14
<b>Total</b>	<b>2,242.1</b>	<b>100</b>	<b>2,393.6</b>	<b>100</b>	<b>3,326.9</b>	<b>100</b>

Personnel by region (at the end of the period)	30.9.2020	% of total	30.9.2019	% of total	31.12.2019	% of total
Europe-Middle East-Africa (EMEA)	9,817	58	10,119	62	10,126	63
Americas (AME)	2,880	17	3,314	20	3,319	20
Asia-Pacific (APAC)	4,260	25	2,786	17	2,751	17
<b>Total</b>	<b>16,957</b>	<b>100</b>	<b>16,219</b>	<b>100</b>	<b>16,196</b>	<b>100</b>

Sales by market, Quarters	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Europe-Middle East-Africa (EMEA)	402.0	359.3	404.1	475.5	444.8	408.3	385.5
Americas (AME)	231.4	230.5	263.8	313.4	291.3	281.9	259.2
Asia-Pacific (APAC)	134.5	114.9	101.6	144.4	105.2	103.8	113.6
<b>Total</b>	<b>767.9</b>	<b>704.7</b>	<b>769.6</b>	<b>933.3</b>	<b>841.3</b>	<b>794.0</b>	<b>758.2</b>

Personnel by region, Quarters (at the end of the period)	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Europe-Middle East-Africa (EMEA)	9,817	9,923	10,131	10,126	10,119	10,028	9,966
Americas (AME)	2,880	3,002	3,200	3,319	3,314	3,237	3,231
Asia-Pacific (APAC)	4,260	4,345	4,519	2,751	2,786	2,793	2,774
<b>Total</b>	<b>16,957</b>	<b>17,270</b>	<b>17,850</b>	<b>16,196</b>	<b>16,219</b>	<b>16,058</b>	<b>15,971</b>

# Notes

## 7. CONTRACT ASSETS AND LIABILITIES (Percentage of completion method and advances received)

EUR million	30.9.2020	30.9.2019	31.12.2019
The cumulative revenues of non-delivered projects	629.7	529.9	570.7
Advances received netted	509.8	381.7	402.9
<b>Total</b>	<b>119.9</b>	<b>148.2</b>	<b>167.8</b>
Gross advance received from percentage of completion method	573.9	447.0	433.3
Advances received netted	509.8	381.7	402.9
<b>Total</b>	<b>64.1</b>	<b>65.4</b>	<b>30.4</b>

Net sales recognized under the percentage of completion method amounted EUR 386.5 million in 1–9/2020 (EUR 302.2 million in 1–9/2019).

Contract assets relate to receivable arising from percentage of completion method. Net asset balances are balances where the sum of contract costs, recognized profits and recognized losses exceed progress billings. Where progress billings exceed the sum of contract costs, recognized profits and recognized losses these liabilities are included in the line item contract liabilities.

Advance payments received	30.9.2020	30.9.2019	31.12.2019
Advance received from percentage of completion method (netted)	64.1	65.4	30.4
Other advance received from customers	353.6	346.2	306.9
<b>Total</b>	<b>417.7</b>	<b>411.6</b>	<b>337.3</b>

## 8. IMPAIRMENTS

EUR million	1–9/2020	1–9/2019	1–12/2019
Property, plant and equipment	1.0	0.8	0.8
<b>Total</b>	<b>1.0</b>	<b>0.8</b>	<b>0.8</b>

All impairments in 2020 and 2019 relate to restructuring actions.

### Impairment testing

Konecranes has prepared preliminary impairment calculations during the second and third quarter of the year due to Covid-19 pandemic and its effect to business.

The recoverable amounts of the CGUs are determined based on value in use calculations using the discounted cash flow method. The forecasting period of cash flows is five years and it is based on financial forecasts of the management responsible for that CGU, and adjusted by Group management if needed. The forecasts have been made based on the CGU specific historical data, order book, the current market situation and industry specific information of the future growth possibilities.

The discount rate applied to cash flow projections is the weighted average (pre-tax) cost of capital and is based on risk-free long-term government bond rates and market and industry specific risk premiums. These risk premiums are derived based on the business portfolio of companies which operate in a similar industry.

### Total goodwill in reportable segments

EUR million	fair value
Industrial Cranes	153.1
Agilon	3.9
<b>Goodwill in Industrial Equipment total</b>	<b>157.1</b>
Industrial Crane Service	658.2
Machine Tool Service	3.7
<b>Goodwill in Service total</b>	<b>661.9</b>
Port Cranes	163.4
Lift trucks	36.4
<b>Goodwill in Port Solutions total</b>	<b>199.8</b>
<b>Total goodwill in reportable segments 30.9.2020</b>	<b>1,018.8</b>

# Notes

## Sensitivity analyses

In addition to impairment testing using the base case assumptions, four separate sensitivity analyses were performed for each CGU:

- 1) A discount rate analysis where the discount rate was increased by 5% points
- 2) A Group management adjustment to the future profitability. The cash flow of each CGU was analyzed by the Group management. Based on the CGU specific historical data and future growth prospects the cash flows were decreased by 10% in each year including terminal year.

- 3) A higher discount rate (+5% points) analysis combined with lower (-10%) cash flows as mentioned above.
- 4) A decrease in the compound annual growth rate for the sales for each of the five forecasted years (-2% points) combined with the current discount rate.

The impairment testing performed did not result in any impairments being recognized and there was no indication of impairment of goodwill for any CGU from the sensitivity tests.

## 9. RESTRUCTURING COSTS

Konecranes has recorded EUR 37.8 million restructuring costs during 1–9/2020 (EUR 86.0 million in 1–9/2019) of which EUR 1.0 million was impairment of assets (EUR 0.8 million for 1–9/2019). The remaining EUR 36.8 million of restructuring cost is reported 1–9/2020 in personnel costs (EUR 25.4 million) and in other operating expenses (EUR 12.7 million) and profits on disposal of assets in other operating income (EUR 1.3 million).

## 10. INCOME TAXES

Taxes in statement of Income	1–9/2020	1–9/2019	1–12/2019
Local income taxes of group companies	29.9	24.2	32.3
Taxes from previous years	-2.9	-3.1	-1.8
Change in deferred taxes	-0.7	-2.9	5.2
<b>Total</b>	<b>26.3</b>	<b>18.2</b>	<b>35.7</b>

# Notes

## 11. KEY FIGURES

	30.9.2020	30.9.2019	Change %	31.12.2019
Earnings per share, basic (EUR)	0.85	0.46	87.5	1.03
Earnings per share, diluted (EUR)	0.85	0.46	87.5	1.03
<b>Alternative Performance Measures:</b>				
Return on capital employed, %, Rolling 12 Months (R12M)	7.9	6.1	29.5	6.3
Adjusted return on capital employed, %, Rolling 12 Months (R12M)	10.8	13.2	-18.2	12.7
Return on equity, %, Rolling 12 Months (R12M)	7.9	5.9	33.9	6.5
Equity per share (EUR)	15.15	15.37	-1.4	15.70
Interest-bearing net debt / Equity, %	61.5	54.8	12.2	52.6
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	2.2	1.9	15.8	1.8
Equity to asset ratio, %	32.8	37.0	-11.4	35.4
Investments total (excl. acquisitions), EUR million	25.9	32.2	-19.7	39.5
Interest-bearing net debt, EUR million	742.7	674.2	10.2	655.3
Net working capital, EUR million	425.4	399.7	6.4	446.0
Average number of personnel during the period	17,068	16,081	6.1	16,104
Average number of shares outstanding, basic	79,058,519	78,834,472	0.3	78,835,721
Average number of shares outstanding, diluted	79,058,519	78,834,472	0.3	78,835,721
Number of shares outstanding	79,134,459	78,839,426	0.4	78,839,426



# Notes

## Calculation of Alternative Performance Measures

Konecranes presents Alternative Performance Measures to reflect the underlying business performance and to enhance comparability between financial periods. Alternative Performance measures should not be considered as a substitute for measures of performance in accordance with the IFRS.

Return on equity (%):	=	$\frac{\text{Net profit for the period}}{\text{Total equity (average during the period)}}$	X 100
Return on capital employed (%):	=	$\frac{\text{Income before taxes + interest paid + other financing cost}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}}$	X 100
Adjusted return on capital employed (%):	=	$\frac{\text{Adjusted EBITA}}{\text{Total amount of equity and liabilities - non-interest bearing debts (average during the period)}}$	X 100
Equity to asset ratio, %:	=	$\frac{\text{Shareholders' equity}}{\text{Total amount of equity and liabilities - advance payment received}}$	X 100
Interest-bearing net debt / Equity, %:	=	$\frac{\text{Interest-bearing liabilities - liquid assets - loans receivable}}{\text{Total equity}}$	X 100
Equity per share:	=	$\frac{\text{Equity attributable to the shareholders of the parent company}}{\text{Number of shares outstanding}}$	
Net working capital:	=	Non interest-bearing current assets + deferred tax assets (excluding Purchase Price Allocation) - Non interest-bearing current liabilities - deferred tax liabilities (excluding Purchase Price Allocation) - provisions	
Interest-bearing net debt:	=	Interest-bearing liabilities (non current and current) - cash and cash equivalents - loans receivable (non current and current)	
Average number of personnel:	=	Calculated as average of number of personnel in quarters	
Number of shares outstanding:	=	Total number of shares - treasury shares	
EBITDA:	=	Operating profit + Depreciation, amortization and impairments	
EBITA:	=	Operating profit + Amortization and impairment of Purchase Price Allocations	

## Notes

Reconciliation of adjusted EBITDA, EBITA and Operating profit (EBIT)	1–9/2020	1–9/2019	1–12/2019
<b>Adjusted EBITDA</b>	<b>232.2</b>	<b>261.4</b>	<b>373.2</b>
Transaction costs	-3.2	0.0	-0.9
Restructuring costs (excluding impairments)	-36.9	-85.2	-99.9
Release of MHE-Demag purchase price allocation in inventories	-1.4	0.0	0.0
<b>EBITDA</b>	<b>190.7</b>	<b>176.1</b>	<b>272.3</b>
Depreciation, amortization and impairments	-100.0	-92.9	-123.6
<b>Operating profit (EBIT)</b>	<b>90.8</b>	<b>83.2</b>	<b>148.7</b>
<b>Adjusted EBITA</b>	<b>158.7</b>	<b>187.8</b>	<b>275.1</b>
Purchase price allocation amortization	-27.0	-18.5	-24.7
<b>Adjusted Operating profit (EBIT)</b>	<b>131.8</b>	<b>169.2</b>	<b>250.4</b>
Transaction costs	-3.2	0.0	-0.9
Restructuring costs	-37.8	-86.0	-100.7
<b>Operating profit (EBIT)</b>	<b>90.8</b>	<b>83.2</b>	<b>148.7</b>

Interest-bearing net debt	30.9.2020	30.9.2019	31.12.2019
Non current interest bearing liabilities	937.0	652.0	785.8
Current interest bearing liabilities	328.7	209.5	248.4
Loans receivable	-0.7	-0.7	-0.7
Net debt in assets held for sale	0.0	-3.8	0.0
Cash and cash equivalents	-522.4	-182.8	-378.2
<b>Interest-bearing net debt</b>	<b>742.7</b>	<b>674.2</b>	<b>655.3</b>

The period end exchange rates:	30.9.2020	30.9.2019	Change %	31.12.2019
USD - US dollar	1.171	1.089	-7.0	1.123
CAD - Canadian dollar	1.568	1.443	-8.0	1.460
GBP - Pound sterling	0.912	0.886	-2.9	0.851
CNY - Chinese yuan	7.972	7.778	-2.4	7.821
SGD - Singapore dollar	1.604	1.506	-6.1	1.511
SEK - Swedish krona	10.571	10.696	1.2	10.447
AUD - Australian dollar	1.644	1.613	-1.9	1.600

The period average exchange rates:	30.9.2020	30.9.2019	Change %	31.12.2019
USD - US dollar	1.125	1.124	-0.1	1.120
CAD - Canadian dollar	1.522	1.493	-1.9	1.486
GBP - Pound sterling	0.885	0.883	-0.2	0.878
CNY - Chinese yuan	7.866	7.713	-1.9	7.735
SGD - Singapore dollar	1.564	1.533	-2.0	1.527
SEK - Swedish krona	10.558	10.567	0.1	10.589
AUD - Australian dollar	1.663	1.608	-3.3	1.611

# Notes

## 12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	30.9.2020	30.9.2019	31.12.2019
For own commercial obligations			
Guarantees	595.6	568.0	629.5
Other	25.7	29.5	34.1
<b>Total</b>	<b>621.3</b>	<b>597.5</b>	<b>663.6</b>

### Guarantees

The guarantees are related to the fact that from time to time Konecranes provides customers with guarantees that guarantee the Company's obligations pursuant to the applicable customer contract. In sale of investment goods (machinery) the typical guarantees are the following:

- tender guarantees (bid bonds) given to the customer to secure the bidding process
- advance payment guarantees given to the customer to secure their down payment for project
- performance guarantees to secure customers over the Company's own performance in customer contracts, and
- warranty period guarantees to secure the correction of defects during the warranty period.

### Contingent liabilities relating to litigation

Various legal actions, claims and other proceedings are pending against the Group in various countries. These actions, claims and other proceedings are typical for this industry and consistent with a global business offering that encompasses a wide range of products and services. These matters involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn and asbestos legacy), employment, vehicles and other matters involving claims of general liability.

While the final outcome of these matters cannot be predicted with certainty, Konecranes is of the opinion, based on the information available to date and considering the grounds presented for such claims, the available insurance coverage and the reserves made, that the outcome of such actions, claims and other proceedings, if unfavorable, would not have a material, adverse impact on the financial condition of the Group.

# Notes

## 13. FINANCIAL ASSETS AND LIABILITIES

### 13.1. Carrying amount of financial assets and liabilities in the balance sheet

EUR million	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
<b>Financial assets 30.9.2020</b>				
<b>Current financial assets</b>				
Account and other receivables	0.0	0.0	495.7	495.7
Derivative financial instruments	6.2	18.1	0.0	24.3
Cash and cash equivalents	0.0	0.0	522.4	522.4
<b>Total</b>	<b>6.2</b>	<b>18.1</b>	<b>1,018.1</b>	<b>1,042.4</b>
<b>Financial liabilities 30.9.2020</b>				
<b>Non-current financial liabilities</b>				
Interest-bearing liabilities	0.0	0.0	937.0	937.0
Other payable	0.0	0.0	5.1	5.1
<b>Current financial liabilities</b>				
Interest-bearing liabilities	0.0	0.0	328.7	328.7
Derivative financial instruments	3.8	3.6	0.0	7.4
Accounts and other payable	0.0	0.0	263.3	263.3
<b>Total</b>	<b>3.8</b>	<b>3.6</b>	<b>1,534.1</b>	<b>1,541.6</b>

EUR million	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
<b>Financial assets 30.9.2019</b>				
<b>Current financial assets</b>				
Account and other receivables	0.0	0.0	536.1	536.1
Derivative financial instruments	4.7	0.9	0.0	5.7
Cash and cash equivalents	0.0	0.0	182.8	182.8
<b>Total</b>	<b>4.7</b>	<b>0.9</b>	<b>718.9</b>	<b>724.5</b>
<b>Financial liabilities 30.9.2019</b>				
<b>Non-current financial liabilities</b>				
Interest-bearing liabilities	0.0	0.0	652.0	652.0
Other payable	0.0	0.0	7.1	7.1
<b>Current financial liabilities</b>				
Interest-bearing liabilities	0.0	0.0	209.5	209.5
Derivative financial instruments	14.0	9.2	0.0	23.3
Accounts and other payable	0.0	0.0	251.4	251.4
<b>Total</b>	<b>14.0</b>	<b>9.2</b>	<b>1,120.1</b>	<b>1,143.4</b>

# Notes

EUR million	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
<b>Financial assets 31.12.2019</b>				
<b>Current financial assets</b>				
Account and other receivables	0.0	0.0	564.2	564.2
Derivative financial instruments	3.0	5.1	0.0	8.1
Cash and cash equivalents	0.0	0.0	378.2	378.2
<b>Total</b>	<b>3.0</b>	<b>5.1</b>	<b>942.4</b>	<b>950.5</b>
<b>Financial liabilities 31.12.2019</b>				
<b>Non-current financial liabilities</b>				
Interest-bearing liabilities	0.0	0.0	785.8	785.8
Other payable	0.0	0.0	6.8	6.8
<b>Current financial liabilities</b>				
Interest-bearing liabilities	0.0	0.0	248.4	248.4
Derivative financial instruments	4.4	1.8	0.0	6.2
Accounts and other payable	0.0	0.0	280.5	280.5
<b>Total</b>	<b>4.4</b>	<b>1.8</b>	<b>1,321.6</b>	<b>1,327.7</b>

At the end of the third quarter 2020, the Group's liquid cash reserves were higher than in normal circumstance, EUR 522.4 million (30.9.2019: EUR 186.6 million). For safeguarding the Group's cash position, the Group has established EUR 400 million committed revolving credit facility with an international loan syndication (2017–2024), which remained undrawn at the end of September 2020. In addition, the Group may draw short term financing from the domestic commercial paper markets within the EUR 500 million limit, for which EUR 268 million was utilized at the end of September 2020 (30.9.2019: EUR 162 million).

At the end of September 2020, the outstanding long-term loans were: EUR 400 million term loans, EUR 150 million Schuld-schein loan, EUR 250 million bond and EUR 37.5 million employment pension loan. The Schuldschein loan and term loans contains floating and fixed rate tranches and the bond yield is fixed with annual coupon payment. The weighted average interest rate for these loans and the bond is currently 1.30% per annum. The Group is in compliance with the quarterly monitored financial covenant (interest-bearing net debt/equity). No specific securities have been given for the loans. The Group continues to have healthy interest-bearing net debt / equity ratio of 61.5% (30.9.2019: 54.8%) which is in compliance with the financial covenants the Group has to comply with.

Derivatives are initially recorded in the balance sheet at fair value and subsequently measured at fair value at each balance sheet date. All derivatives are carried as assets when fair value is positive and liabilities when fair value is negative. Derivative instruments that are not designated as hedges (hedge accounting) are measured at fair value, and the change in fair value is recognized in the consolidated statement of income. When the derivative is designated as a hedge (hedge accounting) the effective part of the change in fair value is recognized in other comprehensive income. Any ineffective part is recognized in the consolidated statement of income. The foreign exchange forward contracts are measured based on the closing date's observable spot exchange rates and the quoted yield curves of the respective currencies. Interest rate swaps are measured based on present value of the cash flows, which are discounted based on the quoted yield curves.

## Notes

### 13.2 Fair values

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial assets and liabilities:

	Carrying amount 30.9.2020	Carrying amount 30.9.2019	Carrying amount 31.12.2019	Fair value 30.9.2020	Fair value 30.9.2019	Fair value 31.12.2019
<b>Financial assets</b>						
<b>Current financial assets</b>						
Account and other receivables	495.7	536.1	564.2	495.7	536.1	564.2
Derivative financial instruments	24.3	5.7	8.1	24.3	5.7	8.1
Cash and cash equivalents	522.4	182.8	378.2	522.4	182.8	378.2
<b>Total</b>	<b>1,042.4</b>	<b>724.5</b>	<b>950.5</b>	<b>1,042.4</b>	<b>724.5</b>	<b>950.5</b>
<b>Financial liabilities</b>						
<b>Non-current financial liabilities</b>						
Interest-bearing liabilities	937.0	652.0	785.8	941.4	664.2	795.7
Other payable	5.1	7.1	6.8	5.1	7.1	6.8
<b>Current financial liabilities</b>						
Interest-bearing liabilities	328.7	209.5	248.4	328.7	209.5	248.4
Derivative financial instruments	7.4	23.3	6.2	7.4	23.3	6.2
Accounts and other payable	263.3	251.4	280.5	263.3	251.4	279.8
<b>Total</b>	<b>1,541.6</b>	<b>1,143.4</b>	<b>1,327.7</b>	<b>1,546.0</b>	<b>1,155.6</b>	<b>1,337.0</b>

The management assessed that cash and short-term deposits, accounts receivable, accounts payable, bank overdrafts and other current payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and the risk characteristics of the loan.

# Notes

## 13.3 Hierarchy of fair values

	30.9.2020			30.9.2019			31.12.2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Financial assets</b>									
<b>Derivative financial instruments</b>									
Foreign exchange forward contracts	0.0	24.3	0.0	0.0	5.7	0.0	0.0	8.1	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>24.3</b>	<b>0.0</b>	<b>0.0</b>	<b>5.7</b>	<b>0.0</b>	<b>0.0</b>	<b>8.1</b>	<b>0.0</b>
<b>Other financial assets</b>									
Cash and cash equivalents	522.4	0.0	0.0	182.8	0.0	0.0	378.2	0.0	0.0
<b>Total</b>	<b>522.4</b>	<b>0.0</b>	<b>0.0</b>	<b>182.8</b>	<b>0.0</b>	<b>0.0</b>	<b>378.2</b>	<b>0.0</b>	<b>0.0</b>
<b>Total financial assets</b>	<b>522.4</b>	<b>24.3</b>	<b>0.0</b>	<b>182.8</b>	<b>5.7</b>	<b>0.0</b>	<b>378.2</b>	<b>8.1</b>	<b>0.0</b>
<b>Financial liabilities</b>									
<b>Derivative financial instruments</b>									
Foreign exchange forward contracts	0.0	7.4	0.0	0.0	23.3	0.0	0.0	6.2	0.0
<b>Total</b>	<b>0.0</b>	<b>7.4</b>	<b>0.0</b>	<b>0.0</b>	<b>23.3</b>	<b>0.0</b>	<b>0.0</b>	<b>6.2</b>	<b>0.0</b>
<b>Other financial liabilities</b>									
Interest bearing liabilities	0.0	1,265.8	0.0	0.0	861.5	0.0	0.0	1,034.2	0.0
Other payables	0.0	0.0	0.3	0.0	0.0	1.1	0.0	0.0	0.8
<b>Total</b>	<b>0.0</b>	<b>1,265.8</b>	<b>0.3</b>	<b>0.0</b>	<b>861.5</b>	<b>1.1</b>	<b>0.0</b>	<b>1,034.2</b>	<b>0.8</b>
<b>Total financial liabilities</b>	<b>0.0</b>	<b>1,273.2</b>	<b>0.3</b>	<b>0.0</b>	<b>884.8</b>	<b>1.1</b>	<b>0.0</b>	<b>1,040.4</b>	<b>0.8</b>

## 14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	30.9.2020	30.9.2020	30.9.2019	30.9.2019	31.12.2019	31.12.2019
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Foreign exchange forward contracts	1,183.1	16.8	1,050.6	-17.6	1,145.4	1.9
Currency options	10.3	0.0	0.0	0.0	21.4	0.0
<b>Total</b>	<b>1,193.3</b>	<b>16.8</b>	<b>1,050.6</b>	<b>-17.6</b>	<b>1,166.8</b>	<b>2.0</b>

### Derivatives not designated as hedging instruments

The Group enters into other foreign exchange and electricity forward contracts or currency options with the intention of reducing the risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

# Notes

## CASH FLOW HEDGES

### Foreign currency risk

Foreign exchange forward and option contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 26.5% of the Group's total hedged transaction flows. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

At the inception of these deals the Group assess whether the critical terms of the foreign currency forward contracts match the terms of the expected highly probable forecast transactions. On a quarterly basis the Group performs qualitative effectiveness test by checking that the hedging instrument is linked on the relevant assets and liabilities, projected business transactions or binding contracts according to the hedging strategy and that there are no related credit risks. Hedge ineffectiveness is recognized through profit or loss.

The cash flow hedges of the expected future sales and purchases in 2020 and 2019 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset relating to the hedging instruments, is included in OCI. The amounts recognized in OCI are shown in the table below and the reclassifications to profit or loss during the year are as shown in the consolidated statement of income.

### Fair value reserve of cash flow hedges

EUR million	30.9.2020	30.9.2019	31.12.2019
Balance as of January 1	-0.5	0.1	0.1
Gains and losses deferred to equity (fair value reserve)	5.7	-11.1	-0.7
Change in deferred taxes	-1.1	2.2	0.1
<b>Balance as of the end of period</b>	<b>4.1</b>	<b>-8.8</b>	<b>-0.5</b>

## 15. TRANSACTIONS WITH RELATED PARTIES

EUR million	1–9/2020	1–9/2019	1–12/2019
Sales of goods and services with associated companies and joint arrangements	13.7	36.1	46.5
Receivables from associated companies and joint arrangements	3.8	9.9	8.9
Purchases of goods and services from associated companies and joint arrangements	37.6	40.3	53.2
Liabilities to associated companies and joint arrangements	1.3	1.5	0.9



# Notes

## **16. SUBSEQUENT EVENTS**

On October 1, 2020 Konecranes Plc (“Konecranes”) and Cargotec Corporation (“Cargotec”) announced that their respective Boards of Directors signed a combination agreement and a merger plan to combine the two companies through a merger.

The combination is subject to, among other items, approval by a majority of two-thirds of votes cast and shares represented at the respective EGMs of Konecranes and Cargotec, and the obtaining of merger control approvals. Completion is expected in the fourth quarter of 2021, subject to all conditions for completion being fulfilled. Until the completion, both companies will operate as independent and separate entities.

**ANALYST AND PRESS BRIEFING**

A live international telephone conference for analysts, investors and media will be held on October 28, 2020, at 10:30 a.m. Finnish time. The interim report will be presented by Konecranes' President and CEO Rob Smith and CFO Teo Ottola.

Please see the press release dated October 14, 2020 for the conference call details.

**NEXT REPORT**

Konecranes Plc plans to publish Financial Statement Release 2020 on February 4, 2021.

KONECRANES PLC

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2019, Group sales totaled EUR 3.33 billion. Including MHE-Demag, the Group has around 17,000 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

[www.konecranes.com](http://www.konecranes.com)

