Strong performance provides solid foundation for growth

Financial Statement Release 2020

Q4

Strong performance provides solid foundation for growth

This report contains comparisons 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. The figures presented in this report are unaudited. Figures in brackets, unless otherwise stated, refer to the same period a year earlier.

FOURTH QUARTER HIGHLIGHTS

- Order intake EUR 843.3 million (781.3), +7.9 percent (+11.4 percent on a comparable currency basis), driven by order intake increase in Business Area Port Solutions
- Service annual agreement base value increased 3.0 percent (+8.0 percent in comparable currencies) to EUR 275.7 million (267.7). Service order intake was EUR 233.6 million (250.0), -6.5 percent (-2.0 percent on a comparable currency basis)
- Order book EUR 1,715.5 million (1,824.3) at the end of December, -6.0 percent (-2.9 percent on a comparable currency basis)
- Sales EUR 936.8 million (933.3), +0.4 percent (+3.2 percent on a comparable currency basis), driven by sales growth in Business Area Port Solutions
- Adjusted EBITA margin 10.9 percent (9.4) and adjusted EBITA EUR 102.1 million (87.3); the increase was mainly attributable to continued progress on strategic initiatives and cost management
- Operating profit EUR 83.0 million (65.5), 8.9 percent of sales (7.0), restructuring and transaction costs totaled EUR 10.1 million (15.6)
- Earnings per share (diluted) EUR 0.69 (0.57)
- Free cash flow EUR 177.2 million (32.8), driven by net working capital development.

FULL YEAR 2020 HIGHLIGHTS

- Order intake EUR 2,727.3 million (3,167.3), -13.9 percent (-12.6 percent on a comparable currency basis)
- Service order intake EUR 927.8 million (1,015.1), -8.6 percent (-6.5 percent on a comparable currency basis)
- Sales EUR 3,178.9 million (3,326.9), -4.4 percent (-3.0 percent on a comparable currency basis)
- Adjusted EBITA margin 8.2 percent (8.3) and adjusted EBITA EUR 260.8 million (275.1); the adjusted EBITA margin improved in Service as well as in Industrial Equipment and decreased Port Solutions
- Operating profit EUR 173.8 million (148.7), 5.5 percent of sales (4.5), restructuring and transaction costs totaled EUR 51.1 million (101.7)
- Earnings per share (diluted) EUR 1.54 (1.03)
- Free cash flow EUR 366.1 million (148.5)
- Net debt EUR 577.1 million (655.3) and gearing 46.1 percent (52.6)
- The Board of Directors proposes a dividend of EUR 0.88 (1.20) per share for 2020.

FIRST QUARTER DEMAND OUTLOOK

The worldwide demand picture remains subject to volatility due to the COVID-19 pandemic.

In Europe and North America, the current demand environment within the industrial customer segments is showing signs of improvement but remains below the year-end 2019 level. At the moment, the demand environment in Europe is less volatile compared to North America. In Asia-Pacific, demand environment has started to show signs of improvement also outside China but remains below the year-end 2019 level.

Global container throughput has reached the previous year's level, and long-term prospects related to global container handling remain healthy.

FINANCIAL GUIDANCE

Konecranes expects net sales to increase in full-year 2021 compared to 2020. Konecranes expects the full-year 2021 adjusted EBITA margin to improve from 2020.

Key figures

	Fourth quarter			January–December		
	10–12/2020	10–12/2019	Change %	1–12/2020	1–12/2019	Change %
Orders received, MEUR	843.3	781.3	7.9	2,727.3	3,167.3	-13.9
Order book at end of period, MEUR				1,715.5	1,824.3	-6.0
Sales total, MEUR	936.8	933.3	0.4	3,178.9	3,326.9	-4.4
Adjusted EBITDA, MEUR [1)]	124.5	111.8	11.4	356.7	373.2	-4.4
Adjusted EBITDA, % [1)]	13.3%	12.0%		11.2%	11.2%	
Adjusted EBITA, MEUR [2)]	102.1	87.3	16.9	260.8	275.1	-5.2
Adjusted EBITA, % [2)]	10.9%	9.4%		8.2%	8.3%	
Adjusted operating profit, MEUR [1)]	93.1	81.1	14.7	224.9	250.4	-10.2
Adjusted operating margin, % [1)]	9.9%	8.7%		7.1%	7.5%	
Operating profit, MEUR	83.0	65.5	26.7	173.8	148.7	16.9
Operating margin, %	8.9%	7.0%		5.5%	4.5%	
Profit before taxes, MEUR	76.3	63.3	20.4	170.3	118.5	43.7
Net profit for the period, MEUR	55.2	45.8	20.3	122.9	82.8	48.4
Earnings per share, basic, EUR	0.69	0.57	20.7	1.54	1.03	50.4
Earnings per share, diluted, EUR	0.69	0.57	20.7	1.54	1.03	50.4
Interest-bearing net debt/Equity, %				46.1%	52.6%	
Net debt/Adjusted EBITDA [1)]				1.6	1.8	
Return on capital employed, %				8.3%	6.3%	
Adjusted return on capital employed, % [3)]				11.1%	12.7%	
Free cash flow, MEUR	177.2	32.8		366.1	148.5	
Average number of personnel during the period				17,027	16,104	5.7

[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 ended an extraordinary year on a high note. Great sales execution, high performance and cost management across the whole organization delivered an adjusted EBITA margin of 10.9% in Q4, our second consecutive quarter of record-breaking profitability. Our continued strong performance and traction from the strategic actions we have implemented during this challenging year, supported by our Q4 orders, ensure that Konecranes is ready for the future.

While COVID-19 related market uncertainty and volatility is not over, overall market sentiment improved in Q4 compared to the previous two quarters and some of our port customers decided to move forward with their orders. As a result, Konecranes' Q4 order intake grew 11.4% year-on-year in comparable currencies. Orders increased in all three Business Areas quarter-on-quarter and Port Solutions booked record orders of €404.7 million.

Our Q4 sales improved 3.2% year-on-year in comparable currencies, driven especially by the strong sales execution in Port Solutions. In addition, both Industrial Equipment and Service sales improved sequentially and were only 3% behind last year's Q4 in comparable currencies. This was an excellent result, as COVID-19 regional restrictions and lockdowns were tightened again in Q4. My warm thanks go again to our employees as well as our customers for enabling safe and timely deliveries, installations and onsite service work.

Q4 Service order intake declined by 2% year-on-year in comparable currencies. We were pleased to see some improvement in the market sentiment also in APAC. Service's focus on cost efficiency continued and, with its 19.2% adjusted EBITA margin, it set a second consecutive quarterly profitability record. The agreement base value also grew by 8% from the previous year in comparable currencies, including MHE-Demag.

Industrial Equipment had yet another strong quarter in terms of execution. Both orders and sales improved sequentially, and the adjusted EBITA margin came in at 5.8%, driven by good progress with the turnaround of process crane business and lean operations, procurement and project management initiatives. This positive development demonstrates that Industrial Equipment is heading in the right direction.

In Port Solutions, the quarter was record-breaking both in terms of order intake and net sales. In addition to the publicly announced DP World Antwerp Gateway order of 34 Automated Stacking Cranes, Ship-to-Shore Gantry Cranes, Rubber Tire Gantry Cranes and Mobile Harbor Cranes had a strong order intake for the quarter. Although COVID-19 travel restrictions and quarantines continued to hinder our execution, Port Solutions was able to book record-high sales of €355 million, closing the year with an adjusted EBITA margin of 8.1%.

Q4 was eventful and successful beyond the financials. Sustainability is at the core of our business, and CDP [1)] results published in December recognized our ambitious climate work with an A- rating. Shortly after, we announced our exciting partnership with The Ocean Cleanup to design, manufacture, and service The Ocean Cleanup's Interceptor™, which is designed to extract plastic from rivers before they enter the world's oceans. Konecranes also signed the commitment letter for the Science Based Targets Initiative (SBTi). In the coming months, we will define new climate targets for our operations, reinforcing our commitment to cut emissions, further develop our already strong low-carbon portfolio and mitigate climate risks.

Our announcement on 1 October to merge with Cargotec to create a global leader in sustainable material flow underpins our strategic plans and growth ambitions. In December, shareholders of both companies gave their support for the plan. The extraordinary general meeting approvals were a major step towards the completion of the merger, which is currently expected to take place on 1 January 2022, given all conditions and merger control approvals for completion are fulfilled. Until then, both companies will operate fully separately and independently.

Turning to 2021, we expect market volatility to continue as the world battles COVID-19. While we can be proud of how we have adapted to the pandemic, we will remain vigilant on both demand and costs as we have entered what is historically our seasonally weakest quarter. Today, we have updated our demand outlook for Q1 and given new guidance for full-year 2021. We expect our net sales to increase in full-year 2021 compared to 2020. Given our performance track record and the continued implementation of our strategic initiatives, we expect our full-year adjusted EBITA margin to improve from 2020.

In 2021, Konecranes will maintain its strategic focus and will continue its commitment to business excellence, high performance and sustainability. Together with our extraordinary team, the actions we undertook in 2020 provide a solid foundation for Konecranes' future success.

[1)] CDP is an international non-profit organization that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts (www.cdp.net).

Konecranes Plc's financial statement release 2020

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Note: The figures presented in this report are unaudited. 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), witnessed a turbulent year with significant deterioration in operating conditions caused by the COVID-19 pandemic. At the start of the year, the index swung into contraction below the 50.0 mark in February and bottomed to its lowest level since 2009 in April. Towards the end of the year, the operating conditions were recovering as the index stayed in expansion territory during the entire second half. The year ended at 53.8 which was equal to November's 33-month high and signaled continued improvement.

In the eurozone, manufacturing sector operating conditions continued to deteriorate from the end of 2019 and, like seen elsewhere globally, plunged in the second quarter of 2020. The PMI's deterioration eased at the end of the first half of the year. Since then, the index showed improvement at a steady pace and December's reading was clearly in expansion territory. Within the region, Germany and the Netherlands contributed strongly to the improvement. At the end of the year, most of the country-specific PMIs were clearly above the 50-borderline. The UK Manufacturing PMI developed broadly in line with the eurozone's equivalent index over the year. In December though, the PMI rose further to a three-year high of 57.5 before the end of the Brexit transition period. The manufacturing industry capacity utilization rate in the European Union declined in the first half of 2020 and began to recover in the third quarter. The capacity utilization rate ended the year on the rise, but it had not yet reached pre-COVID levels.

In the US, the manufacturing sector's PMI rebounded to expansion territory at the start of the second half of 2020 following a coronavirus-induced contraction. The index ended the year at 57.1, indicating strongly improving conditions. The US unemployment rate also continued to come down steadily from its April peak. The US manufacturing capacity utilization rate showed improvements from the drop in the beginning of the year. In December, despite solid monthly increases, the capacity utilization rate was still behind its figures prior to the start of the coronavirus pandemic.

As for the emerging markets, China's manufacturing sector operating conditions steadily improved after an initial plummet in February, and the PMI ended 2020 well above the 50.0 mark. In both Brazil and India, the Manufacturing PMIs also indicated recovering conditions by posting figures continuously in expansion territory towards the end of 2020. In Russia, manufacturing sector operating conditions were in contraction territory almost throughout the year, ending 2020 fractionally below the 50.0 mark.

Global container throughput, according to the RWI/ISL Container Throughput Index, ended the year 2020 higher than where it began despite the strong coronavirus headwinds especially during the first half of the year. The recovery pace stabilized in the last months of the year and container throughput had picked up in Chinese ports as well as in ports elsewhere outside China. At the end of December, global container throughput was approximately 5 percent higher than the year before.

Regarding raw material prices, at the end of the year both steel and copper prices were clearly above the previous year's levels. The average EUR/USD exchange rate was approximately 2 percent higher compared to the year-ago period.

ORDERS RECEIVED

In the fourth quarter, orders received totaled EUR 843.3 million (781.3), representing an increase of 7.9 percent. On a comparable currency basis, order intake increased 11.4 percent. Orders received increased in all three regions mainly driven by Port Solutions.

In Service, orders received decreased 6.5 percent on a reported basis and 2.0 percent on a comparable currency basis. In Industrial Equipment, order intake decreased 23.7 percent on a reported basis and 20.3 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 23.4 percent on a reported basis and 19.9 percent on a comparable currency basis. In Port Solutions, order intake increased 52.7 percent on a reported basis and 53.0 percent on a comparable currency basis.

In full year 2020, orders received totaled EUR 2,727.3 million (3,167.3), representing a decrease of 13.9 percent. On a comparable currency basis, order intake decreased 12.6 percent. Orders received decreased in the Americas and EMEA but increased in APAC. The increase in APAC was mainly due to the acquisition of MHE-Demag.

In Service, order intake decreased 8.6 percent on a reported basis and 6.5 percent on a comparable currency basis. In Industrial Equipment, orders received decreased 21.6 percent on a reported basis and 20.2 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 20.5 percent on a reported basis and 18.9 percent on a comparable currency basis. In Port Solutions, order intake decreased 13.3 percent on a reported basis and 13.0 percent on a comparable currency basis.

ORDERS RECEIVED AND NET SALES

	10–12/ 2020	10–12/ 2019	Change percent	Change % at comparable currency rates	1–12/ 2020	1–12/ 2019	Change percent	Change % at comparable currency rates
Orders received, MEUR	843.3	781.3	7.9	11.4	2,727.3	3,167.3	-13.9	-12.6
Net sales, MEUR	936.8	933.3	0.4	3.2	3,178.9	3,326.9	-4.4	-3.0

ORDER BOOK

At the end of December, the value of the order book totaled EUR 1,715.5 million (1,824.3), which was 6.0 percent lower compared to previous year. On a comparable currency basis, the order book decreased 2.9 percent. The order book decreased 1.0 percent in Service, 7.7 percent in Industrial Equipment and 5.9 percent in Port Solutions.

SALES

In the fourth quarter, Group sales increased 0.4 percent to EUR 936.8 million (933.3). On a comparable currency basis, sales increased 3.2 percent. Sales decreased 7.7 percent in Service, 6.7 percent in Industrial Equipment and increased 10.9 percent in Port Solutions. Industrial Equipment's external sales decreased 3.5 percent.

In full year 2020, Group sales totaled EUR 3,178.9 million (3,326.9), representing a decrease of 4.4 percent. On a comparable currency basis, sales decreased 3.0 percent. Sales decreased 5.5 percent in Service, 5.5 percent in Industrial Equipment and 4.5 percent Port Solutions. Industrial Equipment's external sales decreased 4.6 percent.

At the end of December, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 54 (52), Americas 31 (34) and APAC 16 (14) percent.

FINANCIAL RESULT

In the fourth quarter, the Group adjusted EBITA increased to EUR 102.1 million (87.3). The adjusted EBITA margin increased to 10.9 percent (9.4). The adjusted EBITA margin was 19.2 percent (18.0) in Service, 5.8 percent (0.2) in Industrial Equipment and 8.1 percent (9.9) in Port Solutions. The increase in the Group adjusted EBITA margin was primarily due to continued progress on strategic initiatives and cost management. Gross margin increased on a year-on-year basis.

In full year 2020, the Group adjusted EBITA decreased to EUR 260.8 million (275.1). The adjusted EBITA margin declined to 8.2 percent (8.3). The adjusted EBITA margin increased in Service to 17.2 percent (16.6) and in Industrial Equipment to 2.3 percent (1.5) and decreased in Port Solutions to 5.6 percent (7.8). 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.

In full year 2020, the consolidated adjusted operating profit declined to EUR 224.9 million (250.4). The adjusted operating margin declined to 7.1 percent (7.5).

In full year 2020, the consolidated operating profit totaled EUR 173.8 million (148.7). The operating profit includes adjustments of EUR 51.1 million (101.7), which are mainly comprised of restructuring costs and transaction costs. The operating margin declined in Service to 15.2 percent (15.5) and in Port Solutions to 2.6 percent (6.4) but improved in Industrial Equipment to 0.4 percent (-5.2).

In full year 2020, depreciation and impairments totaled EUR 130.0 million (123.6). The impact arising from the purchase price allocations for acquisitions represented EUR 35.9 million (24.7) of the depreciation and impairments.

In full year 2020, the share of the result in associated companies and joint ventures was EUR 21.2 million (4.5). The increase in the share of the result in associated companies and joint ventures was mainly due to Konecranes remeasuring its previously held equity interest in MHE-Demag at its acquisition date fair value. Please refer to Note 5 for additional information.

In full year 2020, financial income and expenses totaled EUR -24.6 million (-34.7). Net interest expenses accounted for EUR 18.0 million (20.2) of the sum and the remainder was mainly attributable to other financing expenses.

The full year 2020 profit before taxes was EUR 170.4 million (118.5).

Income taxes in full year 2020 were EUR 47.5 million (35.7). The Group's effective tax rate was 27.9 percent (30.1).

The full year 2020 net profit was EUR 122.9 million (82.8).

In full year 2020, the basic earnings per share were EUR 1.54 (1.03) and the diluted earnings per share were EUR 1.54 (1.03).

On a rolling 12-month basis, the return on capital employed was 8.3 percent (6.3) and the return on equity 9.8 percent (6.5). The adjusted return on capital employed was 11.1 percent (12.7).

BALANCE SHEET

At the end of December, the consolidated balance sheet amounted to EUR 4,016.5 million (3,854.2). The total equity at the end of the reporting period was EUR 1,251.1 million (1,246.7) or EUR 15.69 per share (15.70). The total equity attributable to the equity holders of the parent company was EUR 1,242.0 million (1,237.5).

Net working capital totaled EUR 337.2 million (446.0). Sequentially, net working capital decreased by EUR 88.2 million. The sequential decrease in net working capital resulted mainly from a decrease in inventories.

CASH FLOW AND FINANCING

Net cash from operating activities in full year 2020 was EUR 407.1 million (172.8). The increase in net cash from operating activities was mainly due to the change in net working capital as well as to a lesser extent, lower financing items during 2020. Cash flow before financing activities was EUR 242.0 million (149.6), which included cash inflows of EUR 2.8 million (16.4) related to sale of property, plant and equipment and EUR 0.0 million (4.2) related to divestment of businesses, and cash outflows of EUR 124.1 million (3.1) related to acquisition of Group companies and EUR 43.8 million (40.7) related to capital expenditure.

At the end of December, interest-bearing net debt was EUR 577.1 million (655.3). Net debt decreased due to improved cash flow during 2020. The equity to asset ratio was 34.1 percent (35.4) and the gearing 46.1 percent (52.6).

At the end of December, cash and cash equivalents amounted to EUR 591.9 million (378.2). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

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

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

CAPITAL EXPENDITURE

Capital expenditure in full year 2020, excluding acquisitions and joint arrangements, amounted to EUR 42.8 million (39.5). The amount consisted mainly of investments in machinery and equipment, buildings, office equipment and information technology.

ACQUISITIONS AND DIVESTMENTS

In full year 2020, the cash impact of capital expenditure for acquisitions and joint arrangements was EUR -124.1 million (-3.1).

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 full year 2020, the Group had an average of 17,027 employees (16,104). On December 31, the number of personnel was 16,862 (16,196). In full year 2020, the Group's personnel increased by 666 people net.

The acquisition of MHE-Demag was completed on January 2, 2020 and on December 31, 2019 MHE-Demag's number of personnel was approximately 1,800.

At the end of December, the number of personnel by Business Area was as follows: Service 8,062 employees (7,762), Industrial Equipment 5,720 employees (5,397), Port Solutions 2,970 employees (2,938) and Group staff 110 (99).

The Group had 9,688 (10,126) employees working in EMEA, 2,964 (3,319) in the Americas and 4,210 (2,751) in APAC.

BUSINESS AREAS

SERVICE

	10–12/ 2020	10–12/ 2019	Change percent	Change % at comparable currency rates	1–12/ 2020	1–12/ 2019	Change percent	Change % at comparable currency rates
Orders received, MEUR	233.6	250.0	-6.5	-2.0	927.8	1,015.1	-8.6	-6.5
Order book, MEUR	213.4	215.7	-1.0	5.1	213.4	215.7	-1.0	5.1
Agreement base value, MEUR	275.7	267.7	3.0	8.0	275.7	267.7	3.0	8.0
Net sales, MEUR	315.3	341.6	-7.7	-3.3	1,190.0	1,259.7	-5.5	-3.4
Adjusted EBITA, MEUR [1)]	60.6	61.4	-1.3		205.2	208.5	-1.6	
Adjusted EBITA, % [1)]	19.2%	18.0%			17.2%	16.6%		
Purchase price allocation amortization, MEUR	-4.0	-2.6	52.7		-16.1	-10.5	52.8	
Adjustments,MEUR	-1.2	-1.5			-7.7	-3.4		
Operating profit (EBIT), MEUR	55.4	57.2	-3.1		181.4	194.6	-6.8	
Operating profit (EBIT), %	17.6%	16.7%			15.2%	15.5%		
Personnel at the end of period	8,062	7,762	3.9		8,062	7,762	3.9	

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

Operational highlights in 2020:

- Launched “CheckApp for Daily Inspections” self-service application/subscription service. The App is designed to help crane users quickly and easily record their findings when performing pre-shift and/or pre-lift inspections. The number of subscriptions has been developing positively on a monthly basis.
- Efficient execution of MHE-Demag’s Service business integration. For Service, the acquisition of MHE-Demag in January 2020 significantly strengthened presence and market coverage in Southeast Asia with further service engineers and an enlarged service location footprint.
- Successfully coupled digitalization driven productivity gains with effective cost base adjustments resulting in continued EBITA margin expansion.

In the fourth quarter, order intake in Service decreased 6.5 percent to EUR 233.6 million (250.0). On a comparable currency basis, orders received decreased 2.0 percent. Field service orders stayed approximately flat and parts orders decreased. Order intake decreased in the Americas and EMEA but increased in APAC. The increase in APAC was mainly due to the acquisition of MHE-Demag.

The order book decreased 1.0 percent to EUR 213.4 million (215.7). On a comparable currency basis, the order book increased 5.1 percent.

The annual value of the agreement base increased 3.0 percent year-on-year to EUR 275.7 million (267.7). On a comparable currency basis, the annual value of the agreement base increased 8.0 percent. Sequentially, the annual value of the agreement base decreased 1.1 percent on a reported basis and decreased 0.3 percent on a comparable currency basis.

Sales decreased 7.7 percent to EUR 315.3 million (341.6). On a comparable currency basis, sales decreased 3.3 percent. Both field service sales and parts sales decreased. Sales decreased in the Americas and EMEA but increased in APAC. The increase in APAC was mainly due to the acquisition of MHE-Demag.

The fourth-quarter adjusted EBITA was EUR 60.6 million (61.4) and the adjusted EBITA margin 19.2 percent (18.0). The increase in the adjusted EBITA margin was mainly attributable to executed savings in both variable and fixed costs. Gross margin improved on a year-on-year basis. The operating profit was EUR 55.4 million (57.2) and the operating margin 17.6 percent (16.7).

In full year 2020, orders received totaled EUR 927.8 million (1,015.1), corresponding to a decrease of 8.6 percent. On a comparable currency basis, orders received decreased 6.5 percent.

Sales decreased 5.5 percent to EUR 1,190.0 million (1,259.7). On a comparable currency basis, sales decreased 3.4 percent. Both field service sales and parts sales decreased.

The adjusted EBITA was EUR 205.2 million (208.5) and the adjusted EBITA margin was 17.2 percent (16.6). The increase in the adjusted EBITA margin was mainly attributable to executed savings in both variable and fixed costs. The operating profit was EUR 181.4 million (194.6) and the operating margin 15.2 percent (15.5).

INDUSTRIAL EQUIPMENT

	10–12/ 2020	10–12/ 2019	Change percent	Change % at comparable currency rates	1–12/ 2020	1–12/ 2019	Change percent	Change % at comparable currency rates
Orders received, MEUR	241.3	316.3	-23.7	-20.3	981.2	1,251.5	-21.6	-20.2
of which external, MEUR	216.9	283.2	-23.4	-19.9	849.1	1,068.4	-20.5	-18.9
Order book, MEUR	598.8	648.9	-7.7	-2.0	598.8	648.9	-7.7	-2.0
Net sales, MEUR	313.6	336.0	-6.7	-3.1	1,120.1	1,185.5	-5.5	-3.7
of which external, MEUR	279.1	289.2	-3.5	0.3	973.8	1,020.4	-4.6	-2.6
Adjusted EBITA, MEUR [1)]	18.1	0.6	3,033.6		25.4	18.2	39.7	
Adjusted EBITA, % [1)]	5.8%	0.2%			2.3%	1.5%		
Purchase price allocation amortization, MEUR	-3.1	-1.7	81.8		-12.5	-6.9	82.7	
Adjustments,MEUR	-4.8	-2.7			-8.6	-72.7		
Operating profit (EBIT), MEUR	10.1	-3.8	362.9		4.3	-61.4	107.0	
Operating profit (EBIT), %	3.2%	-1.1%			0.4%	-5.2%		
Personnel at the end of period	5,720	5,397	6.0		5,720	5,397	6.0	

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

Operational highlights in 2020:

- The Ocean Cleanup, the Dutch non-profit developing advanced technologies to rid the oceans of plastic, and Konecranes announced in December 2020 a partnership to design, manufacture, and service The Ocean Cleanup's Interceptor™. This is an important step as the non-profit organization prepares to tackle the world's 1,000 most polluting rivers.
- Efficient execution of MHE-Demag's Industrial Equipment business and manufacturing operations' integration. For Industrial Equipment, the acquisition of MHE-Demag in January 2020 brought a stronger market position and simplified the distribution channel for industrial cranes in Southeast Asia as well as a complementary portfolio of other industrial products.
- Strong performance by the key component and other manufacturing units throughout 2020 despite challenging conditions due to the coronavirus pandemic. The key component manufacturing units have been in operation for the entire year and have successfully supplied parts and components to customers and other manufacturing units.

In the fourth quarter, Industrial Equipment's orders received totaled EUR 241.3 million (316.3), corresponding to a decrease of 23.7 percent. On a comparable currency basis, orders received decreased 20.3 percent. External orders received decreased 23.4 percent on a reported basis and 19.9 percent on a comparable currency basis. Order intake decreased in standard cranes, process cranes and components. Orders received stayed approximately flat in EMEA and decreased in the Americas and APAC.

The order book decreased 7.7 percent to EUR 598.8 million (648.9). On a comparable currency basis, the order book decreased 2.0 percent.

Sales decreased 6.7 percent to EUR 313.6 million (336.0). On a comparable currency basis, sales decreased 3.1 percent. External sales decreased 3.5 percent on a reported basis and increased 0.3 percent on a comparable currency basis. Sales decreased in standard cranes and components but increased in process cranes. Sales decreased in the Americas and EMEA but increased in APAC. The increase in APAC was mainly due to the acquisition of MHE-Demag.

The fourth-quarter adjusted EBITA was EUR 18.1 million (0.6) and the adjusted EBITA margin 5.8 percent (0.2). The increase in the adjusted EBITA margin was mainly attributable to continued progress on strategic initiatives and cost management. Gross margin improved on a year-on-year basis. Operating profit was EUR 10.1 million (-3.8) and the operating margin 3.2 percent (-1.1).

In full year 2020, orders received totaled EUR 981.2 million (1,251.5), corresponding to a decrease of 21.6 percent. On a comparable currency basis, orders received decreased 20.2 percent. External orders received decreased 20.5 percent on a reported basis and 18.9 percent on a comparable currency basis. Order intake decreased in standard cranes, process cranes and components.

Sales decreased 5.5 percent to EUR 1,120.1 million (1,185.5). On a comparable currency basis, sales decreased 3.7 percent. External sales decreased 4.6 percent on a reported basis and 2.6 percent on a comparable currency basis. Sales decreased in standard cranes and components but increased in process cranes.

The adjusted EBITA was EUR 25.4 million (18.2) and the adjusted EBITA margin 2.3 percent (1.5). The increase in the adjusted EBITA margin was mainly attributable to continued progress on strategic initiatives and cost management. The operating profit was EUR 4.3 million (-61.4) and the operating margin 0.4 percent (-5.2).

PORT SOLUTIONS

	10–12/ 2020	10–12/ 2019	Change percent	Change % at comparable currency rates	1–12/ 2020	1–12/ 2019	Change percent	Change % at comparable currency rates
Orders received, MEUR	403.7	264.4	52.7	53.0	994.5	1,147.3	-13.3	-13.0
Order book, MEUR	903.2	959.7	-5.9	-5.2	903.2	959.7	-5.9	-5.2
Net sales, MEUR	355.3	320.3	10.9	10.9	1,066.0	1,115.7	-4.5	-4.3
of which service, MEUR	44.3	45.7	-3.0	-0.7	167.9	185.9	-9.7	-8.8
Adjusted EBITA, MEUR [1)]	28.7	31.7	-9.6		59.7	86.9	-31.2	
Adjusted EBITA, % [1)]	8.1%	9.9%			5.6%	7.8%		
Purchase price allocation amortization, MEUR	-1.8	-1.8	0.2		-7.3	-7.3	0.0	
Adjustments,MEUR	1.3	-5.7			-24.4	-8.3		
Operating profit (EBIT), MEUR	28.2	24.2	16.3		28.0	71.3	-60.6	
Operating profit (EBIT), %	7.9%	7.6%			2.6%	6.4%		
Personnel at the end of period	2,970	2,938	1.1		2,970	2,938	1.1	

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

Operational highlights in 2020:

- DP World Antwerp Gateway ordered a fleet of 34 Automated Stacking Cranes and was very motivated to continue their current operating concept, using their current ASC system delivered by Gottwald in 2006. With this new ASC system the advantages of the latest automation technologies will be exploited. The order was booked in December 2020.
- Konecranes forklifts go electric as the Konecranes E-VER was launched in November 2020 and it is a brand-new addition to the Konecranes Ecolifting family. With a fully electric driveline and the latest eco-efficient features, it is a silent, productive vehicle with zero direct emissions.
- Port Solutions finished 2020 by achieving new all-time high quarterly records for both order intake and sales in the fourth quarter even despite the challenging market environment and hurdles to delivery execution caused by the coronavirus pandemic.

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

In the fourth quarter, Port Solutions' order intake totaled EUR 403.7 million (264.4), representing an increase of 52.7 percent. On a comparable currency basis, orders received increased 53.0 percent. Orders received increased in all three regions.

The order book decreased 5.9 percent to EUR 903.2 million (959.7). On a comparable currency basis, the order book decreased 5.2 percent.

Sales increased 10.9 percent to EUR 355.3 million (320.3). On a comparable currency basis, sales increased 10.9 percent.

The fourth-quarter adjusted EBITA was EUR 28.7 million (31.7) and the adjusted EBITA margin 8.1 percent (9.9). The decrease in the adjusted EBITA margin was mainly attributable to weaker sales mix. Gross margin decreased on a year-on-year basis. Operating profit was EUR 28.2 million (24.2) and the operating margin 7.9 percent (7.6).

In full year 2020, orders received totaled EUR 994.5 million (1,147.3), corresponding to a decrease of 13.3 percent. On a comparable currency basis, orders received decreased 13.0 percent.

Sales decreased 4.5 percent to EUR 1,066.0 million (1,115.7). On a comparable currency basis, sales decreased 4.3 percent.

The adjusted EBITA was EUR 59.7 million (86.9) and the adjusted EBITA margin 5.6 percent (7.8). The decrease in the adjusted EBITA margin was mainly attributable to a one-time cost overrun in a port crane project in the first quarter as well as lower sales and weaker sales mix. Gross margin decreased on a year-on-year basis. Operating profit was EUR 28.0 million (71.3) and the operating margin 2.6 percent (6.4).

Group overheads

In the fourth quarter, the adjusted unallocated Group overhead costs and eliminations were EUR 5.3 million (6.4), representing 0.6 percent of sales (0.7).

The unallocated Group overhead costs and eliminations were EUR 10.7 million (12.1), representing 1.1 percent of sales (1.3). These included merger related transaction costs of EUR 5.4 million. In 2019 these included restructuring costs of EUR 5.7 million.

In full year 2020, the adjusted unallocated Group overhead costs and eliminations were EUR 29.5 million (38.5), representing 0.9 percent of sales (1.2).

The unallocated Group overhead costs and eliminations were EUR 40.0 million (55.9), representing 1.3 percent of sales (1.7). These included merger related transaction costs and restructuring costs of EUR 10.5 million (17.3).

Covid-19 impact on Konecranes

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

Towards the end the year, demand conditions were recovering but the COVID-19 pandemic continued to impact Konecranes negatively. At the end of 2020, the capacity utilization rates in Europe and in the United States were also below their levels prior to the coronavirus pandemic. Due to the pandemic, order intake and net sales declined in all three Business Areas in 2020.

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

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

In Port Solutions, the negative impact of COVID-19 became visible in the second quarter. The order intake and net sales of the shorter cycle products, such as lift trucks and reach stackers, were first to be negatively affected. Travel and access restrictions had a negative impact on net sales especially in the second and third quarter. No major orders received have been cancelled. However, due to the uncertain market conditions, customers have become cautious, and decision-making regarding new orders has been postponed.

During parts of the first half of the year, some Konecranes factories in EMEA and APAC were closed due to local COVID-19 physical restrictions. Although material deliveries and component availability have become more challenging, none of our factories were closed as a result of material shortages. All Konecranes factories have been in operation throughout the second half of the year, except for some sites in APAC which have been closed for short periods in Q3 and Q4.

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 not been significant. Konecranes has further enhanced payment collection and credit control. The delays in deliveries have led to some increase in inventory levels during the year. 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 minor 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.

ADMINISTRATION

Merger of Konecranes Plc and Cargotec Corporation

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

On December 3, 2020 Konecranes announced that the Finnish Financial Supervisory Authority had approved the merger prospectus concerning the combination of Konecranes Plc and Cargotec Corporation.

On December 18, 2020 Konecranes held an Extraordinary General Meeting (”EGM”) that approved the Merger in accordance with the Merger Plan. In order to prevent the spread of the Covid-19 pandemic, the EGM was arranged without the physical presence of shareholders or their proxy representatives. Cargotec's Extraordinary General Meeting was held on the same day and resolved to approve the Merger.

Pursuant to the Merger Plan, Konecranes shall be merged into Cargotec through an absorption merger so that all assets and liabilities of Konecranes shall be transferred without a liquidation procedure to Cargotec and Konecranes will be dissolved. The shareholders of Konecranes will receive new shares in Cargotec as merger consideration in proportion to their existing shareholdings as described in more detail in the Merger Plan.

The completion of the Merger is subject to necessary merger control approvals having been obtained and other conditions to completion having been fulfilled. The planned Merger completion date is 1 January 2022, however, the date is subject to change and the actual completion date may be earlier or later than 1 January 2022.

Until the completion, both companies will operate as independent and separate entities.

Additional information on the Merger is available in the stock exchange releases dated October 1, 2020, December 3, 2020, and December 18, 2020 available on the Konecranes website, as well as on the merger website www.sustainablematerialflow.com.

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 according to the proposal.

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 according to the proposal.

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.

Composition of the Shareholders' Nomination Board

On September 11, 2020 Konecranes announced the composition of the Shareholders' Nomination Board.

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

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

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

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

Konecranes Leadership Team

Rob Smith joined Konecranes as the President and CEO on February 1, 2020. His appointment had been announced on October 7, 2019. The company's CFO, Teo Ottola, who also serves as Deputy CEO, acted as the interim CEO from October 7, 2019 until February 1, 2020.

Carolin Paulus was appointed Executive Vice President for the Industrial Equipment Business Area and member of the Konecranes Leadership Team effective March 1, 2020 on February 6, 2020. She succeeded Mikko Uhari, who stepped down from the Konecranes Leadership Team in line with Konecranes succession and retirement planning process.

Minna Aila, Executive Vice President, Marketing and Communications and a member of the Konecranes Leadership Team left the company on March 15, 2020 as announced on October 14, 2019.

On October 27, 2020, Konecranes announced that Topi Tiitola had been appointed Senior Vice President, Integration and Project Management Office, and member of the Konecranes Leadership Team effective November 1, 2020.

Since November 1, 2020, the Konecranes Leadership Team has consisted of the following members:

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

Dividend distribution

On August 16, 2020 Konecranes announced that the Board of Directors had decided on the distribution of dividend based on the authorization granted to the Board by the Annual General Meeting.

A dividend of EUR 0.55 per share was paid from the distributable assets of the parent Company on 26 August 2020.

Konecranes had already earlier paid a dividend of EUR 0.65 per share for the financial year ended 31 December 2019. This dividend was paid on 23 June 2020. Based on the resolution of the Annual General Meeting and the August 16 decision by the Board of Directors, the total aggregate dividend for the financial period 2019 was thus EUR 1.20 per share.

Performance share plan 2020

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

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

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

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

On December 16, 2020 Konecranes announced that the Board of Directors had resolved adjusted earnings per share (EPS) as the criterion for the second measurement period of the Performance Share Plan 2020.

Restricted share unit plan 2020

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

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

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 December 31, 2020 the company's registered share capital totaled EUR 30.1 million. On December 31, 2020, the number of shares including treasury shares totaled 79,221,906.

TREASURY SHARES

On December 31, 2020, Konecranes Plc was in possession of 87,447 treasury shares, which corresponds to 0.1 percent of the total number of shares and which had on that date a market value of EUR 2.5 million.

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

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

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

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

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

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on December 30, 2020 was EUR 28.78. The volume-weighted average share price in full year 2020 was EUR 23.03, the highest price being EUR 33.08 in February and the lowest EUR 14.05 in March. In full year 2020, the trading volume on the Nasdaq Helsinki totaled 82.4 million, corresponding to a turnover of approximately EUR 1,897.5 million. The average daily trading volume was 326,912 shares representing an average daily turnover of EUR 7.5 million.

In addition, according to Fidessa, approximately 100.3 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in full year 2020.

On December 31, 2020, the total market capitalization of Konecranes Plc was EUR 2,280.0 million including treasury shares. The market capitalization was EUR 2,277.5 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In full year 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

RESEARCH AND DEVELOPMENT

In 2020, Konecranes' research and product development expenditure totaled EUR 48.5 (41.1) million, representing 1.5 (1.2) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

Konecranes has provided customers with tens of thousands of pieces of connected equipment to give them insights into daily operations and ensure maximum production uptime. This large, connected fleet provides usage data, the importance of which has been elevated in the COVID-19 pandemic.

In the midst of the pandemic, understanding how lockdowns and movement restrictions affected production was of critical importance for future business success. In spring 2020, Konecranes acted quickly in building analytics of the data, gaining insights into whether assets were running normally, with lower utilization or if they were completely shut down. This allowed Konecranes to balance its demand-supply and optimize its operations in real-time.

Konecranes Data Science Lab is based in Lyon, France, and focuses on creating tangible business benefits, working closely with Konecranes businesses. In 2020, the Data Science Lab produced numerous analyzes and algorithms for Konecranes to apply in its operations. These innovations include a fuel consumption prediction method for Konecranes Lift Trucks business, allowing customers to gain accurate fuel usage estimations and giving us a competitive edge. The Data Science Lab also created lifecycle analyzes for different crane components, starting with Konecranes Rubber Tired Gantry (RTG) cranes. Having visibility into single components takes Konecranes predictive maintenance services to the next level, allowing planning service and parts replacements to maximize our customers' productivity by minimizing downtime.

Digitalization provides Konecranes with multiple growth opportunities and ways to enhance the customer experience. In 2020, Konecranes launched a business model enabling digital features based on active subscriptions for its Lift Truck products. Previously only available as one-size-fits-all annual contracts, customers have now been given the opportunity to mix and match services – such as operations and usage data, condition monitoring and alerts notifications, or location-based services. Customers can now tailor services based on the specific business needs on a monthly basis.

In 2020, Konecranes received dozens of applications for cooperation from startups through its open call REACH program. Konecranes also formalized its Discovery concept in 2020, which focuses on identifying leading startup partners in their field to solve specific business needs. Konecranes also continued its internal Accelerator innovation program, facilitated in cooperation with the Maria 01 startup hub in Helsinki. The program gathered dozens of Konecranes employees across the organization. Coached by startup partners and serial entrepreneurs, participants develop new solutions in response to customer needs. Konecranes is also active in multiple innovation ecosystems beyond Maria 01, such as DIMECC's Intelligent Industry Ecosystem.

Multiple new innovations were developed as a result of the startup cooperation in 2020. To enhance its internal operations, Konecranes teamed up with an indoor localization provider, producing detailed data on the duration of different crane assembly phases. With this insight into assembly schedules, Konecranes can optimize its manufacturing and avoid standstills. Internal operations have been further sharpened by the introduction of virtual reality to strengthen the training of field service operatives. This will be further scaled up in 2021. Konecranes has also created digital efficiencies in-house, utilizing robotic process automation (RPA) to automate a wide range of repetitive tasks extending from processes handled by support functions such as finance and HR to assisting business units in, for example, customer order handling and master data management. In 2020 alone, over 60 processes were automated, freeing more than 60,000 hours of working time previously spent on manual and non-creative tasks. This initiative will continue in 2021 and beyond, allowing employees to focus on more business-critical tasks such as innovation and creating customer value. Since implementation began in 2018, Konecranes has automated over 250 processes with RPA.

Customers benefit directly from Konecranes' digital innovations. As a response to the travel and mobility restrictions imposed due to the COVID-19 pandemic, Konecranes developed an augmented reality solution together with a startup to support technical support from a distance. Using the solution, customers can contact Konecranes' field service from a distance – even thousands of kilometers – getting detailed instructions on how to perform maintenance tasks that require special expertise. The solution has proved especially valuable in in remote locations that are hard to reach.

Cybersecurity is an increasing customer priority and an essential part of Konecranes' technological leadership. As more solutions and products are digitized, customers expect the same level of safety from software and data as from physical products. Konecranes' cybersecurity management is built around industry best practices, with an Information Security Management System based on the ISO 27001 standard. Konecranes expects to gain the first ISO 27001 certifications during 2021, standardizing its security management and providing further assurance to its customers.

LITIGATION

Various legal actions, claims, and other proceedings are pending against the Group in different countries. These actions, claims, and other proceedings are typical for this industry and are consistent with the 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, auto liability, and other matters involving general liability claims.

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, impairment of assets 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

Performance Share Plan 2021

On February 3, 2021, Konecranes announced that the Board of Directors had resolved to establish a new Performance Share Plan 2021. The Plan has a performance period from 2021 to 2023 with three separate measurement periods and separate targets for 2021, 2022 and 2023.

The criterion for the measurement period 2021 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 2021–2023 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 February 3, 2021.

FIRST QUARTER DEMAND OUTLOOK

The worldwide demand picture remains subject to volatility due to the COVID-19 pandemic.

In Europe and North America, the current demand environment within the industrial customer segments is showing signs of improvement but remains below the year-end 2019 level. At the moment, the demand environment in Europe is less volatile compared to North America. In Asia-Pacific, demand environment has started to show signs of improvement also outside China but remains below the year-end 2019 level.

Global container throughput has reached the previous year's level, and long-term prospects related to global container handling remain healthy.

FINANCIAL GUIDANCE

Konecranes expects net sales to increase in full-year 2021 compared to 2020. Konecranes expects the full-year 2021 adjusted EBITA margin to improve from 2020.

BOARD OF DIRECTORS' PROPOSAL FOR DISPOSAL OF DISTRIBUTABLE FUNDS

The parent company's non-restricted equity is EUR 985,739,389.75, of which the net income for the year is EUR 107,111,563.90. The Group's non-restricted equity is EUR 1,166,562,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend, the Board of Directors has assessed the liquidity of the parent company and the economic circumstances subsequent to the end of fiscal year.

Based on such assessments, the Board of Directors proposes to the Annual General Meeting to be held on 30 March 2021 that a dividend of EUR 0.88 be paid on each share and that the remaining nonrestricted equity is retained in shareholders' equity. The proposal is in line with the combination agreement and will be included in the notice to the Annual General Meeting, which will be published during February 2021.

A PDF version of the Konecranes' full audited financial statements, including the report of the Board of Directors, and corporate governance statement will be available as pdf documents on Konecranes website on Friday, March 5, 2021.

Espoo, February 4, 2021
Konecranes Plc
Board of Directors

Important Notice

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

The Merger and the merger consideration securities have not been and will not be registered under the U.S. Securities Act, and may not be offered, sold or delivered within or into the United States, except pursuant to an applicable exemption of, or in a transaction not subject to, the U.S. Securities Act.

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

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

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

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

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

Consolidated statement of income

EUR million	Note	10–12/2020	10–12/2019	Change percent	1–12/2020	1–12/2019	Change percent
Sales	7	**936.8**	**933.3**	**0.4**	**3,178.9**	**3,326.9**	**-4.4**
Other operating income		4.3	7.3		10.7	19.6	
Materials, supplies and subcontracting		-480.8	-465.1		-1,473.0	-1,505.0	
Personnel cost		-231.0	-304.0		-993.5	-1,080.7	
Depreciation and impairments	8	-30.1	-30.7		-130.0	-123.6	
Other operating expenses		-116.2	-75.2		-419.3	-488.5	
Operating profit		**83.0**	**65.5**	**26.7**	**173.8**	**148.7**	**16.9**
Share of associates' and joint ventures' result		0.2	5.0		21.2	4.5	
Financial income		10.1	0.3		38.6	2.5	
Financial expenses		-17.1	-7.4		-63.2	-37.2	
Profit before taxes		**76.2**	**63.3**	**20.3**	**170.4**	**118.5**	**43.8**
Taxes	10	-21.1	-17.5		-47.5	-35.7	
PROFIT FOR THE PERIOD		**55.1**	**45.8**	**20.2**	**122.9**	**82.8**	**48.4**
Profit for the period attributable to:							
Shareholders of the parent company		54.6	45.1		122.2	81.0	
Non-controlling interest		0.5	0.8		0.7	1.8	
Earnings per share, basic (EUR)		0.69	0.57	20.7	1.54	1.03	50.4
Earnings per share, diluted (EUR)		0.69	0.57	20.7	1.54	1.03	50.4

Consolidated statement of other comprehensive income

EUR million	10–12/2020	10–12/2019		1–12/2020	1–12/2019	
Profit for the period	**55.1**	**45.8**		**122.9**	**82.8**	
Items that can be reclassified into profit or loss						
Cash flow hedges	2.4	10.4		8.1	-0.7	
Exchange differences on translating foreign operations	-1.0	-1.0		-15.8	6.8	
Income tax relating to items that can be reclassified into profit or loss	-0.5	-2.1		-1.6	0.2	
Items that cannot be reclassified into profit or loss						
Re-measurement gains (losses) on defined benefit plans	-18.8	-27.6		-18.8	-27.6	
Income tax relating to items that cannot be reclassified into profit or loss	5.9	8.1		5.9	8.1	
Other comprehensive income for the period, net of tax	**-12.0**	**-12.3**		**-22.2**	**-13.2**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**43.1**	**33.6**		**100.7**	**69.6**	
Total comprehensive income attributable to:						
Shareholders of the parent company	42.5	32.3		100.4	67.4	
Non-controlling interest	0.6	1.3		0.3	2.2	

Consolidated balance sheet

EUR million

ASSETS	Note	31.12.2020	31.12.2019
Non-current assets			
Goodwill		1,016.7	908.2
Intangible assets		536.0	531.6
Property, plant and equipment		341.8	332.8
Advance payments and construction in progress		20.0	15.7
Investments accounted for using the equity method		6.5	73.9
Other non-current assets		0.8	0.9
Deferred tax assets		118.9	123.4
Total non-current assets		**2,040.7**	**1,986.5**
Current assets			
Inventories			
Raw material and semi-manufactured goods		289.8	298.4
Work in progress		336.6	339.1
Advance payments		18.4	21.2
Total inventories		644.8	658.7
Accounts receivable		489.2	530.4
Other receivables		29.1	33.0
Loans receivable		1.8	0.7
Income tax receivables		13.4	30.5
Receivable arising from percentage of completion method	7	102.3	167.8
Other financial assets		21.2	8.1
Deferred assets		82.1	60.3
Cash and cash equivalents		591.9	378.2
Total current assets		**1,975.8**	**1,867.7**
TOTAL ASSETS		**4,016.5**	**3,854.2**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	31.12.2020	31.12.2019
Equity attributable to equity holders of the parent company			
Share capital		30.1	30.1
Share premium		39.3	39.3
Paid in capital		752.7	752.7
Fair value reserves	14	6.0	-0.5
Translation difference		-11.6	3.7
Other reserve		58.0	58.8
Retained earnings		245.3	272.4
Net profit for the period		122.2	81.0
Total equity attributable to equity holders of the parent company		**1,242.0**	**1,237.5**
Non-controlling interest		9.1	9.2
Total equity		**1,251.1**	**1,246.7**
Non-current liabilities			
Interest-bearing liabilities	13	859.7	785.8
Other long-term liabilities		306.4	290.4
Provisions		18.4	19.1
Deferred tax liabilities		143.6	143.1
Total non-current liabilities		**1,328.1**	**1,238.4**
Current liabilities			
Interest-bearing liabilities	13	311.1	248.4
Advance payments received	7	352.3	337.3
Accounts payable		201.6	236.2
Provisions		142.6	151.7
Other short-term liabilities (non-interest bearing)		61.2	44.3
Other financial liabilities		5.5	6.2
Income tax liabilities		18.5	14.6
Accrued costs related to delivered goods and services		165.3	156.0
Accruals		179.2	174.4
Total current liabilities		**1,437.3**	**1,369.1**
Total liabilities		**2,765.4**	**2,607.5**
TOTAL EQUITY AND LIABILITIES		**4,016.5**	**3,854.2**

Consolidated statement of changes in equity

EUR million	Equity attributable to equity holders of the parent company				
	Share capital	Share premium	Paid in capital	Cash flow hedges	Translation difference
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				6.5	-15.4
Total comprehensive income				6.5	-15.4
Balance at 31 December, 2020	**30.1**	**39.3**	**752.7**	**6.0**	**-11.7**
Balance at 1 January, 2019	**30.1**	**39.3**	**752.7**	**0.1**	**-2.8**
Share issue					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-0.6	6.5
Total comprehensive income				-0.6	6.5
Balance at 31 December, 2019	**30.1**	**39.3**	**752.7**	**-0.5**	**3.7**

EUR million	Equity attributable to equity holders of the parent company				
	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		-95.0	-95.0	-0.3	**-95.3**
Equity-settled share based payments	-0.8	0.0	-0.8		**-0.8**
Acquisitions		-0.1	-0.1	-0.1	**-0.2**
Profit for the period		122.2	122.2	0.7	**122.9**
Other comprehensive income		-12.9	-21.8	-0.4	**-22.2**
Total comprehensive income	0.0	109.3	100.4	0.3	**100.7**
Balance at 31 December, 2020	**58.0**	**367.6**	**1,242.0**	**9.1**	**1,251.1**
Balance at 1 January, 2019	**55.2**	**391.2**	**1,265.8**	**18.3**	**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**	**18.3**	**1,279.6**
Dividends paid to equity holders		-94.6	-94.6	-4.5	**-99.1**
Equity-settled share based payments	3.6	0.0	9.5		**9.5**
Acquisitions		-0.2	-0.2	-0.1	**-0.3**
Disposals		0.0	0.0	-6.7	**-6.7**
Profit for the period		81.0	81.0	1.8	**82.8**
Other comprehensive income		-19.5	-16.3	0.4	**-15.9**
Total comprehensive income	0.0	61.5	64.7	2.2	**66.9**
Balance at 31 December, 2019	**58.8**	**353.4**	**1,237.5**	**9.2**	**1,246.7**

Consolidated cash flow statement

EUR million	1–12/2020	1–12/2019
Cash flow from operating activities		
Profit for the period	122.9	82.8
Adjustments to net income		
Taxes	47.5	35.7
Financial income and expenses	24.6	34.7
Share of associates' and joint ventures' result	-21.2	-4.5
Depreciation and impairments	130.0	123.6
Profits and losses on sale of fixed assets and businesses	-2.2	-0.5
Other adjustments	0.8	3.2
Operating income before change in net working capital	**302.4**	**275.0**
Change in interest-free current receivables	115.7	-40.3
Change in inventories	42.4	-18.9
Change in interest-free current liabilities	-33.1	46.7
Change in net working capital	**125.0**	**-12.5**
Cash flow from operations before financing items and taxes	**427.4**	**262.5**
Interest received	21.9	26.5
Interest paid	-36.8	-46.1
Other financial income and expenses	20.7	-24.2
Income taxes paid	-26.1	-45.9
Financing items and taxes	**-20.3**	**-89.7**
NET CASH FROM OPERATING ACTIVITIES	**407.1**	**172.8**
Cash flow from investing activities		
Acquisition of Group companies, net of cash	-124.1	-3.1
Divestment of Businesses, net of cash	0.0	4.2
Capital expenditures	-43.8	-40.7
Proceeds from sale of property, plant and equipment	2.8	16.4
NET CASH USED IN INVESTING ACTIVITIES	**-165.1**	**-23.2**
Cash flow before financing activities	**242.0**	**149.6**
Cash flow from financing activities		
Proceeds from non-current borrowings	151.8	140.0
Repayments of non-current borrowings	-5.4	-20.6
Repayments of lease liability	-42.5	-44.3
Proceeds from (+), payments of (-) current borrowings	-20.0	19.6
Change in loans receivable	-1.0	-0.1
Dividends paid to equity holders of the parent	-95.0	-94.6
Dividends paid to non-controlling interests	-0.3	-4.5
NET CASH USED IN FINANCING ACTIVITIES	**-12.4**	**-4.5**
Translation differences in cash	-15.9	2.6
CHANGE OF CASH AND CASH EQUIVALENTS	**213.7**	**147.7**
Cash and cash equivalents at beginning of period	378.2	230.5
Cash and cash equivalents at end of period	591.9	378.2
CHANGE OF CASH AND CASH EQUIVALENTS	**213.7**	**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	1–12/2020	1–12/2019
Net cash from operating activities	407.1	172.8
Capital expenditures	-43.8	-40.7
Proceeds from sale of property, plant and equipment	2.8	16.4
Free cash flow	**366.1**	**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 twelve months ending 31.12.2020 and 31.12.2019 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, 2020. The unaudited interim condensed consolidated financial statements including notes thereto are presented in millions of euros and all values are rounded to the nearest million (€ 000 000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

Konecranes reviews its customer credit risks related to accounts receivable and ongoing projects as part of normal quarterly reporting process. Provision has been prepared based on the historical credit loss pattern but it is also adjusted case by case with forward-looking risk positions. There has not yet been any significant change in payment delays related to customer receivables, but credit risks might increase in case the Covid19 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 audited interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2020.

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	**131.6**
Goodwill allocation to Cash Generating Units:	
Industrial Cranes	14.8
Industrial Service	99.9
Total	**114.7**

Notes

6. SEGMENT INFORMATION

6.1. Operating segments

EUR million

Orders received by Business Area	**1–12/2020**	% of total	**1–12/2019**	% of total
Service [1]	927.8	32	1,015.1	30
Industrial Equipment	981.2	34	1,251.5	37
Port Solutions [1]	994.5	34	1,147.3	34
./. Internal	-176.1		-246.5	
Total	**2,727.3**	**100**	**3,167.3**	**100**

[1] Excl. Service Agreement Base

Order book total [2]	**31.12.2020**	% of total	**31.12.2019**	% of total
Service	213.4	12	215.7	12
Industrial Equipment	598.8	35	648.9	36
Port Solutions	903.2	53	959.7	53
Total	**1,715.5**	**100**	**1,824.3**	**100**

[2] Percentage of completion deducted

Sales by Business Area	**1–12/2020**	% of total	**1–12/2019**	% of total
Service	1,190.0	35	1,259.7	35
Industrial Equipment	1,120.1	33	1,185.5	33
Port Solutions	1,066.0	32	1,115.7	31
./. Internal	-197.2		-234.1	
Total	**3,178.9**	**100**	**3,326.9**	**100**

Adjusted EBITA by Business Area	**1–12/2020** MEUR	EBITA %	**1–12/2019** MEUR	EBITA %
Service	205.2	17.2	208.5	16.6
Industrial Equipment	25.4	2.3	18.2	1.5
Port Solutions	59.7	5.6	86.9	7.8
Group costs and eliminations	-29.5		-38.5	
Total	**260.8**	**8.2**	**275.1**	**8.3**

Operating profit (EBIT) by Business Area	**1–12/2020** MEUR	EBIT %	**1–12/2019** MEUR	EBIT %
Service	181.4	15.2	194.6	15.5
Industrial Equipment	4.3	0.4	-61.4	-5.2
Port Solutions	28.0	2.6	71.3	6.4
Group costs and eliminations	-40.0		-55.9	
Total	**173.8**	**5.5**	**148.7**	**4.5**

Notes

Business segment assets	31.12.2020 MEUR		31.12.2019 MEUR	
Service	1,409.7		1,327.7	
Industrial Equipment	916.5		863.3	
Port Solutions	854.2		922.0	
Unallocated items	836.1		741.2	
Total	**4,016.5**		**3,854.2**	

Business segment liabilities	31.12.2020 MEUR		31.12.2019 MEUR	
Service	192.5		194.1	
Industrial Equipment	356.4		345.3	
Port Solutions	415.0		417.7	
Unallocated items	1,801.5		1,650.3	
Total	**2,765.4**		**2,607.5**	

Personnel by Business Area (at the end of the period)	31.12.2020	% of total	31.12.2019	% of total
Service	8,062	48	7,762	48
Industrial Equipment	5,720	34	5,397	33
Port Solutions	2,970	18	2,938	18
Group staff	110	1	99	1
Total	**16,862**	**100**	**16,196**	**100**

Notes

Orders received by Business Area, Quarters	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service [1)]	233.6	218.9	209.1	266.1	250.0	256.4	253.2	255.4
Industrial Equipment	241.3	226.8	234.9	278.2	316.3	284.0	330.0	321.2
Port Solutions [1)]	403.7	163.3	184.2	243.2	264.4	249.0	304.0	329.9
./. Internal	-35.3	-43.6	-46.7	-50.5	-49.3	-74.3	-64.5	-58.4
Total	**843.3**	**565.5**	**581.5**	**737.0**	**781.3**	**715.3**	**822.7**	**848.1**

[1)] *Excl. Service Agreement Base*

Order book by Business Area, Quarters	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	213.4	230.2	249.8	256.9	215.7	245.5	236.8	234.1
Industrial Equipment	598.8	669.1	725.4	754.5	648.9	665.1	668.5	639.4
Port Solutions	903.2	843.6	929.4	949.9	959.7	1,012.6	1,062.5	1,004.0
Total	**1,715.5**	**1,742.8**	**1,904.5**	**1,961.3**	**1,824.3**	**1,923.2**	**1,967.8**	**1,877.6**

Sales by Business Area, Quarters	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	315.3	294.6	276.5	303.7	341.6	312.1	308.9	297.1
Industrial Equipment	313.6	270.1	269.9	266.6	336.0	281.7	293.2	274.6
Port Solutions	355.3	250.2	207.9	252.6	320.3	305.6	248.0	241.8
./. Internal	-47.3	-47.0	-49.7	-53.3	-64.7	-58.2	-56.0	-55.2
Total	**936.8**	**767.9**	**704.7**	**769.6**	**933.3**	**841.3**	**794.0**	**758.2**

Adjusted EBITA by Business Area, Quarters	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	60.6	55.1	47.6	41.9	61.4	50.6	49.7	46.8
Industrial Equipment	18.1	13.4	4.5	-10.6	0.6	8.3	8.5	0.8
Port Solutions	28.7	17.8	13.3	0.0	31.7	25.0	19.5	10.6
Group costs and eliminations	-5.3	-6.1	-7.9	-10.2	-6.4	-11.5	-10.7	-9.9
Total	**102.1**	**80.1**	**57.5**	**21.1**	**87.3**	**72.4**	**67.0**	**48.3**

Adjusted EBITA margin by Business Area, Quarters	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	19.2	18.7	17.2	13.8	18.0	16.2	16.1	15.7
Industrial Equipment	5.8	5.0	1.7	-4.0	0.2	2.9	2.9	0.3
Port Solutions	8.1	7.1	6.4	0.0	9.9	8.2	7.9	4.4
Group EBITA margin total	**10.9**	**10.4**	**8.2**	**2.7**	**9.4**	**8.6**	**8.4**	**6.4**

Personnel by Business Area, Quarters (at the end of the period)	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Service	8,062	8,051	8,271	8,657	7,762	7,680	7,563	7,527
Industrial Equipment	5,720	5,772	5,874	6,030	5,397	5,546	5,537	5,502
Port Solutions	2,970	3,021	3,017	3,052	2,938	2,895	2,864	2,849
Group staff	110	113	108	111	99	98	94	93
Total	**16,862**	**16,957**	**17,270**	**17,850**	**16,196**	**16,219**	**16,058**	**15,971**

Notes

6.2. Geographical areas

EUR million

Sales by market	1–12/2020	% of total	1–12/2019	% of total
Europe-Middle East-Africa (EMEA)	1,703.9	54	1,714.1	52
Americas (AME)	976.6	31	1,145.8	34
Asia-Pacific (APAC)	498.4	16	467.0	14
Total	**3,178.9**	**100**	**3,326.9**	**100**

Personnel by region (at the end of the period)	31.12.2020	% of total	31.12.2019	% of total
Europe-Middle East-Africa (EMEA)	9,688	57	10,126	63
Americas (AME)	2,964	18	3,319	20
Asia-Pacific (APAC)	4,210	25	2,751	17
Total	**16,862**	**100**	**16,196**	**100**

Sales by market, Quarters	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Europe-Middle East-Africa (EMEA)	538.5	402.0	359.3	404.1	475.5	444.8	408.3	385.5
Americas (AME)	250.9	231.4	230.5	263.8	313.4	291.3	281.9	259.2
Asia-Pacific (APAC)	147.3	134.5	114.9	101.6	144.4	105.2	103.8	113.6
Total	**936.8**	**767.9**	**704.7**	**769.6**	**933.3**	**841.3**	**794.0**	**758.2**

Personnel by region, Quarters (at the end of the period)	Q4/2020	Q3/2020	Q2/2020	Q1/2020	Q4/2019	Q3/2019	Q2/2019	Q1/2019
Europe-Middle East-Africa (EMEA)	9,688	9,817	9,923	10,131	10,126	10,119	10,028	9,966
Americas (AME)	2,964	2,880	3,002	3,200	3,319	3,314	3,237	3,231
Asia-Pacific (APAC)	4,210	4,260	4,345	4,519	2,751	2,786	2,793	2,774
Total	**16,862**	**16,957**	**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	31.12.2020	31.12.2019
The cumulative revenues of non-delivered projects	554.6	570.7
Advances received netted	452.3	402.9
Total	**102.3**	**167.8**
Gross advance received from percentage of completion method	510.0	433.3
Advances received netted	452.3	402.9
Total	**57.7**	**30.4**

Net sales recognized under the percentage of completion method amounted EUR 496.8 million in 1–12/2020 (EUR 458.5 million in 1–12/2019).

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	31.12.2020	31.12.2019
Advance received from percentage of completion method (netted)	57.7	30.4
Other advance received from customers	294.6	306.9
Total	**352.3**	**337.3**

8. IMPAIRMENTS

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

All impairments in 2020 ja 2019 relate to restructuring actions.

Impairment testing

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.

Notes

Total goodwill in reportable segments

MEUR	31.12.2020
Industrial Cranes	152.3
Agilon	3.9
Goodwill in Industrial Equipment total	**156.3**
Industrial Crane Service	656.1
Machine Tool Service	3.9
Goodwill in Service total	**660.0**
Port Cranes	163.4
Lift trucks	37.0
Goodwill in Port Solutions total	**200.4**
Total goodwill in reportable segments 31.12.2020	**1,016.7**

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 42.6 million restructuring costs during 1–12/2020 (EUR 100.7 million in 1–12/2019) of which EUR 0.0 million was impairment of assets (EUR 0.8 million for 1–12/2019). The remaining EUR 42.6 million of restructuring cost is reported 1–12/2020 in personnel costs (EUR 27.5 million) and in other operating expenses (EUR 16.4 million) and profits on disposal of assets in other operating income (EUR 1.3 million).

10. INCOME TAXES

Taxes in statement of Income	1–12/2020	1–12/2019
Local income taxes of group companies	51.7	32.3
Taxes from previous years	-3.3	-1.8
Change in deferred taxes	-1.0	5.2
Total	**47.5**	**35.7**

Notes

11. KEY FIGURES

	31.12.2020	31.12.2019	Change %
Earnings per share, basic (EUR)	1.54	1.03	50.4
Earnings per share, diluted (EUR)	1.54	1.03	50.4
Alternative Performance Measures:			
Return on capital employed, %	8.3	6.3	31.7
Adjusted return on capital employed, %	11.1	12.7	-12.6
Return on equity, %	9.8	6.5	50.8
Equity per share (EUR)	15.69	15.70	-0.1
Interest-bearing net debt / Equity, %	46.1	52.6	-12.4
Net debt / Adjusted EBITDA	1.6	1.8	-11.1
Equity to asset ratio, %	34.1	35.4	-3.7
Investments total (excl. acquisitions), EUR million	42.8	39.5	8.3
Interest-bearing net debt, EUR million	577.1	655.3	-11.9
Net working capital, EUR million	337.2	446.0	-24.4
Average number of personnel during the period	17,027	16,104	5.7
Average number of shares outstanding, basic	79,077,608	78,835,721	0.3
Average number of shares outstanding, diluted	79,077,608	78,835,721	0.3
Number of shares outstanding	79,134,459	78,839,426	0.4

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)	1–12/2020	1–12/2019
Adjusted EBITDA	**356.7**	**373.2**
Transaction costs	-8.5	-0.9
Restructuring costs (excluding impairments)	-42.6	-99.9
Release of MHE-Demag purchase price allocation in inventories	-1.8	0.0
EBITDA	**303.8**	**272.3**
Depreciation, amortization and impairments	-130.0	-123.6
Operating profit (EBIT)	**173.8**	**148.7**
Adjusted EBITA	**260.8**	**275.1**
Purchase price allocation amortization	-35.9	-24.7
Adjusted Operating profit (EBIT)	**224.9**	**250.4**
Transaction costs	-8.5	-0.9
Restructuring costs	-42.6	-100.7
Operating profit (EBIT)	**173.8**	**148.7**

Interest-bearing net debt	31.12.2020	31.12.2019
Non current interest bearing liabilities	859.7	785.8
Current interest bearing liabilities	311.1	248.4
Loans receivable	-1.8	-0.7
Cash and cash equivalents	-591.9	-378.2
Interest-bearing net debt	**577.1**	**655.3**

The period end exchange rates:	31.12.2020	31.12.2019	Change %
USD - US dollar	1.227	1.123	-8.5
CAD - Canadian dollar	1.563	1.460	-6.6
GBP - Pound sterling	0.899	0.851	-5.4
CNY - Chinese yuan	8.023	7.821	-2.5
SGD - Singapore dollar	1.622	1.511	-6.8
SEK - Swedish krona	10.034	10.447	4.1
AUD - Australian dollar	1.590	1.600	0.6

The period average exchange rates:	31.12.2020	31.12.2019	Change %
USD - US dollar	1.142	1.120	-2.0
CAD - Canadian dollar	1.530	1.486	-2.9
GBP - Pound sterling	0.890	0.878	-1.3
CNY - Chinese yuan	7.875	7.735	-1.8
SGD - Singapore dollar	1.574	1.527	-3.0
SEK - Swedish krona	10.486	10.589	1.0
AUD - Australian dollar	1.655	1.611	-2.7

Notes

12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	31.12.2020	31.12.2019
For own commercial obligations		
Guarantees	580.2	629.5
Other	33.4	34.1
Total	**613.6**	**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 31.12.2020	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	520.1	520.1
Derivative financial instruments	7.7	13.4	0.0	21.2
Cash and cash equivalents	0.0	0.0	591.9	591.9
Total	**7.7**	**13.4**	**1,112.0**	**1,133.2**
Financial liabilities 31.12.2020				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	859.7	859.7
Other payable	0.0	0.0	7.2	7.2
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	311.1	311.1
Derivative financial instruments	1.9	3.7	0.0	5.5
Accounts and other payable	0.0	0.0	262.7	262.7
Total	**1.9**	**3.7**	**1,440.8**	**1,446.3**

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**

Notes

In order to support and finance the completion of the merger plan wiht Cargotec, Konecranes entered into EUR 935 million re- and back-up financing agreements in the beginning of October. The term loan facilities may be used to refinance the companies' existing indebtedness in connection with the merger, potential cash redemptions of Konecranes' shares as well as Konecranes' extra distribution proposed to be distributed prior to the completion of the merger. During the fourth quarter, Konecranes obtained waiwers for merger related covenants for EUR 200 million term loans in respect of its existing indebtedness and the back-up financing was cancelled for EUR 100 million (50/50 split with Cargotec). In the beginning of December, Konecranes announced a consent solicitation for amending the terms and conditions of its EUR 250 million notes in respect of the planned merger. The noteholders resolved to approve the proposal and the solicitation process was fulfilled after the extraordinary general meetings of Konecranes and Cargotec approved the merger plan. After the extraordinary general meeting approval the respective facility for cash redemptions of Konecranes shares of EUR 300 million was cancelled. For the EUR 77 million Schuldschein loans maturing in November 2024 Konecranes received similar waivers in the amount of EUR 71 million. Committed merger related term loan facilities amount outstanding at the end of year 2020 was EUR 535 million.

At the end of the fourth quarter 2020, the Group's liquid cash reserves were higher than in a normal circumstance, EUR 591.9 million (31.12.2019: EUR 387.2 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 December 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 181 million was utilized at the end of December 2020 (30.12.2019: EUR 200 million).

At the end of December 2020, the outstanding long-term loans were: EUR 400 million term loans, EUR 150 million Schuldschein loan, EUR 250 million bond and EUR 35 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 46.1% (31.12.2019: 52.6%) 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 31.12.2020	Carrying amount 31.12.2019	Fair value 31.12.2020	Fair value 31.12.2019
Current financial assets				
Account and other receivables	520.1	564.2	520.1	564.2
Derivative financial instruments	21.2	8.1	21.2	8.1
Cash and cash equivalents	591.9	378.2	591.9	378.2
Total	**1,133.2**	**950.5**	**1,133.2**	**950.5**

Financial liabilities				
Non-current financial liabilities				
Interest-bearing liabilities	859.7	785.8	864.6	795.7
Other payable	7.2	6.8	7.2	6.8
Current financial liabilities				
Interest-bearing liabilities	311.1	248.4	311.2	248.4
Derivative financial instruments	5.5	6.2	5.5	6.2
Accounts and other payable	262.7	280.5	262.7	279.8
Total	**1,446.3**	**1,327.7**	**1,451.3**	**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

	31.12.2020			31.12.2019		
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	21.2	0.0	0.0	8.1	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**21.2**	**0.0**	**0.0**	**8.1**	**0.0**
Other financial assets						
Cash and cash equivalents	591.9	0.0	0.0	378.2	0.0	0.0
Total	**591.9**	**0.0**	**0.0**	**378.2**	**0.0**	**0.0**
Total financial assets	**591.9**	**21.2**	**0.0**	**378.2**	**8.1**	**0.0**

Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	5.5	0.0	0.0	6.2	0.0
Total	**0.0**	**5.5**	**0.0**	**0.0**	**6.2**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	1,170.8	0.0	0.0	1,034.2	0.0
Other payables	0.0	0.0	0.7	0.0	0.0	0.8
Total	**0.0**	**1,170.8**	**0.7**	**0.0**	**1,034.2**	**0.8**
Total financial liabilities	**0.0**	**1,176.3**	**0.7**	**0.0**	**1,040.4**	**0.8**

14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	31.12.2020 Nominal value	31.12.2020 Fair value	31.12.2019 Nominal value	31.12.2019 Fair value
Foreign exchange forward contracts	1,052.2	15.6	1,145.4	1.9
Currency options	0.0	0.0	21.4	0.0
Total	**1,052.2**	**15.6**	**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 29.8% 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	31.12.2020	31.12.2019
Balance as of January 1	-0.5	0.1
Gains and losses deferred to equity (fair value reserve)	8.1	-0.7
Change in deferred taxes	-1.6	0.1
Balance as of the end of period	**6.0**	**-0.5**

15. TRANSACTIONS WITH RELATED PARTIES

EUR million	31.12.2020	31.12.2019
Sales of goods and services with associated companies and joint arrangements	20.0	46.5
Receivables from associated companies and joint arrangements	4.3	8.9
Purchases of goods and services from associated companies and joint arrangements	48.7	53.2
Liabilities to associated companies and joint arrangements	0.8	0.9

Notes

16. MERGER PLAN WITH CARGOTEC

On October 1, 2020 Konecranes Plc ("Konecranes") and Cargotec Corporation ("Cargotec") announced that their respective Boards of Directors signed a combination agreement (the "Combination Agreement") and a merger plan to combine the two companies through a merger (the "Future Company"). The EGM on December 18, 2020 approved the merger of Konecranes into Cargotec in accordance with the merger plan signed by the Boards of Directors of Konecranes and Cargotec on 1 October 2020 and approved the Merger Plan.

The customer industries of the Future Company will include container handling, manufacturing, transportation, construction and engineering, paper and pulp, metals productions, mining, power, chemicals and marine industries.The Future Company's name will be determined and announced at a later stage. Pursuant to the merger plan, the Board of Directors of Cargotec will propose to the shareholders' general meeting of Cargotec to be convened prior to the completion of the merger that the articles of association of Cargotec will be amended in connection with the registration of the execution of the merger to contain a new name of the Future Company. The location of the headquarters of the Future Company will be decided later.

The proposed combination will be implemented as a statutory absorption merger whereby Konecranes will be merged into Cargotec. Prior to or in connection with the completion of the merger, Cargotec will issue new shares without payment to the shareholders of Cargotec in proportion to their existing shareholding by issuing two (2) new class A shares for each class A share and two (2) new class B shares for each class B share, including new shares to be issued to Cargotec for its treasury shares. Upon completion, Konecranes' shareholders will receive as merger consideration 0.3611 new class A shares and 2.0834 new class B shares in Cargotec for each share they hold in Konecranes on the record date. This implies that Konecranes shareholders would own approximately 50 percent of the shares and votes of the Future Company, and Cargotec shareholders would own approximately 50 percent of the shares and votes of the Future Company. In addition to the merger consideration shares, all the existing class A shares of Cargotec will be listed on Nasdaq Helsinki in connection with the merger.

Konecranes will propose to a general meeting of shareholders to be held before the completion of the merger to distribute an extra distribution of funds in connection with the transaction in the total amount of approximately EUR 158 million, corresponding to EUR 2.00 per share, to Konecranes' shareholders before the combination is completed. The extra distribution of funds will be paid in addition to the ordinary distribution(s). With respect to ordinary distributions in 2021, the Boards of Directors of Konecranes and Cargotec will propose to their respective annual general meetings to be held in 2021 to effect a distribution of funds of up to EUR 70 million so that each company shall distribute an approximately equal amount before the combination is completed. Konecranes and Cargotec have obtained necessary commitments for the financing of the completion of the merger.

The completion of the Merger is subject to necessary merger control approvals having been obtained and other conditions to completion having been fulfilled. The planned Merger completion date is 1 January 2022, however, the date is subject to change and the actual completion date may be earlier or later than 1 January 2022.

ANALYST AND PRESS BRIEFING

A live international telephone conference for analysts, investors and media will be held on February 4, 2021, at 10:30 a.m. Finnish time. The financial statement release 2020 will be presented by Konecranes' President and CEO Rob Smith and CFO Teo Ottola.

Please see the press release dated January 21, 2021 for the conference call details.

NEXT REPORT

Konecranes Plc plans to publish Interim Report January–March 2021 on April 28, 2021.

KONECRANES PLC

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2020, Group sales totaled EUR 3.2 billion. The Group has around 16,900 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

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