KONECRANES
Lifting Businesses™

Strong performance in a challenging market environment

Half-year financial report
January–June 2020

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Strong performance in a challenging market environment

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.

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

SECOND QUARTER HIGHLIGHTS

- Order intake EUR 581.5 million (822.7), -29.3 percent (-28.9 percent on a comparable currency basis), orders declined in all Business Areas. Excluding MHE-Demag, order intake declined 32.1 percent
- Service annual agreement base value increased 11.2 percent (+12.5 percent in comparable currencies) to EUR 282.9 million (254.4). Service order intake was EUR 209.1 million (253.2), -17.4 percent (-16.7 percent on a comparable currency basis). Excluding MHE-Demag, the annual agreement base value increased 6.3 percent while order intake in Service declined 21.8 percent
- Order book EUR 1,904.5 million (1,967.8) at the end of June, -3.2 percent (-2.7 percent on a comparable currency basis). Excluding MHE-Demag, the order book declined 10.0 percent
- Sales EUR 704.7 million (794.0), -11.3 percent (-10.7 percent on a comparable currency basis), sales declined in all Business Areas. Excluding MHE-Demag, sales declined 14.7 percent
- Adjusted EBITA margin 8.2 percent (8.4) and adjusted EBITA EUR 57.5 million (67.0); successful demand-supply balancing, cost flexing as well as progress on strategic initiatives almost offset the sales driven decline in the Group's adjusted EBITA
- Operating profit EUR 42.7 million (38.0), 6.1 percent of sales (4.8)
- Earnings per share (diluted) EUR 0.38 (0.25).

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–JUNE 2020 HIGHLIGHTS

- Order intake EUR 1,318.5 million (1,670.8), -21.1 percent (-21.0 percent on a comparable currency basis)
- Service order intake EUR 475.2 million (508.7), -6.6 percent (-6.6 percent on a comparable currency basis)
- Sales EUR 1,474.2 million (1,552.3), -5.0 percent (-4.8 percent on a comparable currency basis)
- Adjusted EBITA margin 5.3 percent (7.4) and adjusted EBITA EUR 78.6 million (115.4); the adjusted EBITA margin decreased in all three Business Areas
- Operating profit EUR 50.5 million (65.3), 3.4 percent of sales (4.2), restructuring costs totaling EUR 10.1 million (37.8)
- Earnings per share (diluted) EUR 0.53 (0.42)
- Free cash flow EUR 107.5 million (34.5)
- Net debt EUR 770.2 million (743.5) and gearing 62.8 percent (60.5).

DEMAND OUTLOOK

The worldwide demand picture remains subject to significant volatility due to the COVID-19 pandemic. The current demand environment within the industrial customer segments is showing signs of improvement in Europe and North America compared to Q2; yet remaining below the year-end 2019 level. At the moment, the demand environment in Europe is overall less volatile compared to North America. While China's demand conditions have improved from early 2020, demand environment in the rest of Asia-Pacific is weak.

Global container throughput has declined and many port operators are postponing decision-making in the current environment. However, long-term prospects related to container handling remain good overall.

Key figures

	Second quarter			First half year				
	4–6/2020	4–6/2019	Change %	1–6/2020	1–6/2019	Change %	R12M	1–12/2019
Orders received, MEUR	581.5	822.7	-29.3	1,318.5	1,670.8	-21.1	2,815.1	3,167.3
Order book at end of period, MEUR				1,904.5	1,967.8	-3.2		1,824.3
Sales total, MEUR	704.7	794.0	-11.3	1,474.2	1,552.3	-5.0	3,248.8	3,326.9
Adjusted EBITDA, MEUR [1)]	83.0	92.6	-10.3	129.0	164.7	-21.6	337.5	373.2
Adjusted EBITDA, % [1)]	11.8%	11.7%		8.8%	10.6%		10.4%	11.2%
Adjusted EBITA, MEUR [2)]	57.5	67.0	-14.2	78.6	115.4	-31.9	238.3	275.1
Adjusted EBITA, % [2)]	8.2%	8.4%		5.3%	7.4%		7.3%	8.3%
Adjusted operating profit, MEUR [1)]	48.5	60.9	-20.3	60.6	103.0	-41.2	207.9	250.4
Adjusted operating margin, % [1)]	6.9%	7.7%		4.1%	6.6%		6.4%	7.5%
Operating profit, MEUR	42.7	38.0	12.4	50.5	65.3	-22.7	133.9	148.7
Operating margin, %	6.1%	4.8%		3.4%	4.2%		4.1%	4.5%
Profit before taxes, MEUR	42.4	27.9	51.8	58.5	46.2	26.6	130.8	118.5
Net profit for the period, MEUR	30.3	20.1	50.8	41.8	33.3	25.7	91.3	82.8
Earnings per share, basic, EUR	0.38	0.25	54.9	0.53	0.42	26.5	1.14	1.03
Earnings per share, diluted, EUR	0.38	0.25	54.9	0.53	0.42	26.5	1.14	1.03
Interest-bearing net debt/Equity, %				62.8%	60.5%			52.6%
Net debt/Adjusted EBITDA, R12M [1)]				2.3	2.0			1.8
Return on capital employed, %							6.5%	6.3%
Adjusted return on capital employed, % [3)]							10.2%	12.7%
Free cash flow, MEUR	53.7	6.5		107.5	34.5		221.5	148.5
Average number of personnel during the period				17,105	16,035	6.7		16,104

[1)] Excluding adjustments, see also note 11 in the summary financial statements
[2)] Excluding adjustments and purchase price allocation amortization, see also note 11 in the summary financial statements
[3)] ROCE excluding adjustments, see also note 11 in the summary financial statements

President and CEO Rob Smith:

Konecranes reported strong Q2 results under extraordinary circumstances thanks to excellent teamwork and a performance focus throughout the company. Real-time demand-supply balancing and cost flexing, both enabled by our digital telemetry capabilities, as well as progressing our strategic initiatives delivered results in the quarter. With this performance, Konecranes is well positioned for the challenges to come as we continue to deal with the volatility and impact in our markets due to the COVID-19 virus.

The second quarter ended in a markedly different environment versus where it started. In April, many European countries and North America – our strongest regions – were in the midst of extensive physical restrictions and lockdowns due to the COVID-19 pandemic. Through the quarter the situation improved, as many countries were able to begin to ease their restrictions. In June, order intake in all our three business areas started to recover thanks to the improving overall market conditions, albeit with significant regional fluctuations.

Throughout the crisis, our focus has been on the safety of our employees and on supporting the mission-critical operations of our customers. Though lockdowns do not mean “no business”, our Q2 net sales were clearly impacted by the COVID-19 pandemic. Many of our customers limited access to their premises, affecting our ability to perform on-site service operations and deliver and install new equipment, resulting in an 11% net sales decrease versus a year ago, including MHE-Demag. Despite the market uncertainty we have not seen cancellations of significant orders in any of our Business Areas.

As the pandemic started to weigh on our business in late Q1 we rapidly responded, implementing actions to mitigate the impact on our business. Our TRUCONNECT crane utilization insights and digital telemetry have assisted us in real-time demand-supply balancing and in tailoring our service for our customers. Cost-flexing actions throughout our business have included temporary layoffs, reduced working hours, streamlined spending and permanent cost adjustments. The COVID-19 crisis recovery will not be straightforward, and continued challenges are likely such as reoccurring customer site access restrictions. We continue to follow the situation carefully, balancing our operations and aligning our cost base.

On top of mitigating the impact of the COVID-19 pandemic, we have progressed our strategic initiatives – Service revenue and profitability growth, Industrial Equipment profitability improvement as well as project management, lean operations and procurement excellence – introduced in connection with our Q1 report. These initiatives are delivering results, some already visible in the second quarter. We look forward to expanding on these topics in the coming quarters and plan on hosting a Konecranes strategy presentation in Q4.

This successful and fast response to the changes in the demand environment, as well as progress in our strategic initiatives, resulted in a Q2 adjusted EBITA margin of 8.2%. This is close to our profitability from a year ago, and a strong performance in the middle of the crisis. I would like to take this opportunity to thank all Konecranes employees for their impressive commitment and focus on safety and our customers. Thank you!

Our Service business profitability returned to a growth path with an improvement of 1.1pp in adjusted EBITA margin versus a year ago, rising to 17.2% - showing sequential improvement as well, up from 13.8% in Q1. The agreement base value also grew both year-on-year and sequentially despite the challenging market environment, proving our ability to tap the long-term growth opportunity even in the middle of a pandemic.

Many of our strategic initiatives target the improvement of our Industrial Equipment business, which was able to turn its profitability around this quarter with a 1.7% adjusted EBITA margin versus a margin of -4% in Q1. Net sales increased slightly on a sequential basis, exceeding our expectations due to the easing of physical access restrictions in China and some European countries. There is still a lot of work to be done in terms of fixing this underperforming business, but initial results are on a good way.

Port Solutions ended the quarter with a 6.4% adjusted EBITA margin – a clear improvement compared to Q1. Net sales declined both year-on-year and sequentially due to travel restrictions and site access limitations. Order intake also decreased year-on-year and sequentially. While market volatility and declining container volumes have made some port customers more cautious, we continue to consider the long-term positive prospects of the business largely unchanged.

Looking ahead, we will continue to drive efficiency improvements throughout the company. We have reached an agreement with employee representatives and unions on discontinuance of reach stacker production at our Montceau-les-Mines site in France. We are also identifying opportunities for business process efficiency improvement within our admin and group functions. The COVID-19 pandemic has accelerated the need to examine all facets of our business to ensure our cost base is aligned with the reduced and uncertain demand environment.

Despite the market volatility, we have resumed giving guidance for full-year 2020. Based on our current order book and the demand environment, we expect our net sales and adjusted EBITA margin to finish below 2019 levels. In line with our somewhat more positive market sentiment versus a quarter ago, we expect our Q3 net sales to improve sequentially. Given our ability to flex our operations, our adjusted EBITA margin is also expected to grow compared to Q2.

These eventful first six months as President and CEO at Konecranes have underscored my conviction that the company has an exciting future thanks to its exceptional qualities, potential and talented people. Konecranes will emerge from the pandemic the same way we entered it: as the leader of the global lifting industry.

Konecranes Plc's half-year financial report January–June 2020

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.

Note: Unless otherwise stated, the figures in brackets in the sections below refer to the same period in the previous year.

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. The coronavirus outbreak (COVID-19) quickly turned the index into contraction in February. The disruption resulting from the coronavirus continued into the second quarter and in April the index was under 40 and at its lowest level since 2009. Towards the end of the second quarter, the deterioration of the manufacturing sector operating conditions began to ease and the index rose to 47.8 although still ending the first half of the year 2020 clearly in contraction territory.

In the eurozone, manufacturing sector operating conditions weakened significantly in the end of Q1 and continued with steeper deterioration in April. The PMI sank to its lowest reading since the beginning of the series in 1997. Along with lightening of the coronavirus related restrictions in the end of the second quarter, the downturn in the manufacturing sector operating conditions began to stabilize. In the end of June, the PMI was at its four-month high and ended with a significant increase. However, June was the seventeenth successive month below the 50.0 mark. All country-specific PMIs improved in June and the majority recorded their highest numbers since February with France and Ireland even in expansion above the 50.0 mark. Similarly to the eurozone, the UK Manufacturing PMI faced a steep downturn in April. As lockdown restrictions were loosened towards the end of the second quarter, the PMI stabilized to just above 50 in June. The manufacturing industry capacity utilization rate in the European Union continued to deteriorate further in the second quarter.

In the US, the manufacturing sector's PMI was at its lowest figure for over 11 years in April at the height of the COVID-19 lockdown after the year had started off in expansion. Alike in Europe, June marked a rapid improvement of the PMI and easing of the manufacturing sector downturn in the US. The PMI showed a record improvement of 10 points from May and ended at just below 50. The US unemployment rate peaked in April hitting a record high of 14.7 percent. Although coming down in June, it stayed well above February's level of 3.5 percent. In addition, the US manufacturing capacity utilization rate showed a sharp drops in March and April after which it has been recovering in the end of the second quarter.

As for the emerging markets, China's manufacturing sector operating conditions struck record lows in February due to the coronavirus outbreak. Since then, China's Manufacturing PMI has continued to recover and it ended the first half of the year in expansion at 51.2. In Brazil, Russia and India, the Manufacturing PMIs also improved significantly in June after the steep drops in the beginning of the second quarter. Nonetheless, the manufacturing sector operating conditions still remained in contraction territory in Russia and India.

Global container throughput, according to the RWI/ISL Container Throughput Index, plunged in February due to the coronavirus outbreak. The stabilization occurring from the end of first the quarter has been driven by positive development in Chinese ports while container throughput in ports elsewhere has continued to decline. At the end of May, global container throughput was approximately 7 percent lower than the year before.

Regarding raw material prices, at the end of the second quarter steel price remained below the previous year's level while copper price dropped during the first half of the year but recovered to a similar level as the previous year. The average EUR/USD exchange rate was approximately 2 percent lower compared to the year-ago period.

ORDERS RECEIVED AND NET SALES

	4–6/ 2020	4–6/ 2019	Change percent	Change % at comparable currency rates	1–6/ 2020	1–6/ 2019	Change percent	Change % at comparable currency rates	1–12/2019
Orders received, MEUR	581.5	822.7	-29.3	-28.9	1,318.5	1,670.8	-21.1	-21.0	3,167.3
Net sales, MEUR	704.7	794.0	-11.3	-10.7	1,474.2	1,552.3	-5.0	-4.8	3,326.9

ORDERS RECEIVED AND NET SALES EXCLUDING MHE-DEMAG

	4–6/ 2020	4–6/ 2019	Change percent	Change % at comparable currency rates	1–6/ 2020	1–6/ 2019	Change percent	Change % at comparable currency rates	1–12/2019
Orders received, MEUR	558.6	822.7	-32.1	-31.7	1,258.9	1,670.8	-24.6	-24.6	3,167.3
Net sales, MEUR	677.0	794.0	-14.7	-14.2	1,425.5	1,552.3	-8.2	-8.0	3,326.9

ORDERS RECEIVED

In the second quarter, orders received totaled EUR 581.5 million (822.7), representing a decrease of 29.3 percent. On a comparable currency basis, order intake decreased 28.9 percent. Orders received decreased in all three regions.

Excluding MHE-Demag, the second quarter orders received totaled EUR 558.6 million (822.7) representing a decrease of 32.1 percent. On a comparable currency basis, order intake decreased 31.7 percent.

In Service, orders received decreased 17.4 percent on a reported basis and 16.7 percent on a comparable currency basis. In Industrial Equipment, order intake decreased 28.8 percent on a reported basis and 28.5 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 29.4 percent on a reported basis and 29.0 percent on a comparable currency basis. In Port Solutions, order intake decreased 39.4 percent on a reported basis and 39.2 percent on a comparable currency basis.

In January–June, orders received totaled EUR 1,318.5 million (1,670.8), representing a decrease of 21.1 percent. On a comparable currency basis, order intake decreased 21.0 percent. Orders received decreased in the Americas and EMEA but increased in APAC.

In Service, order intake decreased 6.6 percent on a reported basis and 6.6 percent on a comparable currency basis. In Industrial Equipment, orders received decreased 21.2 percent on a reported basis and 21.2 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 21.2 percent on a reported basis and 21.2 percent on a comparable currency basis. In Port Solutions, order intake decreased 32.6 percent on a reported basis and 32.4 percent on a comparable currency basis.

ORDER BOOK

At the end of June, the value of the order book totaled EUR 1,904.5 million (1,967.8), which was 3.2 percent lower compared to previous year. On a comparable currency basis, the order book decreased 2.7 percent. The order book increased 5.5 percent in Service and 8.5 percent in Industrial Equipment but decreased 12.5 percent in Port Solutions.

Excluding MHE-Demag, the value of the order book totaled EUR 1,770.1 million at the end of June, representing a decrease of 10.0 percent.

SALES

In the second quarter, Group sales decreased 11.3 percent to EUR 704.7 million (794.0). On a comparable currency basis, sales decreased 10.7 percent. Sales decreased 10.5 percent in Service, 7.9 percent in Industrial Equipment and 16.1 percent in Port Solutions. Industrial Equipment's external sales decreased 8.8 percent.

Excluding MHE-Demag, the second quarter sales totaled EUR 677.0 million (794.0) representing a decrease of 14.7 percent. On a comparable currency basis, sales decreased 14.2 percent.

In January–June, Group sales totaled EUR 1,474.2 million (1,552.3), representing a decrease of 5.0 percent. On a comparable currency basis, sales decreased 4.8 percent. Sales decreased 4.3 percent in Service, 5.5 in Industrial Equipment and 6.0 percent Port Solutions. Industrial Equipment's external sales decreased 5.9 percent.

At the end of June, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 52 (50), Americas 34 (34) and APAC 14 (16) percent.

FINANCIAL RESULT

In the second quarter, the Group adjusted EBITA decreased to EUR 57.5 million (67.0). The adjusted EBITA margin declined to 8.2 percent (8.4). The adjusted EBITA margin was 17.2 percent (16.1) in Service, 1.7 percent (2.9) in Industrial Equipment and 6.4 percent (7.9) in Port Solutions. The decrease in the Group adjusted EBITA margin was primarily due to lower sales which was partly offset by demand-supply balancing, cost flexing as well as progress on strategic initiatives. Gross margin increased slightly on a year-on-year basis.

Excluding MHE-Demag, the Group adjusted EBITA was EUR 56.8 million (67.0). The adjusted EBITA margin stayed at 8.4 percent (8.4).

In January–June, the Group adjusted EBITA decreased to EUR 78.6 million (115.4). The adjusted EBITA margin declined to 5.3 percent (7.4). The adjusted EBITA margin decreased in Service to 15.4 percent (15.9), in Industrial Equipment to -1.1 percent (1.6) and in Port Solutions to 2.9 percent (6.2). 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 78.4 million (115.4). The adjusted EBITA margin decreased to 5.5 percent (7.4).

In January–June, the consolidated adjusted operating profit declined to EUR 60.6 million (103.0). The adjusted operating margin declined to 4.1 percent (6.6).

In January–June, the consolidated operating profit totaled EUR 50.5 million (65.3). The operating profit includes adjustments of EUR 10.1 million (37.8), which are comprised of restructuring costs. The operating margin declined in Service to 13.1 percent (14.9) and in Port Solutions to 1.5 percent (5.8) but improved in Industrial Equipment to -2.4 percent (-4.2).

In January–June, depreciation and impairments totaled EUR 67.5 million (61.6). Depreciation and impairments related to the MHE-Demag acquisition accounted for EUR 7.1 million of the sum. The amortization arising from the purchase price allocations for acquisitions represented EUR 18.0 million (12.3) of the depreciation and impairments. In January–June, the purchase price allocation amortization resulting from the MHE-Demag acquisition was EUR 5.7 million.

In January–June, the share of the result in associated companies and joint ventures was EUR 21.0 million (-1.1). 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–June, financial income and expenses totaled EUR -13.0 million (-17.9). Net interest expenses accounted for EUR 10.9 million (11.0) of the sum.

January–June profit before taxes was EUR 58.5 million (46.2).

Income taxes in January–June were EUR -16.7 million (-12.9). The Group's effective tax rate was 28.5 percent (28.0).

January–June net profit was EUR 41.8 million (33.3).

In January–June, the basic earnings per share were EUR 0.53 (0.42) and the diluted earnings per share were EUR 0.53 (0.42).

On a rolling 12-month basis, the return on capital employed was 6.5 percent (7.8) and the return on equity 7.4 percent (8.3). The adjusted return on capital employed was 10.2 percent (13.1).

MHE-Demag

In the second quarter, MHE-Demag's orders received totaled EUR 26.8 million. In January–June, MHE-Demag's orders received totaled EUR 71.0 million. At the end of June, the value of MHE-Demag's order book totaled EUR 134.4 million.

In the second quarter, MHE-Demag's sales totaled EUR 33.1 million. Konecranes internal sales, which is eliminated on the consolidated Group level, to MHE-Demag in the second quarter was EUR 5.2 million. In January–June, MHE-Demag's sales totaled EUR 59.6 million. Konecranes internal sales, which is eliminated on the consolidated Group level, to MHE-Demag in January–June was EUR 10.6 million.

In the second quarter, MHE-Demag's adjusted EBITA was EUR 1.3 million. The adjusted EBITA margin was 3.9 percent. In January–June, MHE-Demag's adjusted EBITA was EUR 1.6 million. The adjusted EBITA margin was 2.7 percent. In January–June, MHE-Demag's adjusted operating profit was EUR -4.1 million. The adjusted operating profit margin was -6.9 percent.

In January–June, the purchase price allocation amortization resulting from the MHE-Demag acquisition was EUR 4.7 million. The release of MHE-Demag purchase price allocation in inventories was EUR 0.9 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 June, the consolidated balance sheet amounted to EUR 4,157.5 million (3,684.8). The total equity at the end of the reporting period was EUR 1,226.8 million (1,228.8) or EUR 15.39 per share (15.36). The total equity attributable to the equity holders of the parent company was EUR 1,217.9 million (1,210.5).

Net working capital totaled EUR 449.5 million (466.4). Sequentially, net working capital decreased by EUR 8.7 million.

CASH FLOW AND FINANCING

Net cash from operating activities in January–June was EUR 130.5 million (42.8). The increase in net cash from operating activities was mainly due to the decrease in accounts receivables and increase in advance payments received during January–June. Cash flow before financing activities was EUR -16.6 million (33.8), which included cash inflows of EUR 1.2 million (12.6) related to sale of property, plant and equipment, and cash outflows of EUR 124.1 million (0.7) related to acquisition of Group companies and EUR 24.2 million (20.9) related to capital expenditure.

At the end of June, interest-bearing net debt was EUR 770.2 million (743.5). The equity to asset ratio was 32.9 percent (37.2) and the gearing 62.8 percent (60.5).

At the end of June, cash and cash equivalents amounted to EUR 503.9 million (172.1). 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.

CAPITAL EXPENDITURE

Capital expenditure in January–June, excluding acquisitions and joint arrangements, amounted to EUR 20.2 million (21.7). The amount consisted mainly of investments in machinery and equipment, buildings, office equipment and information technology.

ACQUISITIONS AND DIVESTMENTS

In January–June, the capital expenditure for acquisitions and joint arrangements was EUR 124.1 million (0.7).

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–June, the Group had an average of 17,105 employees (16,035). On June 30, the number of personnel was 17,270 (16,058). During January–June, the Group's personnel increased by 1,074 people net.

On June 30, MHE-Demag's number of personnel was 1,725. During January–June, the Group's personnel excluding MHE-Demag decreased by 651 people net.

At the end of June, the number of personnel by Business Area was as follows: Service 8,271 employees (7,563), Industrial Equipment 5,874 employees (5,537), Port Solutions 3,017 employees (2,864) and Group staff 108 (94).

The Group had 9,923 (10,028) employees working in EMEA, 3,002 (3,237) in the Americas and 4,345 (2,793) in APAC.

BUSINESS AREAS

SERVICE

	4–6/ 2020	4–6/ 2019	Change percent	Change % at comparable currency rates	1–6/ 2020	1–6/ 2019	Change percent	Change % at comparable currency rates	1–12/2019
Orders received, MEUR	209.1	253.2	-17.4	-16.7	475.2	508.7	-6.6	-6.6	1,015.1
Order book, MEUR	249.8	236.8	5.5	6.6	249.8	236.8	5.5	6.6	215.7
Agreement base value, MEUR	282.9	254.4	11.2	12.5	282.9	254.4	11.2	12.5	267.7
Net sales, MEUR	276.5	308.9	-10.5	-9.8	580.2	606.0	-4.3	-4.2	1,259.7
Adjusted EBITA, MEUR [1)]	47.6	49.7	-4.2		89.5	96.5	-7.3		208.5
Adjusted EBITA, % [1)]	17.2%	16.1%			15.4%	15.9%			16.6%
Purchase price allocation amortization, MEUR	-4.0	-2.6	53.0		-8.1	-5.3	52.8		-10.5
Adjustments,MEUR	-2.2	-0.8			-5.3	-1.2			-3.4
Operating profit (EBIT), MEUR	41.4	46.3	-10.5		76.1	90.0	-15.4		194.6
Operating profit (EBIT), %	15.0%	15.0%			13.1%	14.9%			15.5%
Personnel at the end of period	8,271	7,563	9.4		8,271	7,563	9.4		7,762

[1)] Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

SERVICE EXCLUDING MHE-DEMAG

	4–6/ 2020	4–6/ 2019	Change percent	Change % at comparable currency rates	1–6/ 2020	1–6/ 2019	Change percent	Change % at comparable currency rates	1–12/2019
Orders received, MEUR	197.9	253.2	-21.8	-21.2	445.9	508.7	-12.3	-12.3	1,015.1
Order book, MEUR	223.6	236.8	-5.6	-4.6	223.6	236.8	-5.6	-4.6	215.7
Agreement base value, MEUR	270.4	254.4	6.3	7.5	270.4	254.4	6.3	7.5	267.7
Net sales, MEUR	261.3	308.9	-15.4	-14.8	549.1	606.0	-9.4	-9.3	1,259.7
Adjusted EBITA, MEUR [1)]	45.6	49.7	-8.4		85.6	96.5	-11.3		208.5
Adjusted EBITA, % [1)]	17.4%	16.1%			15.6%	15.9%			16.6%

[1)] Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.

SERVICE

In the second quarter, order intake in Service decreased 17.4 percent to EUR 209.1 million (253.2). On a comparable currency basis, orders received decreased 16.7 percent. Both field service orders and parts orders decreased. Order intake decreased in the Americas and EMEA but increased in APAC.

The order book increased 5.5 percent to EUR 249.8 million (236.8). On a comparable currency basis, the order book increased 6.6 percent.

The annual value of the agreement base increased 11.2 percent year-on-year to EUR 282.9 million (254.4). On a comparable currency basis, the annual value of the agreement base increased 12.5 percent. Sequentially, the annual value of the agreement base increased 0.3 percent on a reported basis and 0.6 percent on a comparable currency basis.

Sales decreased 10.5 percent to EUR 276.5 million (308.9). On a comparable currency basis, sales decreased 9.8 percent. Both field service sales and parts sales decreased. Sales decreased in the Americas and EMEA but increased in APAC.

The second-quarter adjusted EBITA was EUR 47.6 million (49.7) and the adjusted EBITA margin 17.2 percent (16.1). The increase in the adjusted EBITA margin was mainly attributable to temporary and permanent personnel cost flexing actions as well as streamlined spending. Gross margin improved on a year-on-year basis. The operating profit was EUR 41.4 million (46.3) and the operating margin 15.0 percent (15.0).

In January–June, orders received totaled EUR 475.2 million (508.7), corresponding to a decrease of 6.6 percent. On a comparable currency basis, orders received decreased 6.6 percent.

Sales decreased 4.3 percent to EUR 580.2 million (606.0). On a comparable currency basis, sales decreased 4.2 percent. Both field service sales and parts sales decreased.

The adjusted EBITA was EUR 89.5 million (96.5) and the adjusted EBITA margin was 15.4 percent (15.9). The decline in the adjusted EBITA margin was mainly attributable to lower sales. The operating profit was EUR 76.1 million (90.0) and the operating margin 13.1 percent (14.9).

MHE-Demag

In the second quarter, MHE-Demag's order intake related to Service totaled EUR 12.4 million. The value of the order book was EUR 26.2 million and the agreement base value was EUR 12.4 million at the end of the quarter. MHE-Demag's sales in the second quarter was EUR 16.7 million. The adjusted EBITA was EUR 2.1 million which translates to an adjusted EBITA margin of 12.4 percent. The adjusted operating profit for MHE-Demag within Service was EUR 0.7 million and the adjusted operating profit margin was 4.0 percent.

In January–June, MHE-Demag's order intake related to Service totaled EUR 32.3 million. MHE-Demag's sales in January–June was EUR 34.0 million. The adjusted EBITA was EUR 3.9 million which translates to an adjusted EBITA margin of 11.5 percent. The adjusted operating profit for MHE-Demag within Service was EUR 1.1 million and the adjusted operating profit margin was 3.2 percent.

INDUSTRIAL EQUIPMENT

	4–6/ 2020	4–6/ 2019	Change percent	Change % at comparable currency rates	1–6/ 2020	1–6/ 2019	Change percent	Change % at comparable currency rates	1–12/2019
Orders received, MEUR	234.9	330.0	-28.8	-28.5	513.1	651.2	-21.2	-21.2	1,251.5
of which external, MEUR	198.3	281.0	-29.4	-29.0	438.9	557.3	-21.2	-21.2	1,068.4
Order book, MEUR	725.4	668.5	8.5	9.6	725.4	668.5	8.5	9.6	648.9
Net sales, MEUR	269.9	293.2	-7.9	-7.2	536.4	567.7	-5.5	-5.3	1,185.5
of which external, MEUR	231.3	253.6	-8.8	-8.0	458.8	487.5	-5.9	-5.6	1,020.4
Adjusted EBITA, MEUR [1)]	4.5	8.5	-47.3		-6.1	9.3	-165.0		18.2
Adjusted EBITA, % [1)]	1.7%	2.9%			-1.1%	1.6%			1.5%
Purchase price allocation amortization, MEUR	-3.1	-1.7	82.9		-6.3	-3.4	83.2		-6.9
Adjustments,MEUR	-1.2	-21.6			-0.5	-29.8			-72.7
Operating profit (EBIT), MEUR	0.2	-14.8	101.2		-12.9	-23.9	46.1		-61.4
Operating profit (EBIT), %	0.1%	-5.1%			-2.4%	-4.2%			-5.2%
Personnel at the end of period	5,874	5,537	6.1		5,874	5,537	6.1		5,397

[1)] *Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.*

INDUSTRIAL EQUIPMENT EXCLUDING MHE-DEMAG

	4–6/ 2020	4–6/ 2019	Change percent	Change % at comparable currency rates	1–6/ 2020	1–6/ 2019	Change percent	Change % at comparable currency rates	1–12/2019
Orders received, MEUR	223.1	330.0	-32.4	-32.1	482.8	651.2	-25.9	-25.9	1,251.5
of which external, MEUR	184.2	281.0	-34.4	-34.1	400.6	557.3	-28.1	-28.1	1,068.4
Order book, MEUR	617.2	668.5	-7.7	-6.8	617.2	668.5	-7.7	-6.8	648.9
Net sales, MEUR	257.1	293.2	-12.3	-11.6	518.1	567.7	-8.7	-8.5	1,185.5
of which external, MEUR	215.1	253.6	-15.2	-14.4	433.2	487.5	-11.1	-10.8	1,020.4
Adjusted EBITA, MEUR [1)]	5.9	8.5	-30.5		-2.4	9.3	-125.2		18.2
Adjusted EBITA, % [1)]	2.3%	2.9%			-0.5%	1.6%			1.5%

[1)] *Excluding adjustments and purchase price allocation amortization. See also note 11 in the summary financial statements.*

INDUSTRIAL EQUIPMENT

In the second quarter, Industrial Equipment's orders received totaled EUR 234.9 million (330.0), corresponding to a decrease of 28.8 percent. On a comparable currency basis, orders received decreased 28.5 percent. External orders received decreased 29.4 percent on a reported basis and 29.0 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 8.5 percent to EUR 725.4 million (668.5). On a comparable currency basis, the order book increased 9.6 percent.

Sales decreased 7.9 percent to EUR 269.9 million (293.2). On a comparable currency basis, sales decreased 7.2 percent. Sales decreased in standard cranes and components but increased in process cranes. Sales decreased in EMEA but increased in the Americas and APAC. External sales decreased 8.8 percent on a reported basis and 8.0 percent on a comparable currency basis.

The second-quarter adjusted EBITA was EUR 4.5 million (8.5) and the adjusted EBITA margin 1.7 percent (2.9). The decrease in the adjusted EBITA margin was mainly attributable to lower sales and weaker sales mix. Gross margin declined on a year-on-year basis. Operating profit was EUR 0.2 million (-14.8) and the operating margin 0.1 percent (-5.1).

In January–June, orders received totaled EUR 513.1 million (651.2), corresponding to a decrease of 21.2 percent. On a comparable currency basis, orders received decreased 21.2 percent. External orders received decreased 21.2 percent on a reported basis and 21.2 percent on a comparable currency basis. Order intake decreased in standard cranes, process cranes and components.

Sales decreased 5.5 percent to EUR 536.4 million (567.7). On a comparable currency basis, sales decreased 5.3 percent. The sales decrease was driven by standard cranes and components, partly offset by an increase in process crane sales. External sales decreased 5.9 percent on a reported basis and 5.6 percent on a comparable currency basis.

The adjusted EBITA was EUR -6.1 million (9.3) and the adjusted EBITA margin -1.1 percent (1.6). 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 first quarter regarding the process crane project which has now been closed. The operating profit was EUR -12.9 million (-23.9) and the operating margin -2.4 percent (-4.2).

MHE-Demag

In the second quarter, MHE-Demag's order intake related to Industrial Equipment totaled EUR 14.4 million and the value of the order book was EUR 108.2 million at the end of the quarter. MHE-Demag's sales in the second quarter was EUR 16.7 million. The adjusted EBITA was EUR -0.8 million which translates to an adjusted EBITA margin of -4.8 percent. The adjusted operating profit for MHE-Demag within Industrial Equipment was EUR -2.2 million and the adjusted operating profit margin was -13.4 percent.

In January–June, MHE-Demag's order intake related to Industrial Equipment totaled EUR 38.7. MHE-Demag's sales in January–June was EUR 26.3 million. The adjusted EBITA was EUR -2.3 million which translates to an adjusted EBITA margin of -8.9 percent. The adjusted operating profit for MHE-Demag within Industrial Equipment was EUR -5.2 million and the adjusted operating profit margin was -19.8 percent.

PORT SOLUTIONS

	4–6/ 2020	4–6/ 2019	Change percent	Change % at comparable currency rates	1–6/ 2020	1–6/ 2019	Change percent	Change % at comparable currency rates	1–12/2019
Orders received, MEUR	184.2	304.0	-39.4	-39.2	427.4	633.8	-32.6	-32.4	1,147.3
Order book, MEUR	929.4	1,062.5	-12.5	-12.5	929.4	1,062.5	-12.5	-12.5	959.7
Net sales, MEUR	207.9	248.0	-16.1	-16.0	460.5	489.8	-6.0	-5.8	1,115.7
of which service, MEUR	40.4	45.1	-10.3	-10.2	86.0	91.7	-6.3	-6.5	185.9
Adjusted EBITA, MEUR [1)]	13.3	19.5	-32.1		13.3	30.2	-56.0		86.9
Adjusted EBITA, % [1)]	6.4%	7.9%			2.9%	6.2%			7.8%
Purchase price allocation amortization, MEUR	-1.8	-1.8	-0.1		-3.7	-3.7	-0.1		-7.3
Adjustments,MEUR	-1.3	1.8			-2.9	1.8			-8.3
Operating profit (EBIT), MEUR	10.2	19.5	-47.8		6.8	28.3	-76.1		71.3
Operating profit (EBIT), %	4.9%	7.9%			1.5%	5.8%			6.4%
Personnel at the end of period	3,017	2,864	5.3		3,017	2,864	5.3		2,938

[1)] *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 second quarter, Port Solutions' order intake totaled EUR 184.2 million (304.0), representing a decrease of 39.4 percent. On a comparable currency basis, orders received decreased 39.2 percent. Orders received declined in all three regions.

The order book decreased 12.5 percent to EUR 929.4 million (1,062.5). On a comparable currency basis, the order book decreased 12.5 percent.

Sales decreased 16.1 percent to EUR 207.9 million (248.0). On a comparable currency basis, sales decreased 16.0 percent.

The second-quarter adjusted EBITA was EUR 13.3 million (19.5) and the adjusted EBITA margin 6.4 percent (7.9). The decrease in the adjusted EBITA margin is mainly attributable to lower sales and to a lesser extent, weaker sales mix. Gross margin increased on a year-on-year basis. Operating profit was EUR 10.2 million (19.5) and the operating margin 4.9 percent (7.9).

In January–June, orders received totaled EUR 427.4 million (633.8), corresponding to a decrease of 32.6 percent. On a comparable currency basis, orders received decreased 32.4 percent.

Sales decreased 6.0 percent to EUR 460.5 million (489.8). On a comparable currency basis, sales decreased 5.8 percent.

The adjusted EBITA was EUR 13.3 million (30.2) and the adjusted EBITA margin 2.9 percent (6.2). The decline 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 declined on a year-on-year basis. Operating profit was EUR 6.8 million (28.3) and the operating margin 1.5 percent (5.8).

Group overheads

In the second quarter, the adjusted unallocated Group overhead costs and eliminations were EUR 7.9 million (10.7), representing 1.1 percent of sales (1.4).

The unallocated Group overhead costs and eliminations were EUR 9.2 million (13.1), representing 1.3 percent of sales (1.6). These included restructuring costs of EUR 1.3 million (2.3).

In January–June, the adjusted unallocated Group overhead costs and eliminations were EUR 18.1 million (20.6), representing 1.2 percent of sales (1.3).

The unallocated Group overhead costs and eliminations were EUR 19.6 million (29.1), representing 1.3 percent of sales (1.9). These included restructuring costs of EUR 1.5 million (8.5).

Covid-19 impact on Konecranes

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

COVID-19 started to impact Konecranes' business to a larger extent towards the end of the first quarter. Due to the pandemic, order intake and net sales declined in all three Business Areas during the first half of the year. However, the impact of the pandemic on both order intake and net sales was larger in the second quarter. The second quarter started amid market volatility and extensive physical restrictions as well as lockdowns in Konecranes' strong market areas – Europe and North America.

In Service, COVID-19 affected net sales, as scheduled maintenance activities were postponed due to access restrictions and regional lockdowns. Despite the physical restrictions, many mission-critical industries continued to operate, and some customers also took advantage of the production downtime by servicing their assets during the shutdown. 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. The second-quarter net sales were 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 quarter, but to a lesser extent than on the two other Business Areas. No major orders received have been cancelled. However, declining container volumes have made some customers 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. At the end of June, all Konecranes factories were in operation.

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, 8 and 13.

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 given a new guidance for full-year 2020, reflecting the current order book and demand environment.

ADMINISTRATION

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on Thursday 11 June 2020. In order to prevent the spread of the Covid-19 pandemic, the Annual General Meeting was arranged without the physical presence of shareholders or their proxy representatives. The meeting approved the Company's annual accounts for the fiscal year 2019, discharged the members of the Board of Directors and the persons who had served as CEO from liability, and approved all proposals made by the Board of Directors and its committees to the AGM.

The AGM approved the Board's proposal that a dividend of EUR 0.65 per share be paid from the distributable assets of the parent Company. The AGM also approved the Board's proposal to authorize the Board, to further decide, at its discretion, on the distribution of dividend in one or several instalments so that the total amount of the dividend distribution based on this authorization shall not exceed EUR 0.55 per share. The authorization is valid until the opening of the next Annual General Meeting.

The AGM decided to support the Konecranes Remuneration Policy, covering the principles for remuneration of the members of the Board of Directors, President & CEO and Deputy CEO. The resolution by the AGM on the policy is advisory.

The AGM confirmed that the amount of annual remuneration payable to the members of the Board other than the employee representative be unchanged as follows: the remuneration to the Chairman of the Board is EUR 140,000, the remuneration to the Vice Chairman of the Board is EUR 100,000 in the event that a Vice Chairman is elected by the Board, and the remuneration to the other Board members is EUR 70,000. In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2021, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office. In addition, the Chairmen of the Audit Committee and the Human Resources Committee are entitled to a compensation of EUR 3,000 and the other Board members are entitled to a compensation of EUR 1,500 per each attended committee meeting. No remuneration will be paid to Board members employed by the Company. Travel expenses for all Board members, including the employee Board member, will be compensated against receipt.

The AGM approved the proposal of the Shareholders' Nomination Board that the number of members of the Board of Directors shall be seven (7). Ms. Janina Kugel, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Ms. Päivi Rekonen, Mr. Christoph Vitzthum, Mr. Niko Mokkila and Mr. Janne Martin were elected for a term of office ending at the closing of the Annual General Meeting in 2021. Mr. Janne Martin was selected among the employees of Konecranes.

The AGM decided to re-elect Ernst & Young Oy as the Company's auditor for the year ending on 31 December 2020.

The AGM approved that § 4 Board of directors and term of office of the Articles of Association of the Company be amended.

The AGM approved that § 3 Duties of the Nomination Board and remuneration and § 6.1 Preparation of the proposal of the Charter of the Shareholders' Nomination Board be amended.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own shares and/or on the acceptance as pledge of the Company's own shares.

The AGM authorized the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares.

The AGM authorized the Board of Directors to decide on a directed share issue without payment needed for the continuation of the Share Savings Plan that the Annual General Meeting 2012 decided to launch.

The AGM authorized the Board of Directors to decide on donations in the aggregate maximum amount of EUR 200,000 to be given to universities, institutions of higher education or to other non-profit or similar purposes.

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

Board of Directors' organizing meeting

In the first meeting of the Board of Directors of Konecranes Plc after the Annual General Meeting the Board of Directors elected Mr. Christoph Vitzthum Chairman of the Board.

The Board of Directors has an Audit Committee and a Human Resources Committee.

Mr. Ulf Liljedahl was elected Chairman of the Audit Committee, and Mr. Niko Mokkila and Ms. Päivi Rekonen as Committee members. Ms. Janina Kugel was elected Chairwoman of the Human Resources Committee, and Mr. Per Vegard Nerseth and Mr. Christoph Vitzthum as Committee members.

Ms. Janina Kugel, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Ms. Päivi Rekonen and Mr. Christoph Vitzthum were deemed to be independent of the Company and any significant shareholders. While Mr. Niko Mokkila was deemed to be independent of the company, he was deemed to be dependent of a significant shareholder of the Company based on his current position as Managing Director at Hartwall Capital Oy Ab. While Mr. Janne Martin was deemed to independent of any significant shareholders, he was deemed to be dependent of the Company due to his current position as an employee of Konecranes.

Konecranes' new President and CEO

On October 7, 2019 Konecranes announced that The Board of Directors of Konecranes Plc had appointed Rob Smith as President and CEO of Konecranes effective February 1, 2020. The company's CFO, Teo Ottola, who also serves as Deputy CEO, acted as the interim CEO from October 7, 2019, until Rob Smith started in the position on February 1, 2020.

Changes in the Konecranes Leadership Team

On October 14, 2019 Konecranes announced that Minna Aila, Executive Vice President, Marketing and Communications and a member of the Konecranes Leadership Team would leave the group and take up a position at another company. Minna Aila left the company on March 15, 2020.

On February 6, 2020, Konecranes announced that Carolin Paulus had been appointed Executive Vice President for the Industrial Equipment Business Area effective March 1, 2020. Carolin Paulus served previously as Senior Vice President for Global Parts & Service Procurement and transitioned duties with Mikko Uhari, who stepped down from the Konecranes Leadership Team in line with Konecranes succession and retirement planning process.

Effective March 16, 2020, the Konecranes Leadership Team (formerly the Group Executive Board) consists of:

- Rob Smith, President and CEO, since February 1, 2020
- Teo Ottola, Chief Financial Officer, Deputy CEO
- Fabio Fiorino, Executive Vice President, Business Area Service
- Carolin Paulus, Executive Vice President, Business Area Industrial Equipment, since March 1, 2020
- Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Juha Pankakoski, Executive Vice President, Technology
- Timo Leskinen, Senior Vice President, Human Resources
- Sirpa Poitsalo, Senior Vice President, General Counsel

Share issue to the company itself without consideration

On February 7, 2020, Konecranes announced that the Board of Directors of Konecranes Plc had on February 7, 2020, pursuant to the share issue authorization granted to it by the Annual General Meeting held on March 28, 2019, resolved on an issue of 300,000 new shares in the company to the company itself without consideration. The new shares issued are of the same class as the existing shares in the company. The total number of the company's shares after the share issue was 79,221,906 shares. The new shares issued to the company were used for reward payments under the company's incentive programs. The new shares issued were registered with the Trade Register on February 25, 2020.

EMPLOYEE SHARE SAVINGS PLAN

On February 6, 2020, Konecranes announced that the Board of Directors had decided to launch a new Plan Period relating to the Employee Share Savings Plan. The new Plan Period was to begin on July 1, 2020 and end on June 30, 2021. The other terms and conditions of the Plan Period 2020–2021 approved by the Board on February 6, 2020 have been published in the stock exchange release on the same day.

On May 28, 2020, Konecranes announced that the Board of Directors had decided to change the new Employee Share Savings Plan Period which was to begin on July 1, 2020 and end on June 30, 2021. Due to the Annual General Meeting being held later than initially estimated, the Board decided to change the Plan Period 2020–2021 to begin on October 1, 2020 and end on June 30, 2021. The other terms and conditions remained unchanged.

SHARE CAPITAL AND SHARES

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

TREASURY SHARES

On June 30, 2020, Konecranes Plc was in possession of 88,447 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 1.8 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.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on June 30, 2020 was EUR 20.12. The volume-weighted average share price in January–June 2020 was EUR 21.30, the highest price being EUR 33.08 in February and the lowest EUR 14.05 in March. In January–June, the trading volume on the Nasdaq Helsinki totaled 48.5 million, corresponding to a turnover of approximately EUR 1,033.2 million. The average daily trading volume was 394,457 shares representing an average daily turnover of EUR 8.4 million.

In addition, according to Fidessa, approximately 50.1 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in January–June 2020.

On June 30, 2020, the total market capitalization of Konecranes Plc was EUR 1,593.9 million including treasury shares. The market capitalization was EUR 1,592.2 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In January–June 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

New guidance

On July 16, 2020, Konecranes provided full-year financial guidance ahead of reporting strong second-quarter performance.

In addition, Konecranes shared exceptionally preliminary information concerning its results for the January–June 2020 period.

Due to the rapidly evolving situation as a result of the Coronavirus (COVID-19) pandemic, Konecranes had withdrewn its financial guidance for full-year 2020 on March 26, 2020.

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.

Restricted Share Unit Plan 2017 – directed share issue

On July 23, 2020, Konecranes announced that the Board of Directors had decided on a directed share issue related to the reward payment for Konecranes Restricted Share Unit Plan 2017.

In the share issue, 1,000 Konecranes Plc shares held by the company are conveyed without consideration to the key employee participating in the plan in accordance with the terms and conditions of the plan.The shares will be delivered to the plan participant on September 1, 2020.

Detailed information about the launch and the terms and conditions of the plan is available in the stock exchange release published on June 16, 2017.

DEMAND OUTLOOK

The worldwide demand picture remains subject to significant volatility due to the COVID-19 pandemic. The current demand environment within the industrial customer segments is showing signs of improvement in Europe and North America compared to Q2; yet remaining below the year-end 2019 level. At the moment, the demand environment in Europe is overall less volatile compared to North America. While China's demand conditions have improved from early 2020, demand environment in the rest of Asia-Pacific is weak.

Global container throughput has declined and many port operators are postponing 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, July 24, 2020
Konecranes Plc
Board of Directors

Disclaimer

It should be noted that certain statements in this report, which are not historical facts, 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 the company's 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,
- expectations regarding cost savings,
- and statements preceded by "believes," "expects," "anticipates," "foresees" or similar expressions, are forward-looking statements. These statements are based on current expectations, decisions and plans, and currently known facts. Therefore, they involve risks and uncertainties, which may cause the actual results to materially differ from the results currently expected by the company. Such factors include, but are not limited to:
- general economic conditions, including fluctuations in exchange rates and interest levels,
- competitive situation, especially significant products or services developed by our competitors,
- industry conditions,
- the company's own operating factors including the success of production, product development, project management, quality, and timely delivery of our products and services and their continuous development,
- the success of pending and future acquisitions and restructurings.

Consolidated statement of income

EUR million	Note	4–6/ 2020	4–6/ 2019	Change percent	1–6/ 2020	1–6/ 2019	Change percent	1–12/ 2019
Sales	7	**704.7**	**794.0**	**-11.3**	**1,474.2**	**1,552.3**	**-5.0**	**3,326.9**
Other operating income		1.6	5.7		3.7	9.4		19.6
Materials, supplies and subcontracting		-293.5	-329.4		-638.0	-651.9		-1,505.0
Personnel cost		-244.5	-266.8		-512.6	-524.7		-1,080.7
Depreciation and impairments	8	-34.0	-31.7		-67.5	-61.6		-123.6
Other operating expenses		-91.6	-133.9		-209.4	-258.2		-488.5
Operating profit		**42.7**	**38.0**	**12.4**	**50.5**	**65.3**	**-22.7**	**148.7**
Share of associates' and joint ventures' result		-0.1	-0.1		21.0	-1.1		4.5
Financial income		10.1	0.2		10.5	0.2		2.5
Financial expenses		-10.3	-10.1		-23.4	-18.2		-37.2
Profit before taxes		**42.4**	**27.9**	**51.8**	**58.5**	**46.2**	**26.5**	**118.5**
Taxes	10	-12.1	-7.8		-16.7	-12.9		-35.7
PROFIT FOR THE PERIOD		**30.3**	**20.1**	**50.8**	**41.8**	**33.3**	**25.6**	**82.8**
Profit for the period attributable to:								
Shareholders of the parent company		30.2	19.5		41.7	32.9		81.0
Non-controlling interest		0.1	0.6		0.2	0.4		1.8
Earnings per share, basic (EUR)		0.38	0.25	54.9	0.53	0.42	26.5	1.03
Earnings per share, diluted (EUR)		0.38	0.25	54.9	0.53	0.42	26.5	1.03

Consolidated statement of other comprehensive income

EUR million	4–6/ 2020	4–6/ 2019		1–6/ 2020	1–6/ 2019		1–12/ 2019
Profit for the period	**30.3**	**20.1**		**41.8**	**33.3**		**82.8**
Items that can be reclassified into profit or loss							
Cash flow hedges	3.0	3.5		-0.1	-1.1		-0.7
Exchange differences on translating foreign operations	-0.8	-3.1		-9.1	5.8		6.8
Income tax relating to items that can be reclassified into profit or loss	-0.6	-0.7		0.0	0.2		0.2
Items that cannot be reclassified into profit or loss							
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
Other comprehensive income for the period, net of tax	**1.7**	**-0.3**		**-9.1**	**5.0**		**-13.2**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**32.0**	**19.8**		**32.7**	**38.2**		**69.6**
Total comprehensive income attributable to:							
Shareholders of the parent company	32.0	19.6		33.0	38.0		67.4
Non-controlling interest	0.0	0.2		-0.3	0.2		2.2

Consolidated balance sheet

EUR million

ASSETS	Note	30.6.2020	30.6.2019	31.12.2019
Non-current assets				
Goodwill		1,021.5	906.5	908.2
Intangible assets		556.2	552.0	531.6
Property, plant and equipment		350.8	335.0	332.8
Advance payments and construction in progress		23.0	13.9	15.7
Investments accounted for using the equity method		6.4	68.5	73.9
Other non-current assets		0.8	0.8	0.9
Deferred tax assets		127.8	119.8	123.4
Total non-current assets		**2,086.5**	**1,996.4**	**1,986.5**
Current assets				
Inventories				
Raw material and semi-manufactured goods		338.2	294.0	298.4
Work in progress		449.0	411.4	339.1
Advance payments		21.8	30.4	21.2
Total inventories		808.9	735.9	658.7
Accounts receivable		442.5	481.1	530.4
Other receivables		36.8	34.5	33.0
Loans receivable		0.9	0.6	0.7
Income tax receivables		34.6	30.8	30.5
Receivable arising from percentage of completion method	7	146.1	134.6	167.8
Other financial assets		15.6	9.4	8.1
Deferred assets		81.6	57.6	60.3
Cash and cash equivalents		503.9	172.1	378.2
Total current assets		**2,071.0**	**1,656.6**	**1,867.7**
Assets held for sale		**0.0**	**31.8**	**0.0**
TOTAL ASSETS		**4,157.5**	**3,684.8**	**3,854.2**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	30.6.2020	30.6.2019	31.12.2019
Equity attributable to equity holders of the parent company				
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	-0.5	-0.8	-0.5
Translation difference		-4.9	3.2	3.7
Other reserve		57.7	61.1	58.8
Retained earnings		301.9	292.1	272.4
Net profit for the period		41.7	32.9	81.0
Total equity attributable to equity holders of the parent company		**1,217.9**	**1,210.5**	**1,237.5**
Non-controlling interest		8.8	18.3	9.2
Total equity		**1,226.8**	**1,228.8**	**1,246.7**
Non-current liabilities				
Interest-bearing liabilities	13	941.2	651.6	785.8
Other long-term liabilities		287.0	269.4	290.4
Provisions		20.4	20.3	19.1
Deferred tax liabilities		151.0	140.4	143.1
Total non-current liabilities		**1,399.6**	**1,081.6**	**1,238.4**
Current liabilities				
Interest-bearing liabilities	13	333.8	267.9	248.4
Advance payments received	7	425.6	381.3	337.3
Accounts payable		234.4	202.4	236.2
Provisions		134.2	124.8	151.7
Other short-term liabilities (non-interest bearing)		50.8	41.0	44.3
Other financial liabilities		7.9	6.4	6.2
Income tax liabilities		20.1	21.1	14.6
Accrued costs related to delivered goods and services		151.1	147.3	156.0
Accruals		173.2	172.7	174.4
Total current liabilities		**1,531.1**	**1,365.0**	**1,369.1**
Liabilities directly attributable to assets held for sale		**0.0**	**9.3**	**0.0**
Total liabilities		**2,930.7**	**2,455.9**	**2,607.5**
TOTAL EQUITY AND LIABILITIES		**4,157.5**	**3,684.8**	**3,854.2**

Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent company				
EUR million	**Share capital**	**Share premium**	**Paid in capital**	**Cash flow hedges**	**Translation difference**
Balance at 1 January, 2020	**30.1**	**39.3**	**752.7**	**-0.5**	**3.7**
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-0.1	-8.6
Total comprehensive income				-0.1	-8.6
Balance at 30 June, 2020	**30.1**	**39.3**	**752.7**	**-0.5**	**-4.9**
Balance at 1 January, 2019	**30.1**	**39.3**	**752.7**	**0.1**	**-2.8**
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-0.8	6.0
Total comprehensive income				-0.8	6.0
Balance at 30 June, 2019	**30.1**	**39.3**	**752.7**	**-0.8**	**3.2**

	Equity attributable to equity holders of the parent company				
EUR million	**Other Reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
Balance at 1 January, 2020	**58.8**	**353.4**	**1,237.5**	**9.2**	**1,246.7**
Dividends paid to equity holders		-51.4	-51.4	0.0	**-51.4**
Equity-settled share based payments	-1.1	0.0	-1.1		**-1.1**
Acquisitions		0.0	0.0	0.0	**0.0**
Profit for the period		41.7	41.7	0.2	**41.8**
Other comprehensive income		0.0	-8.7	-0.4	**-9.1**
Total comprehensive income	0.0	41.7	33.0	-0.3	**32.7**
Balance at 30 June, 2020	**57.7**	**343.6**	**1,217.9**	**8.8**	**1,226.8**
Balance at 1 January, 2019	**55.2**	**391.2**	**1,265.8**	**18.4**	**1,284.1**
Change in accounting principles (IFRS 16)		-4.5	-4.5		**-4.5**
Balance at 1 January, 2019, restated	**55.2**	**386.7**	**1,261.3**	**18.4**	**1,279.6**
Dividends paid to equity holders		-94.6	-94.6	-0.3	**-94.9**
Equity-settled share based payments	5.9	0.0	5.9		**5.9**
Profit for the period		32.9	32.9	0.4	**33.3**
Other comprehensive income		0.0	5.2	-0.2	**5.0**
Total comprehensive income	0.0	32.9	38.0	0.2	**38.2**
Balance at 30 June, 2019	**61.1**	**324.9**	**1,210.5**	**18.3**	**1,228.8**

Consolidated cash flow statement

EUR million	1–6/2020	1–6/2019	1–12/2019
Cash flow from operating activities			
Profit for the period	41.8	33.3	82.8
Adjustments to net income			
Taxes	16.7	12.9	35.7
Financial income and expenses	13.0	17.9	34.7
Share of associates' and joint ventures' result	-21.0	1.1	-4.5
Depreciation and impairments	67.5	61.6	123.6
Profits and losses on sale of fixed assets and businesses	-0.7	-4.4	-0.5
Other adjustments	-0.8	5.6	3.2
Operating income before change in net working capital	**116.5**	**128.1**	**275.0**
Change in interest-free current receivables	136.5	27.0	-40.3
Change in inventories	-114.8	-99.0	-18.9
Change in interest-free current liabilities	18.3	30.5	46.7
Change in net working capital	**39.9**	**-41.4**	**-12.5**
Cash flow from operations before financing items and taxes	**156.4**	**86.7**	**262.5**
Interest received	11.8	12.1	26.5
Interest paid	-22.8	-25.6	-46.1
Other financial income and expenses	4.3	-7.7	-24.2
Income taxes paid	-19.2	-22.7	-45.9
Financing items and taxes	**-25.8**	**-43.9**	**-89.7**
NET CASH FROM OPERATING ACTIVITIES	**130.5**	**42.8**	**172.8**
Cash flow from investing activities			
Acquisition of Group companies, net of cash	-124.1	-0.7	-3.1
Divestment of Businesses, net of cash	0.0	0.0	4.2
Capital expenditures	-24.2	-20.9	-40.7
Proceeds from sale of property, plant and equipment	1.2	12.6	16.4
NET CASH USED IN INVESTING ACTIVITIES	**-147.1**	**-9.0**	**-23.2**
Cash flow before financing activities	**-16.6**	**33.8**	**149.6**
Cash flow from financing activities			
Proceeds from non-current borrowings	151.6	0.0	140.0
Repayments of non-current borrowings	-2.5	-20.6	-20.6
Repayments of lease liability	-20.7	-20.6	-44.3
Proceeds from (+), payments of (-) current borrowings	73.9	48.1	19.6
Change in loans receivable	0.0	0.0	-0.1
Dividends paid to equity holders of the parent	-51.4	-94.6	-94.6
Dividends paid to non-controlling interests	0.0	-0.3	-4.5
NET CASH USED IN FINANCING ACTIVITIES	**150.8**	**-87.9**	**-4.5**
Translation differences in cash	-8.5	2.2	2.6
CHANGE OF CASH AND CASH EQUIVALENTS	**125.7**	**-51.8**	**147.7**
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	6.6	0.0
Cash and cash equivalents at end of period	503.9	172.1	378.2
CHANGE OF CASH AND CASH EQUIVALENTS	**125.7**	**-51.8**	**147.7**

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	1–6/2020	1–6/2019	1–12/2019
Net cash from operating activities	130.5	42.8	172.8
Capital expenditures	-24.2	-20.9	-40.7
Proceeds from sale of property, plant and equipment	1.2	12.6	16.4
Free cash flow	**107.5**	**34.5**	**148.5**

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 six months ending 30.06.2020 and 30.06.2019 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 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 purhcase 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
Intangible assets	
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
Total assets	**226.6**
Deferred tax liabilities	12.5
Defined benefit plans	1.0
Other long-term liabilities	11.1
Accounts payable and other current liabilities	79.4
Total liabilities	**104.1**
Net assets	**122.6**
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
Acquisition cost	**237.2**
Goodwill	**114.7**
Cash flow on acquisition	
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
Net cash flow arising on acquisition	**129.8**

Notes

6. SEGMENT INFORMATION

6.1. Operating segments

EUR million

Orders received by Business Area	1–6/2020	% of total	1–6/2019	% of total	1–12/2019	% of total
Service [1]	475.2	34	508.7	28	1,015.1	30
Industrial Equipment	513.1	36	651.2	36	1,251.5	37
Port Solutions [1]	427.4	30	633.8	35	1,147.3	34
./. Internal	-97.2		-122.9		-246.5	
Total	**1,318.5**	**100**	**1,670.8**	**100**	**3,167.3**	**100**

[1] *Excl. Service Agreement Base*

Order book total [2]	30.6.2020	% of total	30.6.2019	% of total	31.12.2019	% of total
Service	249.8	13	236.8	12	215.7	12
Industrial Equipment	725.4	38	668.5	34	648.9	36
Port Solutions	929.4	49	1,062.5	54	959.7	53
Total	**1,904.5**	**100**	**1,967.8**	**100**	**1,824.3**	**100**

[2] *Percentage of completion deducted*

Sales by Business Area	1–6/2020	% of total	1–6/2019	% of total	1–12/2019	% of total
Service	580.2	37	606.0	36	1,259.7	35
Industrial Equipment	536.4	34	567.7	34	1,185.5	33
Port Solutions	460.5	29	489.8	29	1,115.7	31
./. Internal	-102.9		-111.2		-234.1	
Total	**1,474.2**	**100**	**1,552.3**	**100**	**3,326.9**	**100**

Adjusted EBITA by Business Area	1–6/2020 MEUR	EBITA %	1–6/2019 MEUR	EBITA %	1–12/2019 MEUR	EBITA %
Service	89.5	15.4	96.5	15.9	208.5	16.6
Industrial Equipment	-6.1	-1.1	9.3	1.6	18.2	1.5
Port Solutions	13.3	2.9	30.2	6.2	86.9	7.8
Group costs and eliminations	-18.1		-20.6		-38.5	
Total	**78.6**	**5.3**	**115.4**	**7.4**	**275.1**	**8.3**

Operating profit (EBIT) by Business Area	1–6/2020 MEUR	EBIT %	1–6/2019 MEUR	EBIT %	1–12/2019 MEUR	EBIT %
Service	76.1	13.1	90.0	14.9	194.6	15.5
Industrial Equipment	-12.9	-2.4	-23.9	-4.2	-61.4	-5.2
Port Solutions	6.8	1.5	28.3	5.8	71.3	6.4
Group costs and eliminations	-19.6		-29.1		-55.9	
Total	**50.5**	**3.4**	**65.3**	**4.2**	**148.7**	**4.5**

Notes

Business segment assets	30.6.2020 MEUR	30.6.2019 MEUR	31.12.2019 MEUR
Service	1,447.9	1,346.3	1,327.7
Industrial Equipment	966.5	901.6	863.3
Port Solutions	930.5	921.7	922.0
Unallocated items	812.6	515.2	741.2
Total	**4,157.5**	**3,684.8**	**3,854.2**

Business segment liabilities	30.6.2020 MEUR	30.6.2019 MEUR	31.12.2019 MEUR
Service	189.0	196.7	194.1
Industrial Equipment	371.3	373.7	345.3
Port Solutions	450.6	410.2	417.7
Unallocated items	1,919.8	1,475.4	1,650.3
Total	**2,930.7**	**2,455.9**	**2,607.5**

Personnel by Business Area (at the end of the period)	30.6.2020	% of total	30.6.2019	% of total	31.12.2019	% of total
Service	8,271	48	7,563	47	7,762	48
Industrial Equipment	5,874	34	5,537	34	5,397	33
Port Solutions	3,017	17	2,864	18	2,938	18
Group staff	108	1	94	1	99	1
Total	**17,270**	**100**	**16,058**	**100**	**16,196**	**100**

Notes

Orders received by Business Area, Quarters	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service [1)]	209.1	266.1	250.0	256.4	253.2	255.4
Industrial Equipment	234.9	278.2	316.3	284.0	330.0	321.2
Port Solutions [1)]	184.2	243.2	264.4	249.0	304.0	329.9
./. Internal	-46.7	-50.5	-49.3	-74.3	-64.5	-58.4
Total	**581.5**	**737.0**	**781.3**	**715.3**	**822.7**	**848.1**

[1)] *Excl. Service Agreement Base*

Order book by Business Area, Quarters	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	249.8	256.9	215.7	245.5	236.8	234.1
Industrial Equipment	725.4	754.5	648.9	665.1	668.5	639.4
Port Solutions	929.4	949.9	959.7	1,012.6	1,062.5	1,004.0
Total	**1,904.5**	**1,961.3**	**1,824.3**	**1,923.2**	**1,967.8**	**1,877.6**

Sales by Business Area, Quarters	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	276.5	303.7	341.6	312.1	308.9	297.1
Industrial Equipment	269.9	266.6	336.0	281.7	293.2	274.6
Port Solutions	207.9	252.6	320.3	305.6	248.0	241.8
./. Internal	-49.7	-53.3	-64.7	-58.2	-56.0	-55.2
Total	**704.7**	**769.6**	**933.3**	**841.3**	**794.0**	**758.2**

Adjusted EBITA by Business Area, Quarters	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	47.6	41.9	61.4	50.6	49.7	46.8
Industrial Equipment	4.5	-10.6	0.6	8.3	8.5	0.8
Port Solutions	13.3	0.0	31.7	25.0	19.5	10.6
Group costs and eliminations	-7.9	-10.2	-6.4	-11.5	-10.7	-9.9
Total	**57.5**	**21.1**	**87.3**	**72.4**	**67.0**	**48.3**

Adjusted EBITA margin by Business Area, Quarters	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	17.2	13.8	18.0	16.2	16.1	15.7
Industrial Equipment	1.7	-4.0	0.2	2.9	2.9	0.3
Port Solutions	6.4	0.0	9.9	8.2	7.9	4.4
Group EBITA margin total	**8.2**	**2.7**	**9.4**	**8.6**	**8.4**	**6.4**

Personnel by Business Area, Quarters (at the end of the period)	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	8,271	8,657	7,762	7,680	7,563	7,527
Industrial Equipment	5,874	6,030	5,397	5,546	5,537	5,502
Port Solutions	3,017	3,052	2,938	2,895	2,864	2,849
Group staff	108	111	99	98	94	93
Total	**17,270**	**17,850**	**16,196**	**16,219**	**16,058**	**15,971**

Notes

6.2. Geographical areas

EUR million

Sales by market	**1–6/2020**	% of total	**1–6/2019**	% of total	**1–12/2019**	% of total
Europe-Middle East-Africa (EMEA)	763.3	52	793.8	51	1,714.1	52
Americas (AME)	494.3	34	541.1	35	1,145.8	34
Asia-Pacific (APAC)	216.6	15	217.4	14	467.0	14
Total	**1,474.2**	**100**	**1,552.3**	**100**	**3,326.9**	**100**

Personnel by region (at the end of the period)	**30.6.2020**	% of total	**30.6.2019**	% of total	**31.12.2019**	% of total
Europe-Middle East-Africa (EMEA)	9,923	57	10,028	62	10,126	63
Americas (AME)	3,002	17	3,237	20	3,319	20
Asia-Pacific (APAC)	4,345	25	2,793	17	2,751	17
Total	**17,270**	**100**	**16,058**	**100**	**16,196**	**100**

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

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

Notes

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

EUR million	30.6.2020	30.6.2019	31.12.2019
The cumulative revenues of non-delivered projects	650.8	494.6	570.7
Advances received netted	504.6	360.1	402.9
Total	**146.1**	**134.6**	**167.8**
Gross advance received from percentage of completion method	555.8	417.9	433.3
Advances received netted	504.6	360.1	402.9
Total	**51.1**	**57.8**	**30.4**

Net sales recognized under the percentage of completion method amounted EUR 250.1 million in 1–6/2020 (EUR 188.4 million in 1–6/2019).

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	30.6.2020	30.6.2019	31.12.2019
Advance received from percentage of completion method (netted)	51.1	57.8	30.4
Other advance received from customers	374.5	323.5	306.9
Total	**425.6**	**381.3**	**337.3**

8. IMPAIRMENTS

EUR million	1–6/2020	1–6/2019	1–12/2019
Property, plant and equipment	0.0	0.0	0.8
Total	**0.0**	**0.0**	**0.8**

All impairments in 2019 relate to restructuring actions.

Impairment testing

Konecranes has prepared preliminary impairment calculations during the second 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

MEUR	
Industrial Cranes	153.6
Agilon	3.9
Goodwill in Industrial Equipment total	**157.5**
Industrial Crane Service	660.3
Machine Tool Service	3.8
Goodwill in Service total	**664.1**
Port Cranes	163.4
Lift trucks	36.5
Goodwill in Port Solutions total	**199.8**
Total goodwill in reportable segments 30.6.2020	**1,021.5**

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 10.1 million restructuring costs during 1–6/2020 (EUR 37.8 million in 1–6/2019) of which EUR 0.0 million was impairment of assets (EUR 0.0 million for 1–6/2019). The remaining EUR 10.1 million of restructuring cost is reported 1–6/2020 in personnel costs (EUR 5.1 million) and in other operating expenses (EUR 6.0 million) and profits on disposal of assets in other operating income (EUR 1.0 million).

10. INCOME TAXES

Taxes in statement of Income	1–6/2020	1–6/2019	1–12/2019
Local income taxes of group companies	24.8	21.0	32.3
Taxes from previous years	-2.9	-6.3	-1.8
Change in deferred taxes	-5.2	-1.8	5.2
Total	**16.7**	**12.9**	**35.7**

Notes

11. KEY FIGURES

	30.6.2020	30.6.2019	Change %	31.12.2019
Earnings per share, basic (EUR)	0.53	0.42	26.5	1.03
Earnings per share, diluted (EUR)	0.53	0.42	26.5	1.03
Alternative Performance Measures:				
Return on capital employed, %, Rolling 12 Months (R12M)	6.5	7.8	-16.7	6.3
Adjusted return on capital employed, %, Rolling 12 Months (R12M)	10.2	13.1	-22.1	12.7
Return on equity, %, Rolling 12 Months (R12M)	7.4	8.3	-10.8	6.5
Equity per share (EUR)	15.39	15.36	0.2	15.70
Interest-bearing net debt / Equity, %	62.8	60.5	3.8	52.6
Net debt / Adjusted EBITDA, Rolling 12 Months (R12M)	2.3	2.0	15.0	1.8
Equity to asset ratio, %	32.9	37.2	-11.6	35.4
Investments total (excl. acquisitions), EUR million	20.2	21.7	-6.9	39.5
Interest-bearing net debt, EUR million	770.2	743.5	3.6	655.3
Net working capital, EUR million	449.5	466.4	-3.6	446.0
Average number of personnel during the period	17,105	16,035	6.7	16,104
Average number of shares outstanding, basic	79,020,478	78,831,954	0.2	78,835,721
Average number of shares outstanding, diluted	79,020,478	78,831,954	0.2	78,835,721
Number of shares outstanding	79,133,459	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 (%):	=	Net profit for the period / Total equity (average during the period)	X 100
Return on capital employed (%):	=	Income before taxes + interest paid + other financing cost / Total amount of equity and liabilities - non-interest bearing debts (average during the period)	X 100
Adjusted return on capital employed (%):	=	Adjusted EBITA / Total amount of equity and liabilities - non-interest bearing debts (average during the period)	X 100
Equity to asset ratio, %:	=	Shareholders' equity / Total amount of equity and liabilities - advance payment received	X 100
Interest-bearing net debt / Equity, %:	=	Interest-bearing liabilities - liquid assets - loans receivable / Total equity	X 100
Equity per share:	=	Equity attributable to the shareholders of the parent company / 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)	1–6/2020	1–6/2019	1–12/2019
Adjusted EBITDA	**129.0**	**164.7**	**373.2**
Transaction costs	0.0	0.0	-0.9
Restructuring costs (excluding impairments)	-10.1	-37.8	-99.9
Release of MHE-Demag purchase price allocation in inventories	-0.9	0.0	0.0
EBITDA	**117.9**	**126.9**	**272.3**
Depreciation, amortization and impairments	-67.5	-61.6	-123.6
Operating profit (EBIT)	**50.5**	**65.3**	**148.7**
Adjusted EBITA	**78.6**	**115.4**	**275.1**
Purchase price allocation amortization	-18.0	-12.3	-24.7
Adjusted Operating profit (EBIT)	**60.6**	**103.0**	**250.4**
Transaction costs	0.0	0.0	-0.9
Restructuring costs	-10.1	-37.8	-100.7
Operating profit (EBIT)	**50.5**	**65.3**	**148.7**

Interest-bearing net debt	30.6.2020	30.6.2019	31.12.2019
Non current interest bearing liabilities	941.2	651.6	785.8
Current interest bearing liabilities	333.8	267.9	248.4
Loans receivable	-0.9	-0.6	-0.7
Net debt in assets held for sale	0.0	-3.3	0.0
Cash and cash equivalents	-503.9	-172.1	-378.2
Interest-bearing net debt	**770.2**	**743.5**	**655.3**

The period end exchange rates:	30.6.2020	30.6.2019	Change %	31.12.2019
USD - US dollar	1.120	1.138	1.6	1.123
CAD - Canadian dollar	1.532	1.489	-2.8	1.460
GBP - Pound sterling	0.912	0.897	-1.7	0.851
CNY - Chinese yuan	7.922	7.819	-1.3	7.821
SGD - Singapore dollar	1.565	1.540	-1.6	1.511
SEK - Swedish krona	10.495	10.563	0.7	10.447
AUD - Australian dollar	1.634	1.624	-0.6	1.600

The period average exchange rates:	30.6.2020	30.6.2019	Change %	31.12.2019
USD - US dollar	1.102	1.130	2.6	1.120
CAD - Canadian dollar	1.503	1.507	0.2	1.486
GBP - Pound sterling	0.874	0.873	-0.1	0.878
CNY - Chinese yuan	7.749	7.667	-1.1	7.735
SGD - Singapore dollar	1.541	1.536	-0.4	1.527
SEK - Swedish krona	10.663	10.516	-1.4	10.589
AUD - Australian dollar	1.679	1.600	-4.7	1.611

Notes

12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	30.6.2020	30.6.2019	31.12.2019
For own commercial obligations			
Guarantees	611.9	533.9	629.5
Other	30.9	31.9	34.1
Total	**642.8**	**565.7**	**663.6**

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 **Financial assets 30.6.2020**	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	480.2	480.2
Derivative financial instruments	2.7	12.9	0.0	15.6
Cash and cash equivalents	0.0	0.0	503.9	503.9
Total	**2.7**	**12.9**	**984.1**	**999.7**

Financial liabilities 30.6.2020				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	941.2	941.2
Other payable	0.0	0.0	5.0	5.0
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	333.8	333.8
Derivative financial instruments	3.5	4.4	0.0	7.9
Accounts and other payable	0.0	0.0	285.2	285.2
Total	**3.5**	**4.4**	**1,565.2**	**1,573.1**

EUR million **Financial assets 30.6.2019**	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	516.2	516.2
Derivative financial instruments	4.7	4.8	0.0	9.4
Cash and cash equivalents	0.0	0.0	172.1	172.1
Total	**4.7**	**4.8**	**688.3**	**697.7**

Financial liabilities 30.6.2019				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	651.6	651.6
Other payable	0.0	0.0	7.2	7.2
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	267.9	267.9
Derivative financial instruments	3.8	2.6	0.0	6.4
Accounts and other payable	0.0	0.0	243.2	243.2
Total	**3.8**	**2.6**	**1,169.9**	**1,176.3**

Notes

EUR million Financial assets 31.12.2019	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
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
Total	**3.0**	**5.1**	**942.4**	**950.5**

Financial liabilities 31.12.2019				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	785.8	785.8
Other payable	0.0	0.0	6.8	6.8
Current financial liabilities				
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
Total	**4.4**	**1.8**	**1,321.6**	**1,327.7**

During the second quarter 2020, the Group raised a new EUR 150 million term loan for enhancing the Group's liquid cash reserves, which at the end of June was EUR 503.9 million (30.6.2019: EUR 172.1 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 June 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 273 million was utilized at the end of June 2020 (30.6.2019: EUR 219 million).

At the end of June 2020, the outstanding long-term loans were: EUR 400 million term loans, EUR 150 million Schuldschein 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 62.8% (30.6.2019: 60.5%) 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:

Financial assets	Carrying amount 30.6.2020	Carrying amount 30.6.2019	Carrying amount 31.12.2019	Fair value 30.6.2020	Fair value 30.6.2019	Fair value 31.12.2019
Current financial assets						
Account and other receivables	480.2	516.2	564.2	480.2	516.2	564.2
Derivative financial instruments	15.6	9.4	8.1	15.6	9.4	8.1
Cash and cash equivalents	503.9	172.1	378.2	503.9	172.1	378.2
Total	**999.7**	**697.7**	**950.5**	**999.7**	**697.7**	**950.5**

Financial liabilities						
Non-current financial liabilities						
Interest-bearing liabilities	941.2	651.6	785.8	943.3	661.1	795.7
Other payable	5.0	7.2	6.8	5.0	7.2	6.8
Current financial liabilities						
Interest-bearing liabilities	333.8	267.9	248.4	333.8	267.9	248.4
Derivative financial instruments	7.9	6.4	6.2	7.9	6.4	6.2
Accounts and other payable	285.2	243.2	280.5	285.2	243.2	279.8
Total	**1,573.1**	**1,176.3**	**1,327.7**	**1,575.2**	**1,185.8**	**1,337.0**

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

Financial assets	30.6.2020 Level 1	30.6.2020 Level 2	30.6.2020 Level 3	30.6.2019 Level 1	30.6.2019 Level 2	30.6.2019 Level 3	31.12.2019 Level 1	31.12.2019 Level 2	31.12.2019 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	14.8	0.0	0.0	9.4	0.0	0.0	8.1	0.0
Currency options	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**15.6**	**0.0**	**0.0**	**9.4**	**0.0**	**0.0**	**8.1**	**0.0**
Other financial assets									
Cash and cash equivalents	503.9	0.0	0.0	172.1	0.0	0.0	378.2	0.0	0.0
Total	**503.9**	**0.0**	**0.0**	**172.1**	**0.0**	**0.0**	**378.2**	**0.0**	**0.0**
Total financial assets	**503.9**	**15.6**	**0.0**	**172.1**	**9.4**	**0.0**	**378.2**	**8.1**	**0.0**

Financial liabilities	30.6.2020 Level 1	30.6.2020 Level 2	30.6.2020 Level 3	30.6.2019 Level 1	30.6.2019 Level 2	30.6.2019 Level 3	31.12.2019 Level 1	31.12.2019 Level 2	31.12.2019 Level 3
Derivative financial instruments									
Foreign exchange forward contracts	0.0	7.9	0.0	0.0	6.4	0.0	0.0	6.2	0.0
Total	**0.0**	**7.9**	**0.0**	**0.0**	**6.4**	**0.0**	**0.0**	**6.2**	**0.0**
Other financial liabilities									
Interest bearing liabilities	0.0	1,275.0	0.0	0.0	919.5	0.0	0.0	1,034.2	0.0
Other payables	0.0	0.0	0.2	0.0	0.0	1.0	0.0	0.0	0.8
Total	**0.0**	**1,275.0**	**0.2**	**0.0**	**919.5**	**1.0**	**0.0**	**1,034.2**	**0.8**
Total financial liabilities	**0.0**	**1,282.9**	**0.2**	**0.0**	**925.9**	**1.0**	**0.0**	**1,040.4**	**0.8**

14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	30.6.2020 Nominal value	30.6.2020 Fair value	30.6.2019 Nominal value	30.6.2019 Fair value	31.12.2019 Nominal value	31.12.2019 Fair value
Foreign exchange forward contracts	1,144.3	6.9	1,204.0	3.0	1,145.4	1.9
Currency options	84.7	0.8	0.0	0.0	21.4	0.0
Total	**1,229.0**	**7.7**	**1,204.0**	**3.0**	**1,166.8**	**2.0**

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 25.8% 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	30.6.2020	30.6.2019	31.12.2019
Balance as of January 1	-0.5	0.1	0.1
Gains and losses deferred to equity (fair value reserve)	-0.1	-1.1	-0.7
Change in deferred taxes	0.0	0.2	0.1
Balance as of the end of period	**-0.5**	**-0.8**	**-0.5**

15. TRANSACTIONS WITH RELATED PARTIES

EUR million	30.6.2020	30.6.2019	31.12.2019
Sales of goods and services with associated companies and joint arrangements	7.3	21.6	46.5
Receivables from associated companies and joint arrangements	3.8	9.1	8.9
Purchases of goods and services from associated companies and joint arrangements	25.8	26.9	53.2
Liabilities to associated companies and joint arrangements	1.5	8.7	0.9

ANALYST AND PRESS BRIEFING

A live international telephone conference for analysts, investors and media will be held on July 24, 2020, at 11:00 a.m. Finnish time. The half-year financial report will be presented by Konecranes' President and CEO Rob Smith and CFO Teo Ottola.

Please see the press release dated July 10, 2020 for the conference call details.

NEXT REPORT

Konecranes Plc plans to publish Interim Report January–September 2020 on October 28, 2020.

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 17,300 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

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