KONECRANES
Lifting Businesses™

2019: Solid performance in a challenging market

Financial Statement Release 2019

Q4

2019: Solid performance in a challenging market

Konecranes has applied IFRS 16 Leases standard since January 1, 2019. The figures for comparison period 2018 have not been restated. Please refer to note 4 for more details on the implementation of IFRS 16 standard and other significant accounting policies. Figures in brackets, unless otherwise stated, refer to the same period a year earlier.

FOURTH QUARTER HIGHLIGHTS

- Order intake EUR 781.3 million (929.8), -16.0 percent (-16.9 percent on a comparable currency basis), driven by order decline in Business Areas Port Solutions and Industrial Equipment
- Service annual agreement base value increased 9.7 percent (+8.2 percent in comparable currencies) to EUR 267.7 million (243.9). Service order intake EUR 250.0 million (249.3), +0.3 percent (-1.2 percent on a comparable currency basis)
- Order book EUR 1,824.3 million (1,715.4) at the end of December, +6.3 percent (+5.6) percent on a comparable currency basis)
- Sales EUR 933.3 million (910.8), +2.5 percent (+1.5 percent on a comparable currency basis), growth in all Business Areas
- Adjusted EBITA margin 9.4 percent (9.4) and adjusted EBITA EUR 87.3 million (85.6); an increase in the adjusted EBITA margin in both Business Area Service and Business Area Ports Solutions offset by a decrease in Business Area Industrial Equipment, primarily due to costs related to certain process cranes projects
- Operating profit EUR 65.5 million (51.9), 7.0 percent of sales (5.7)
- Earnings per share (diluted) EUR 0.57 (0.50).

FULL YEAR 2019 HIGHLIGHTS

- Order intake EUR 3,167.3 million (3,090.3), +2.5 percent (+1.3 percent on a comparable currency basis)
- Service order intake EUR 1,015.1 million (986.5), +2.9 percent (+0.6 percent on a comparable currency basis)
- Sales EUR 3,326.9 million (3,156.1), +5.4 percent (+4.1 percent on a comparable currency basis), growth in all three Business Areas
- Adjusted EBITA margin 8.3 percent (8.1) and adjusted EBITA EUR 275.1 million (257.1), reflecting higher sales and synergy cost-savings.
- Operating profit EUR 148.7 million (166.2), 4.5 percent of sales (5.3), restructuring costs totaling EUR 100.7 million (53.4)
- Earnings per share (diluted) EUR 1.03 (1.29)
- Free cash flow EUR 148.5 million (73.1)
- Net debt EUR 655.3 million (545.3) and gearing 52.6 percent (42.5), the impact of the implementation of the new IFRS 16 standard on net debt was approximately EUR 120 million at the end of December
- The Board of Directors proposes a dividend of EUR 1.20 (1.20) per share for 2019 to be paid in two equal instalments.

DEMAND OUTLOOK

Within the industrial customer segments, the demand environment in Europe continues to weaken but at a slower rate. The demand environment in North America is relatively stable overall and remains on a higher level compared to Europe. Asia Pacific is showing early signs of improving demand conditions.

Despite its recent decline, global container throughput continues on a good level. Although there is hesitation in the decision-making among some port customers, the longer-term prospects for orders related to container handling remain good overall.

FINANCIAL GUIDANCE

Konecranes expects sales in full-year 2020 to increase 7–10 percent year-on-year, including MHE-Demag. Konecranes expects the adjusted EBITA margin to improve in full-year 2020 compared to full-year 2019.

Key figures

	Fourth quarter			January–December		
	10–12/2019	**10–12/2018**	**Change %**	**1–12/2019**	**1–12/2018**	**Change %**
Orders received, MEUR	781.3	929.8	-16.0	3,167.3	3,090.3	2.5
Order book at end of period, MEUR				1,824.3	1,715.4	6.3
Sales total, MEUR	933.3	910.8	2.5	3,326.9	3,156.1	5.4
Adjusted EBITDA, MEUR [1)]	111.8	101.9	9.7	373.2	325.7	14.6
Adjusted EBITDA, % [1)]	12.0%	11.2%		11.2%	10.3%	
Adjusted EBITA, MEUR [2)]	87.3	85.6	2.0	275.1	257.1	7.0
Adjusted EBITA, % [2)]	9.4%	9.4%		8.3%	8.1%	
Adjusted operating profit, MEUR [1)]	81.1	76.2	6.5	250.4	219.6	14.0
Adjusted operating margin, % [1)]	8.7%	8.4%		7.5%	7.0%	
Operating profit, MEUR	65.5	51.9	26.3	148.7	166.2	-10.5
Operating margin, %	7.0%	5.7%		4.5%	5.3%	
Profit before taxes, MEUR	63.3	51.9	22.0	118.5	138.7	-14.6
Net profit for the period, MEUR	45.8	35.8	28.0	82.8	98.3	-15.8
Earnings per share, basic, EUR	0.57	0.50	15.0	1.03	1.29	-20.5
Earnings per share, diluted, EUR	0.57	0.50	15.0	1.03	1.29	-20.5
Interest-bearing net debt/Equity, %				52.6%	42.5%	
Net debt/Adjusted EBITDA [1)]				1.8	1.7	
Return on capital employed, %				6.3%	7.9%	
Adjusted return on capital employed, % [3)]				12.7%	12.5%	
Free cash flow, MEUR	32.8	76.4		148.5	73.1	
Average number of personnel during the period				16,104	16,247	-0.9

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 in an iconic global industrial company with an impressive heritage and an exciting future. I am proud and delighted to lead the company as its President and CEO. After spending a good amount of time getting to know the company and many of its leaders in the months preceding my official start this week, I’m increasingly enthusiastic about Konecranes, its exceptional qualities, its talented people and its potential. That said, a lot of work lies ahead of us. Together with the leadership team, I look forward to sharing our plans on what’s next for Konecranes at our Capital Markets Day, which we plan to host in Helsinki on June 11.

I will now move on to our financial performance in the fourth quarter. On the Group level, we finished 2019 in line with our expectations. In full-year 2019, Group sales grew 5.4 percent and the Group adjusted EBITA margin finished at 8.3 percent, improving from the previous year. However, the performance between our three business areas varied significantly.

Business Area Service recorded a solid end to the year. In Q4, the annual value of the agreement base grew 8.2 percent year-on-year on a comparable currency basis. That said, lower demand for retrofits and modernizations continued to weigh on order intake, which fell 1.2 percent in comparable currencies versus the year-ago quarter. A clear bright spot was Service’s adjusted EBITA margin, which improved to 18.0 percent in Q4, up 1.4 pps from the previous year. In full-year 2019, the adjusted EBITA margin improved by 1.5 pps to 16.6 percent. While we expect margin expansion to continue in 2020, the improvement will likely come at a slower rate compared to 2019, largely as we continue to invest in growth and expect no further mix improvement this year.

Business Area Port Solutions also continued to perform well in Q4. We received a strategically important order for 18 Automated Rubber Tired Gantry Cranes (ARTG) from Turkey-based Yilport Holding, marking our first ARTG projects in Europe. The deal is the largest ARTG order in the Western hemisphere to date, and covers altogether three terminals, one in Sweden and two in Portugal. Automated RTG operation is coming of age in Europe, and Konecranes is driving that development.

In the full-year, order intake in Port Solutions increased nearly 5 percent in comparable currencies. That said, despite the milestone ARTG contract and some other good orders in Q4, order intake fell by a third in the quarter, as the large Khalifa Port order received last year made the comparison period particularly tough. On a comparable currency basis, sales increased 4.8 percent in the quarter and the adjusted EBITA margin improved to 9.9 percent, primarily due to good project execution. Going into 2020, we expect Port Solutions’ margin performance to remain approximately flat compared to full-year 2019.

Business Area Industrial Equipment continued to struggle in the quarter. While we have all the key ingredients in place for the business’ sustained long-term success – including industry-leading technology and a strong market position in most key geographies – more work is still needed to get the business to the profitability level we expect from it.

In Q4, the adjusted EBITA margin in Industrial Equipment was weighed by some process crane projects. In addition, the performance of Industrial Equipment continued to be affected by the ongoing manufacturing footprint optimization in Vernouillet, France and Wetter, Germany. The national strikes in Finland also played a role, affecting our crane deliveries in the quarter.

Entering 2020, we expect the full-year adjusted EBITA margin in Industrial Equipment to clearly improve versus full-year 2019. Starting from Q1 2020, we no longer have production in Vernouillet, meaning that the site is not expected to weigh on our adjusted results prior to its closing later during the first half. In Wetter, however, we expect the ongoing initiatives to continue to carry costs until the end of the third quarter 2020.

As we continue to drive further efficiencies throughout the company, we are simultaneously shifting our gears towards profitable growth. As a part of ensuring the best building blocks for the next phase in Konecranes’ journey, we acquired the other 50 percent of our MHE-Demag Asian joint venture in the beginning of 2020. The acquisition allows us to expand our footprint in strategically important and fast-growing South East Asia, increasing our sales in Asia Pacific by approximately 30 percent. The acquisition will also bring greater balance to Konecranes’ regional sales structure and enable us to target total annual synergies of approximately EUR 10 million at EBITA level by 2022.

In full-year 2019, MHE-Demag’s order-intake was approximately EUR 200 million and sales approximately EUR 196 million. During 2019, Konecranes’ sales to MHE-Demag were approximately EUR 27 million.

Looking at the year ahead, after a period of deteriorating macroeconomic conditions, our overall demand environment is showing signs of stabilization. Including MHE-Demag, we expect sales growth of between 7–10 percent and an improvement in the adjusted EBITA margin in 2020 compared to 2019, as stated in our financial guidance for the year.

The Board is proposing the dividend for 2019 to remain unchanged from the previous year at EUR 1.20 per share. Furthermore, the Board is proposing the dividend payment to take place in two equal instalments, the first in April and the second in October.”

Konecranes Plc's financial statements release 2019

Konecranes has applied IFRS 16 Leases standard since January 1, 2019. The figures for comparison period 2018 have not been restated. Please refer to note 4 for more details on the implementation of IFRS 16 standard and other significant accounting policies.

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

MARKET REVIEW

Activity in the world's manufacturing sector, according to the aggregated J.P.Morgan Global Manufacturing Purchasing Managers' Index (PMI), weakened in 2019. The PMI fell below 50.0 in May and remained in contraction territory until Q4. The index ended the year at 50.1, only marginally above the 50.0 waterline separating expansion from contraction.

In the eurozone, manufacturing operating conditions weakened during 2019. PMI remained below the 50.0 mark after February and was near its seven-year low for the most of the second half. The manufacturing underperformance was primarily driven by the intermediate and investment goods sectors. In addition, the capacity utilization rate continued to decline throughout the year. Operating conditions deteriorated and were generally weak across the region, Germany being the worst-performing nation.

Outside the Euro area, the UK manufacturing PMI fell below 50.0 in the second quarter, reflecting Brexit uncertainty. The downturn in the UK manufacturing sector deepened at the end of 2019, the contraction being the fastest since 2012 and led by the intermediate and investment goods sectors.

In the US, the manufacturing sector's PMI weakened in 2019, yet remained in the expansion zone. Thus, the operating conditions in the US manufacturing sector were better than in the euro area. The US manufacturing capacity utilization rate improved slightly at the end of the year, after a decline during the first three quarters of 2019. Year-end PMI data also indicated a modest improvement in the health of the US manufacturing sector.

As for emerging markets, China's manufacturing sector continued to improve towards the year-end. The last PMI readings in 2019 were solidly above the 50.0 mark, having slipped into contraction territory in the first half of the year. In Brazil and India, the overall manufacturing operating conditions improved throughout the year and, at the year-end, the manufacturing PMIs in both countries were indicating growth. That said, in Brazil the rate of increase in the PMI eased noticeably at the end of the year. Furthermore, the growth in India was led by consumer goods, while the capital goods sector remained in contraction. In Russia, the manufacturing sector ended the year clearly in contraction territory after a deterioration in manufacturing conditions during most of 2019.

After the decline in early 2019, global container throughput reached a new all-time high in August before declining again during the last months of the year. At the end of December, global container throughput was approximately 2.5 percent lower than the year before.

Regarding raw material prices at year-end, steel was clearly below and copper slightly above the previous year's level. The average EUR/USD exchange rate was nearly 2 percent lower compared to the year-ago period.

ORDERS RECEIVED

In the fourth quarter, orders received totaled EUR 781.3 million (929.8), representing a decrease of 16.0 percent. On a comparable currency basis, order intake decreased 16.9 percent. Orders received declined in all three regions.

In Service, orders received increased 0.3 percent on a reported basis but decreased 1.2 percent on a comparable currency basis. In Industrial Equipment, order intake decreased 8.1 percent on a reported basis and 9.9 percent on a comparable currency basis. External orders received in Industrial Equipment decreased 5.1 percent on a reported basis and 7.1 percent on a comparable currency basis. In Port Solutions, order intake decreased 33.8 percent on a reported basis and 33.7 percent on a comparable currency basis.

In full year 2019, orders received totaled EUR 3,167.3 million (3,090.3), representing an increase of 2.5 percent. On a comparable currency basis, order intake increased 1.3 percent. Orders received increased in the Americas and EMEA but decreased in APAC.

In Service, order intake grew 2.9 percent on a reported basis and 0.6 percent on a comparable currency basis. In Industrial Equipment, orders received increased 0.2 percent on a reported basis but decreased 1.4 percent on a comparable currency basis. External orders received in Industrial Equipment grew 0.3 percent and declined 1.4 percent on a comparable currency basis. In Port Solutions, order intake increased 4.7 percent on a reported basis and 4.9 percent on a comparable currency basis.

ORDERS RECEIVED AND NET SALES, MEUR

	10–12/ 2019	10–12/ 2018	Change percent	Change % at comparable currency rates	1–12/ 2019	1–12/ 2018	Change percent	Change % at comparable currency rates
Orders received, MEUR	781.3	929.8	-16.0	-16.9	3,167.3	3,090.3	2.5	1.3
Net sales, MEUR	933.3	910.8	2.5	1.5	3,326.9	3,156.1	5.4	4.1

ORDER BOOK

At the end of December, the value of the order book totaled EUR 1,824.3 million (1,715.4), which was 6.3 percent higher compared to previous year. On a comparable currency basis, the order book increased 5.6 percent. The order book increased 5.4 percent in Port Solutions, 9.9 percent in Industrial Equipment and 0.7 percent in Service.

SALES

In the fourth quarter, Group sales increased 2.5 percent to EUR 933.3 million (910.8). On a comparable currency basis, sales increased 1.5 percent. Sales increased 1.5 percent in Service, 4.6 percent in Port Solutions and 3.2 percent in Industrial Equipment. Industrial Equipment's external sales increased 1.6 percent.

In full year 2019, Group sales totaled EUR 3,326.9 million (3,156.1), representing an increase of 5.4 percent. On a comparable currency basis, sales increased 4.1 percent. Sales increased 5.6 percent in Service, 3.0 in Industrial Equipment and 10.2 percent Port Solutions. In Industrial Equipment, external sales increased 1.1 percent.

At the end of December, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 52 (50), Americas 34 (33) and APAC 14 (16) percent.

FINANCIAL RESULT

In the fourth quarter, the Group adjusted EBITA was EUR 87.3 million (85.6). The adjusted EBITA margin stayed flat at 9.4 percent (9.4). The adjusted EBITA margin was 18.0 percent (16.6) in Service, 0.2 percent (4.5) in Industrial Equipment and 9.9 percent (8.3) in Port Solutions. The increase in the Group adjusted EBITA was mainly attributable to synergy cost savings and higher net sales. Gross margin declined on a year-on-year basis due to Industrial Equipment.

In full year 2019, the Group adjusted EBITA increased to EUR 275.1 million (257.1). The adjusted EBITA margin improved to 8.3 percent (8.1). The adjusted EBITA margin improved in Service to 16.6 percent (15.1) and in Port Solutions to 7.8 percent (7.0) but decreased in Industrial Equipment to 1.5 percent (3.7). The improvement in the Group adjusted EBITA was mainly attributable to sales growth and synergy cost savings.

In full year 2019, the consolidated adjusted operating profit increased to EUR 250.4 million (219.6). The adjusted operating margin improved to 7.5 percent (7.0).

The 2019 consolidated operating profit totaled EUR 148.7 million (166.2). The operating profit includes adjustments of EUR 100.7 million (53.4), which are mainly comprised of restructuring costs primarily related to the ongoing manufacturing footprint optimization. The operating margin rose in Service to 15.5 percent (13.6) and in Port Solutions to 6.4 percent (4.0) but decreased in Industrial Equipment to -5.2 percent (1.3).

In full year 2019, depreciation and impairments totaled EUR 123.6 million (119.9). The amortization arising from the purchase price allocations for acquisitions represented EUR 24.7 million (37.5) of the depreciation and impairments.

In full year 2019, the share of the result in associated companies and joint ventures was EUR 4.5 million (4.0).

In full year 2019, financial income and expenses totaled EUR -34.7 million (-31.5). Net interest expenses accounted for EUR 19.9 million (22.0) of the sum and the remainder was mainly attributable to realized and unrealized exchange rate differences related to the hedging of future cash flows, which are not included in the hedge accounting.

The 2019 profit before taxes was EUR 118.5 million (138.7).

Income taxes in full year 2019 were EUR -35.7 million (-40.4). The Group's effective tax rate was 30.1 percent (29.1). The increase in the effective tax rate is mainly due to restructuring related losses for which no deferred tax assets have been recognized.

The 2019 net profit was EUR 82.8 million (98.3).

In full year 2019, the basic earnings per share were EUR 1.03 (1.29) and the diluted earnings per share were EUR 1.03 (1.29).

On a rolling 12-month basis, the return on capital employed was 6.3 percent (7.9) and the return on equity 6.5 percent (7.7). The adjusted return on capital employed was 12.7 percent (12.5).

BALANCE SHEET

At the end of December, the consolidated balance sheet amounted to EUR 3,854.2 million (3,567.0). The total equity at the end of the reporting period was EUR 1,246.7 million (1,284.1) or EUR 15.70 per share (16.06). The total equity attributable to the equity holders of the parent company was EUR 1,237.5 million (1,265.8).

Net working capital totaled EUR 446.0 million (410.4). Sequentially, net working capital increased by EUR 49.0 million. The sequential increase in net working capital resulted mainly from a decrease in advance payments received and an incease in receivables arising from percentage of completion method.

CASH FLOW AND FINANCING

Net cash from operating activities in full year 2019 was EUR 172.8 million (109.2). Cash flow before financing activities was EUR 149.6 million (74.2), which included cash inflows of EUR 16.4 million (2.2) related to sale of property, plant and equipment and EUR 4.2 million (1.1) related to divestment of businesses, and cash outflows of EUR 3.1 million related to acquisition of Group companies and EUR 40.7 million (38.3) related to capital expenditure.

At the end of December, interest-bearing net debt was EUR 655.3 million (545.3). Net debt increased mainly following the implementation of the new IFRS 16 Leases standard, the impact of which was approximately EUR 120 million at the end of December. The equity to asset ratio was 35.4 percent (39.8) and the gearing 52.6 percent (42.5).

At the end of December, cash and cash equivalents amounted to EUR 378.2 million (230.5). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

In April 2019, Konecranes paid dividends, amounting to EUR 94.6 million or EUR 1.20 per share, to its shareholders.

CAPITAL EXPENDITURE

Capital expenditure in full year 2019, excluding acquisitions and joint arrangements, amounted to EUR 39.5 million (35.4). The amount consisted mainly of investments in machinery and equipment, buildings, office equipment and information technology.

ACQUISITIONS AND DIVESTMENTS

In 2019, the capital expenditure for acquisitions and joint arrangements was EUR 3.3 million (0.0).

In January 2019, Konecranes acquired a small service business from MSAURförderteknik GmbH and paid EUR 0.7 million for the acquired assets.

In August 2019, Konecranes acquired a small service business company Trevolution Service S.r.l. in Italy and paid EUR 2.6 million as a purchase price for the company shares.

In December 2019 Konecranes completed the divestment of its ownership in Noell Crane Systems (China) Ltd. Konecranes received proceeds of EUR 18.4 million and recorded EUR 2.3 million pre-tax loss from the transaction. Part of the sales price is conditional and dependent on the collection of the open receivables and possible third party liabilities until October 31, 2021. Translation difference included in accumulated other comprehensive income that was reclassified to profit of the year was EUR -2.9 million.

PERSONNEL

In 2019, the Group had an average of 16,104 employees (16,247). On December 31, the number of personnel was 16,196 (16,077). In 2019, the Group's personnel increased by 119 people net.

At the end of December, the number of personnel by Business Area was as follows: Service 7,762 employees (7,372), Industrial Equipment 5,397 employees (5,782), Port Solutions 2,938 employees (2,830) and Group staff 99 (93).

The Group had 10,126 employees (10,027) working in EMEA, 3,319 (3,172) in the Americas and 2,751 (2,878) in APAC.

BUSINESS AREAS

SERVICE

	10–12/ 2019	10–12/ 2018	Change percent	Change % at comparable currency rates	1–12/ 2019	1–12/ 2018	Change percent	Change % at comparable currency rates
Orders received, MEUR	250.0	249.3	0.3	-1.2	1,015.1	986.5	2.9	0.6
Order book, MEUR	215.7	214.3	0.7	-1.0	215.7	214.3	0.7	-1.0
Agreement base value, MEUR	267.7	243.9	9.7	8.2	267.7	243.9	9.7	8.2
Net sales, MEUR	341.6	336.4	1.5	-0.2	1,259.7	1,192.5	5.6	3.4
Adjusted EBITA, MEUR [1)]	61.4	55.8	10.0		208.5	180.0	15.8	
Adjusted EBITA, % [1)]	18.0%	16.6%			16.6%	15.1%		
Purchase price allocation amortization, MEUR	-2.6	-3.1	-15.1		-10.5	-12.5	-15.8	
Adjustments,MEUR	-1.5	-0.9			-3.4	-4.8		
Operating profit (EBIT), MEUR	57.2	51.8	10.5		194.6	162.8	19.6	
Operating profit (EBIT), %	16.7%	15.4%			15.5%	13.6%		
Personnel at the end of period	7,762	7,372	5.3		7,762	7,372	5.3	

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

Operational highlight in Q4:

- By year-end 2019, Konecranes and Demag field service operations were integrated in 18 out of the 19 countries
- Agreement base retention for the combined Konecranes and Demag Service business improved approximately 1 percentage point compared to the beginning of 2019, to 87 percent

In the fourth quarter, order intake in Service increased 0.3 percent to EUR 250.0 million (249.3). On a comparable currency basis, orders received decreased 1.2 percent. The increase in parts orders in reported currencies was nearly offset by the decline in field service. Order intake increased in EMEA but decreased in the Americas and APAC.

The order book increased 0.7 percent to EUR 215.7 million (214.3). On a comparable currency basis, the order book decreased 1.0 percent.

Sales increased 1.5 percent to EUR 341.6 million (336.4). On a comparable currency basis, sales decreased 0.2 percent. Sales growth in parts outperformed sales growth in field service. Sales increased in EMEA and APAC but decreased in the Americas.

The fourth-quarter adjusted EBITA was EUR 61.4 million (55.8) and the adjusted EBITA margin 18.0 percent (16.6). Gross margin increased on a year-on-year basis. The operating profit was EUR 57.2 million (51.8) and the operating margin 16.7 percent (15.4).

The annual value of the agreement base increased 9.7 percent year-on-year to EUR 267.7 million (243.9). On a comparable currency basis, the annual value of the agreement base increased 8.2 percent. Sequentially, the annual value of the agreement base increased 1.6 percent on a reported basis and 2.5 percent on a comparable currency basis.

In full year 2019, orders received totaled EUR 1,015.1 million (986.5), corresponding to an increase of 2.9 percent. On a comparable currency basis, orders received increased 0.6 percent.

Sales increased 5.6 percent to EUR 1,259.7 million (1,192.5). On a comparable currency basis, sales increased 3.4 percent. Sales growth in parts outperformed sales growth in field service. Sales increased in all three regions.

The adjusted EBITA was EUR 208.5 million (180.0) and the adjusted EBITA margin was 16.6 percent (15.1). The improvement in the adjusted EBITA margin was mainly attributable to sales growth and, to a lesser extent, sales mix. The operating profit was EUR 194.6 million (162.8) and the operating margin 15.5 percent (13.6).

INDUSTRIAL EQUIPMENT

	10–12/ 2019	10–12/ 2018	Change percent	Change % at comparable currency rates	1–12/ 2019	1–12/ 2018	Change percent	Change % at comparable currency rates
Orders received, MEUR	316.3	343.9	-8.1	-9.9	1,251.5	1,248.9	0.2	-1.4
of which external, MEUR	283.2	298.3	-5.1	-7.1	1,068.4	1,065.5	0.3	-1.4
Order book, MEUR	648.9	590.6	9.9	8.3	648.9	590.6	9.9	8.3
Net sales, MEUR	336.0	325.6	3.2	1.9	1,185.5	1,150.9	3.0	1.6
of which external, MEUR	289.2	284.7	1.6	0.2	1,020.4	1,009.2	1.1	-0.4
Adjusted EBITA, MEUR [1)]	0.6	14.8	-96.1		18.2	42.6	-57.3	
Adjusted EBITA, % [1)]	0.2%	4.5%			1.5%	3.7%		
Purchase price allocation amortization, MEUR	-1.7	-3.6	-52.9		-6.9	-14.5	-52.9	
Adjustments,MEUR	-2.7	0.3			-72.7	-12.9		
Operating profit (EBIT), MEUR	-3.8	11.4	-133.7		-61.4	15.1	-506.3	
Operating profit (EBIT), %	-1.1%	3.5%			-5.2%	1.3%		
Personnel at the end of period	5,397	5,782	-6.7		5,397	5,782	-6.7	

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

Operational highlights in Q4:

- Konecranes won a contract from the US Navy to deliver a 175-ton portal jib crane to the Puget Sound Naval Shipyard in the State of Washington. The USD 46 million-order contains options for six additional portal jib cranes over the next seven years. If realized, the total value of the agreement would be around USD 330 million.
- Production at Konecranes' European supply operations factory in Vernouillet, France was discontinued at around the year-end 2019.
- Konecranes announced the acquisition of 100 percent ownership in MHE-Demag joint venture to significantly strenghten Konecranes' market share in South East Asia, bring greater balance to Konecranes' regional sales structure and unlock total Group-level annual synergies of approximately EUR 10 million at EBITA-level by 2022.

In the fourth quarter, Industrial Equipment's orders received totaled EUR 316.3 million (343.9), corresponding to a decrease of 8.1 percent. On a comparable currency basis, orders received decreased 9.9 percent. External orders received decreased 5.1 percent on a reported basis and 7.1 percent on a comparable currency basis. The decline in order intake in both standard cranes and process cranes was driven by EMEA, whereas the decline in order intake in components was driven by the Americas and EMEA.

The order book increased 9.9 percent to EUR 648.9 million (590.6). On a comparable currency basis, the order book increased 8.3 percent.

Sales increased 3.2 percent to EUR 336.0 million (325.6). On a comparable currency basis, sales increased 1.9 percent. External sales increased 1.6 percent on a reported basis and 0.2 percent on a comparable currency basis.

The fourth-quarter adjusted EBITA was EUR 0.6 million (14.8) and the adjusted EBITA margin 0.2 percent (4.5). The decrease in the adjusted EBITA was mainly attributable to costs relating to certain process crane projects, temporary operational costs in supply operations due to the ongoing manufacturing footprint optimization in France and Germany, weaker sales mix, as well as costs arising from the national strikes in Finland in December. Gross margin declined on a year-on-year basis. Operating profit was EUR -3.8 million (11.4) and the operating margin -1.1 percent (3.5).

In full year 2019, orders received totaled EUR 1,251.5 million (1,248.9), corresponding to an increase of 0.2 percent. On a comparable currency basis, orders received decreased 1.4 percent. External orders received increased 0.3 percent on a reported basis but decreased 1.4 percent on a comparable currency basis. Order intake increased in process cranes but decreased in components and standard cranes.

Sales increased 3.0 percent to EUR 1,185.5 million (1,150.9). On a comparable currency basis, sales increased 1.6 percent. The sales increase was driven by process cranes and stadand cranes, partly offset by a decrease in component sales. External sales increased 1.1 percent on a reported basis but decreased 0.4 percent on a comparable currency basis.

The adjusted EBITA was EUR 18.2 million (42.6) and the adjusted EBITA margin 1.5 percent (3.7). The decrease in the adjusted EBITA margin was mainly attributable to temporary operational costs in supply operations due to the ongoing manufacturing footprint optimization in France and Germany, costs relating to certain process crane projects, weaker sales mix, as well as tariff costs. The operating profit was EUR -61.4 million (15.1) and the operating margin -5.2 percent (1.3). The decrease in operating profit results mainly from higher restructuring costs.

PORT SOLUTIONS

	10–12/ 2019	10–12/ 2018	Change percent	Change % at comparable currency rates	1–12/ 2019	1–12/ 2018	Change percent	Change % at comparable currency rates
Orders received, MEUR	264.4	399.1	-33.8	-33.7	1,147.3	1,096.0	4.7	4.9
Order book, MEUR	959.7	910.5	5.4	5.3	959.7	910.5	5.4	5.3
Net sales, MEUR	320.3	306.4	4.6	4.8	1,115.7	1,012.9	10.2	10.2
of which service, MEUR	45.7	45.7	0.0	-0.7	185.9	178.3	4.2	3.3
Adjusted EBITA, MEUR [1)]	31.7	25.3	25.2		86.9	71.3	21.8	
Adjusted EBITA, % [1)]	9.9%	8.3%			7.8%	7.0%		
Purchase price allocation amortization, MEUR	-1.8	-2.6	-29.9		-7.3	-10.4	-29.9	
Adjustments,MEUR	-5.7	-19.7			-8.3	-20.9		
Operating profit (EBIT), MEUR	24.2	3.0	706.8		71.3	40.0	78.1	
Operating profit (EBIT), %	7.6%	1.0%			6.4%	4.0%		
Personnel at the end of period	2,938	2,830	3.8		2,938	2,830	3.8	

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

Operational highlights in Q4:

- Konecranes received a strategically important order from Turkey-based Yilport Holding for Automated RTG (ARTG) systems to three of Yilport's European container terminals, two in Portugal and one in Sweden. Altogether the order consists of 18 Konecranes ARTGs, which will be equipped with the Konecranes Active Load Control (ALC) system eliminating container sway and enabling highly productive automated operation. They will also be equipped with a suite of smart features under the supervised operation concept. The order is an important milestone and part of Konecranes' path to port automation, where container terminals improve productivity and safety in manageable steps. From smart features up to full automation, the path can include supervised operation and remote operation to smoothly introduce the power of automation.
- The divestment of Konecranes' 70 percent ownership in a port crane factory Noell Crane Systems (China) Ltd. in Xiamen, China was completed. Initially Konecranes received the stake in the factory as a part of the acquisition of Terex's MHPS business in 2017.

In the fourth quarter, Port Solutions' order intake totaled EUR 264.4 million (399.1), representing a decrease of 33.8 percent. On a comparable currency basis, orders received decreased 33.7 percent. The comparison period included the second largest single order ever received by Port Solutions. Orders declined in all three regions.

The order book increased 5.4 percent to EUR 959.7 million (910.5). On a comparable currency basis, the order book increased 5.3 percent.

Sales increased 4.6 percent to EUR 320.3 million (306.4). On a comparable currency basis, sales increased 4.8 percent.

The fourth-quarter adjusted EBITA was EUR 31.7 million (25.3) and the adjusted EBITA margin 9.9 percent (8.3). The increase in the adjusted EBITA is mainly attributable to sales growth and good project execution. Gross margin increased on a year-on-year basis. Operating profit was EUR 24.2 million (3.0) and the operating margin 7.6 percent (1.0).

In full year 2019, orders received totaled EUR 1,147.3 million (1,096.0), corresponding to an increase of 4.7 percent. On a comparable currency basis, orders received increased 4.9 percent.

Sales increased 10.2 percent to EUR 1,115.7 million (1,012.9). On a comparable currency basis, sales increased 10.2 percent.

The adjusted EBITA was EUR 86.9 million (71.3) and the adjusted EBITA margin 7.8 percent (7.0). Gross margin improved on a year-on-year basis. The improvement in the adjusted EBITA margin was mainly attributable to sales growth and synergy cost savings. Operating profit was EUR 71.3 million (40.0) and the operating margin 6.4 percent (4.0).

Group overheads

In the fourth quarter, the adjusted unallocated Group overhead costs and eliminations were EUR 6.4 million (10.3), representing 0.7 percent of sales (1.1).

The unallocated Group overhead costs and eliminations were EUR 12.1 million (14.3), representing 1.2 percent of sales (1.6). These included restructuring costs of EUR 5.7 million (4.0).

In full year 2019, the adjusted unallocated Group overhead costs and eliminations were EUR 38.5 million (36.8), representing 1.2 percent of sales (1.2).

The unallocated Group overhead costs and eliminations were EUR 55.9 million (51.7), representing 1.7 percent of sales (1.6). These included restructuring costs of EUR 17.3 million (14.8).

ADMINISTRATION

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on Thursday March 28, 2019. The meeting approved the Company's annual accounts for the fiscal year 2018, discharged the members of the Board of Directors and 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 1.20 per share is paid from the distributable assets of the parent company.

The AGM confirmed the annual remuneration payable to the members of the Board for the term until the closing of the Annual General Meeting in 2020 as follows: Chairman of the Board EUR 140,000, Vice Chairman of the Board EUR 100,000, and other Board Members EUR 70,000. In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2020, 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 Chairman of the Board, the Vice Chairman of the Board, and other Board members are entitled to a compensation of EUR 1,500 per attended Board committee meeting. The Chairman of the Audit Committee of the Board of Directors is, however, entitled to a compensation of EUR 3,000 per attended Audit Committee meeting. No remuneration will be paid to Board members employed by the Company. Travel expenses will be compensated against receipts.

The AGM approved the proposal of the Nomination Committee that the number of members of the Board of Directors is eight (8). Mr. Ole Johansson, Ms. Janina Kugel, Mr. Bertel Langenskiöld, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Mr. Anders Nielsen, Ms. Päivi Rekonen and Mr. Christoph Vitzthum were re-elected for a term of office ending at the closing of the Annual General Meeting in 2020.

The AGM re-elected Ernst & Young Oy as the Company's auditor for the year ending on December 31, 2019.

The AGM decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates. The AGM further adopted the Charter of the Shareholders' Nomination Board. According to the decision of the AGM, the Shareholders' Nomination Board comprises one member appointed by each of the four largest shareholders of the Company. The Chairman of the Company's Board of Directors serves as an expert in the Nomination Board without being a member. 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. If a shareholder who has an obligation under the Finnish Securities Market Act to take holdings of shares e.g. in several funds or group companies into account when disclosing changes in share ownership or who holds nominee registered shares makes a written request to the Chairman of the Board of Directors no later than on 30 August, such holdings of the shareholder will be taken into account when determining the appointment right. Should a shareholder not wish to use his/her appointment right, the right transfers to the next largest shareholder who would otherwise not have an appointment right. The member appointed by a shareholder shall resign from the Nomination Board, if the shareholder concerned later transfers more than half of the shares he/she held on 31 August that entitled him/her to appoint a member and as a result thereof is no longer amongst the Company's ten largest shareholders. The right to appoint a member to replace the resigned member shall be offered to the shareholder who, immediately after the settlement of the relevant share transfer, is the largest holder of shares who has not yet appointed a member to the Nomination Board. The members of the Nomination Board shall not be entitled to any remuneration from the Company on the basis of their membership. The travel expenses of the members will be compensated against receipt. The Nomination Board may, at the Company's approved expense, make use of outside experts to identify and evaluate potential new candidates to the Board of Directors. The Nomination Board is established until a General Meeting of the Company decides otherwise. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own and/or on the acceptance as pledge of the Company's own shares. The number of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 7,500,000 shares in total, which corresponds to approximately 9.5 percent of all of the shares in the Company. However, the Company together with its subsidiaries cannot at any moment own and/or hold as pledge more than 10 percent of all the shares in the Company. Only the unrestricted equity of the Company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors decides how own shares will be repurchased and/or accepted as pledge. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Own shares can be repurchased and/or accepted as pledge to limit the dilutive effects of share issues carried out in connection with possible acquisitions, to develop the Company's capital structure, to be transferred for financing or realization of possible acquisitions, investments or other arrangements belonging to the Company's business, to pay remuneration to Board members, to be used in incentive arrangements or to be cancelled, provided that the repurchase and/or acceptance as pledge is in the interest of the Company and its shareholders. The authorization is effective until the end of the next Annual General Meeting, however no longer than until 28 September 2020.

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 number of shares to be issued based on this authorization shall not exceed 7,500,000 shares, which corresponds to approximately 9.5 percent of all of the shares in the Company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization can also be used for incentive arrangements, however, not more than 1,350,000 shares in total together with the authorization in the next item. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 28, 2020. However, the authorization for incentive arrangements is valid until March 28, 2024. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2018.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares. The authorization is limited to a maximum of 7,500,000 shares, which corresponds to approximately 9.5 percent of all the shares in the Company. The Board of Directors decides on all the conditions of the transfer of own shares. The transfer of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The Board of Directors can also use this authorization to grant special rights concerning the Company's own shares, referred to in Chapter 10 of the Companies Act. The authorization can also be used for incentive arrangements, however, not more than 1,350,000 shares in total together with the authorization in the previous item. This authorization is effective until the next Annual General Meeting of Shareholders, however no longer than until September 28, 2020. However, the authorization for incentive arrangements is valid until March 28, 2024. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2018.

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 to decide on the issue of new shares or on the transfer of own shares held by the Company to such participants of an Employee Share Savings Plan who, according to the terms and conditions of the Plan, are entitled to receive free shares, as well as to decide on the share issue without payment also to the Company itself. The authorization includes a right, within the scope of this Plan, to transfer own shares currently held by the Company, which have earlier been limited to other purposes than incentive plans. The number of new shares to be issued or own shares held by the Company to be transferred may in the aggregate amount to a maximum total of 500,000 shares, which corresponds to approximately 0.6 percent of all of the Company's shares. The Board of Directors is entitled to decide on other matters concerning the share issue. The authorization concerning the share issue is valid until March 28, 2024. This authorization is in addition to the authorizations in the previous items. This authorization replaces the authorization for the Share Savings Plan given by the Annual General Meeting 2018.

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 donations can be made in one or more instalments. The Board of Directors may decide on the beneficiaries and the amount of each donation. The authorization shall be in force until the closing of the next Annual General Meeting.

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 and Mr. Ole Johansson Vice Chairman of the Board.

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

Ulf Liljedahl was elected Chairman of the Audit Committee, and Ole Johansson, Per Vegard Nerseth and Päivi Rekonen as Committee members. Bertel Langenskiöld was elected Chairman of the Human Resources Committee, and Janina Kugel, Anders Nielsen and Christoph Vitzthum as Committee members.

Ms. Janina Kugel, Mr. Bertel Langenskiöld, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Mr. Anders Nielsen, Ms. Päivi Rekonen and Mr. Christoph Vitzthum were deemed to be independent of the company and any significant shareholders. While Mr. Ole Johansson was deemed to be independent of the company, he was deemed to be dependent of significant shareholders of the Company based on his position as Chairman of the Board of Directors of Hartwall Capital Oy Ab at the time of the organizing meeting. Since May 3, 2019 Ole Johansson has also been deemed to be independent of significant shareholders of the Company.

Composition of the Shareholders' Nomination Board

The AGM 2019 decided to establish a permanent Shareholders' Nomination Board to prepare proposals to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, for the election and remuneration of the members of the Board of Directors and to identify potential Board member candidates.

According to the decision of the AGM, the Shareholders' Nomination Board comprises 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.

On September 5, 2019 Konecranes announced that the following members had been 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 7,901,238 shares,
- Antti Mäkinen, CEO of Solidium, appointed by Solidium Oy with 5,832,256 shares,
- Risto Murto, CEO of Varma Mutual Pension Insurance Company, appointed by Varma Mutual Pension Insurance Company with 2,634,951 shares, and
- Stig Gustavson, appointed by Stig Gustavson and family with 2,366,157 shares.

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

The now appointed Nomination Board will forward its proposals for the 2020 Annual General Meeting to the Board of Directors by 31 January 2020.

Appointment of a new President and CEO

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

Rob Smith joined Konecranes from AGCO Corporation, where his latest position had been Senior Vice President & General Manager, Europe and Middle East. Prior to this, he had worked in business leadership roles in TRW Automotive, Tyco Electronics and Bombardier Transportation, among others. He is 54 years old and is a dual citizen of both Germany and the United States. Further details, including a photo, are available in his CV attached to the stock exchange release dated October 7, 2019.

With this change, the previous President and CEO, Panu Routila, left the Konecranes Group on October 7, 2019.

Changes in the Group Executive Board

On October 14, 2019 Konecranes announced that Minna Aila, Executive Vice President, Marketing and Communications and a member of the Group Executive Board would leave the group and take up a position at another company by April 2020 at the latest.

Composition of the Group Executive Board

Until October 7, 2019, the Group Executive Board consisted of the following members:

- Panu Routila, President and CEO
- Teo Ottola, CFO, Deputy CEO
- Fabio Fiorino, Executive Vice President, Business Area Service
- Mikko Uhari, Executive Vice President, Business Area Industrial Equipment
- Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Juha Pankakoski, Executive Vice President, Technologies
- Minna Aila, Executive Vice President, Marketing and Corporate Affairs
- Timo Leskinen, Senior Vice President, Human Resources
- Sirpa Poitsalo, Senior Vice President, General Counsel

Between October 7, 2019 and February 1, 2020, the Group Executive Board consisted of the following members:

- Teo Ottola, CFO and Interim CEO
- Fabio Fiorino, Executive Vice President, Business Area Service
- Mikko Uhari, Executive Vice President, Business Area Industrial Equipment
- Mika Mahlberg, Executive Vice President, Business Area Port Solutions
- Juha Pankakoski, Executive Vice President, Technologies
- Minna Aila, Executive Vice President, Marketing and Corporate Affairs
- Timo Leskinen, Senior Vice President, Human Resources
- Sirpa Poitsalo, Senior Vice President, General Counsel

Rob Smith, the new President and CEO, joined Konecranes on February 1, 2020.

Minna Aila, Executive Vice President, Marketing and Corporate Affairs, will leave Konecranes by April 2020 at the latest.

SHARE CAPITAL AND SHARES

On December 31, 2019 the company's registered share capital totaled EUR 30.1 million. On December 31, 2019, the number of shares including treasury shares totaled 78,921,906.

TREASURY SHARES

On December 31, 2019, Konecranes Plc was in possession of 82,480 treasury shares, which corresponds to 0.1 percent of the total number of shares and which had on that date a market value of EUR 2.3 million.

On February 28, 2019, 22,923 treasury shares were conveyed without consideration to the employees as a reward payment for the Savings Period 2015–2016 of the Konecranes Employee Share Savings Plan.

PERFORMANCE SHARE PLAN CRITERIA 2019–2021

On March 28, 2019, Konecranes announced that the Board of Directors had resolved that the performance criteria for the performance period 2019–2021 under the Company's Performance Share Plan (the "Plan") are the cumulative adjusted Earnings per Share (EPS) and the cumulative annual growth rate (CAGR) for Sales of the financial years 2019–2021. Adjustments to the EPS include defined restructuring costs, purchase price allocation amortization and certain other unusual items. The Board of Directors has also resolved on certain technical amendments to the terms and conditions of the Plan.

The target group of the Plan for the performance period 2019–2021 consists of a maximum of 200 key employees of the Konecranes group. The rewards to be paid on the basis of the performance period 2019–2021 correspond to the value of a maximum total of 670,000 Konecranes Plc shares. If the target determined by the Board of Directors is attained, the reward pay-out may be half of the maximum reward. The maximum reward pay-out requires that the target is clearly exceeded.

The Annual General Meeting of Shareholders held on March 28, 2019 authorized the Board of Directors to decide on the issue of shares or the transfer of treasury shares needed for the implementation of the Plan.

The launch and essential terms and conditions of the Plan have been published in a stock exchange release on June 16, 2017.

EMPLOYEE SHARE SAVINGS PLAN

On February 18, 2019, 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 began on July 1, 2019 and will end on June 30, 2020. Each participant will receive one free matching share for every two acquired savings shares. Matching shares will be delivered to a participant if the participant holds the acquired shares from the Plan Period until the end of the designated holding period, February 15, 2023, and if his or her employment has not ended before this date for reasons attributable to the employee. The total amount of all savings of the commencing plan period may not exceed EUR 8.5 million. The terms and conditions of the Plan Period 2019–2020 are unchanged from the previous Plan Periods. An employee will participate in the Plan for one year at a time. Shares will be acquired with the accrued savings at the market price quarterly, after the publication dates of the Konecranes interim results, commencing in October 2019. Any dividends paid on purchased shares during the commencing Plan period will automatically be reinvested into additional shares on the following purchase date. These shares will have an equal right to matching shares.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on December 30, 2019 was EUR 27.40. The volume-weighted average share price in in 2019 was EUR 29.98, the highest price being EUR 38.15 in April and the lowest EUR 24.84 in August. In 2019 the trading volume on the Nasdaq Helsinki totaled 55.9 million, corresponding to a turnover of approximately EUR 1,675.1 million. The average daily trading volume was 223,473 shares representing an average daily turnover of EUR 6.7 million.

In addition, according to Fidessa, approximately 88.7 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in 2019.

On December 31, 2019, the total market capitalization of Konecranes Plc was EUR 2,162.5 million including treasury shares. The market capitalization was EUR 2,160.2 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In 2019, 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 8, 2019	BlackRock, Inc.	Below 5%	4.96	1.80	6.77	5,345,488
February 21, 2019	BlackRock, Inc.	Above 5%	5.00	1.43	6.43	5,079,313
April 10, 2019	BlackRock, Inc.	Below 5%	4.98	1.08	6.06	4,787,047
April 16, 2019	BlackRock, Inc.	Above 5%	5.01	1.06	6.07	4,796,011
April 17, 2019	BlackRock, Inc.	Below 5%	4.96	1.08	6.04	4,770,550
April 18, 2019	BlackRock, Inc.	Above 5%	5.02	0.99	6.01	4,745,989
April 23, 2019	BlackRock, Inc.	Below 5%	4.90	0.97	5.88	4,642,378

RESEARCH AND DEVELOPMENT

In 2019, Konecranes' research and product development expenditure totaled EUR 41.1 (42.1) million, representing 1.2 (1.3) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

In 2019, Konecranes launched three new product platforms: Konecranes S, C and M-series. These new products are a result of years of research and product development and include several unique and patented features visible in the hoist's appearance: reeving arrangement, tilted rope drum and synthetic rope and its fixing. The innovative design enables lighter structures resulting in improved material usage and lower environmental impact. The products have gone through extensive testing at Konecranes' Reliability & Testing Centers; for instance, the testing of the synthetic rope begun already in 2014.

In 2019, Konecranes continued the execution of its digital strategy through a portfolio of digital initiatives that both improve the company's current operations and offer and explore totally new business opportunities. In addition, Konecranes established a Digital Accelerator organization to support the digital transformation work, fuelling internal projects in the area.

During 2019, Konecranes continued the development of a state-of-the-art Terminal Operating System for automated container terminals to work along with Equipment Control System and accompanied by Konecranes' equipment and service offering. An important milestone in Konecranes' port technology development in 2019 was the successful demonstration of its capability to retrofit competitor equipment with Konecranes' "brand neutral" automation solutions.

In 2019, Konecranes' digital customer offering widened with several new digital services, like Konecranes CheckApp for Daily Inspections, TRUCONNECT Wire Rope Monitoring and Remote Operation Station 2.0. The services address specified customer problems and needs, and Konecranes collaborates with multiple industrial companies to ensure the services fit their purpose.

Konecranes has tens of thousands of connected devices across the world and digital lifecycle records from over 1.1 million customer assets. To take advantage of the massive amounts of data the company collects, in 2019, Konecranes established a Data Science Lab in Lyon, France to build analytics and insights from the data. With centralized data science skills, Konecranes can capitalize, share and turn data models into production.

One example of the projects initiated by the Data Science Lab is the further analysis of Konecranes' customer feedback data to increase customer-centricity. After a service or equipment delivery, Konecranes measures customers' experience with the Voice of Customer survey. With data science and AI-driven analysis, Konecranes can derive more information from ratings and free-text-comments and see better where Konecranes has succeeded and where it can improve. This allows Konecranes to react to customer needs more quickly and use feedback to improve products and services.

In 2019, Konecranes started to see very concrete results from its systematic efforts to build-up an innovation ecosystem. During the year, Konecranes discovered a Swedish AI-start-up through its own systematic start-up program, REACH. Konecranes is now using their AI-powered troubleshooting software commercially in Business Area Service to increase technical support efficiency and serve its customers even faster than before. Another highlight comes from Konecranes' partnership with a deep tech start-up, whose solution analyses the structural integrity of sea containers during lifting to reduce quality costs and processing time from container logistics. The partnership started in 2017 and the first customer installations were completed already in 2019.

The REACH program continued through 2019; Konecranes started collaborating with three new start-ups, with use cases from Port Solutions and Service.

Open innovation is considered an important part of Konecranes' extended innovation ecosystem. In 2019, Konecranes continued co-operation with ecosystems like DIMECC's Intelligent Industry Ecosystem and start-up hubs like Maria 01 by launching its first internal project accelerator at Maria 01 – the Nordics' leading start-up hub – with four R&D projects.

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

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 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

On December 5, 2019 Konecranes signed an agreement to acquire from Jebsen & Jensen its 50 percent stake in MHE-Demag. The transaction was closed on January 2, 2020. Share purchase price was approximately EUR 143 million in cash. Pursuant to the "Stock and asset purchase agreement" dated December 5, 2019 the final cash consideration is subject to post-closing adjustments for cash. After the acquisition, Konecranes holds 100 percent of the shares in the company, while Konecranes' ownership before the acquisition was 50 percent.

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.

Service represents approximately 50 percent of MHE-Demag's annual net sales, with cranes and components at approximately 35 percent and other industrial products at approximately 15 percent. In 2018, MHE-Demag's net sales were approximately SGD 285 million (EUR 179 million) and EBITA approximately SGD 20 million (EUR 13 million). Konecranes is the main supplier to MHE-Demag, selling crane components under the Demag brand name.

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.

Konecranes expects the acquisition to create approximately EUR 10 million of annual synergies at the EBITA level by 2022, including both revenue and cost synergies. One-time costs generated by the integration of MHE-Demag are estimated to total EUR 6 million.

DEMAND OUTLOOK

Within the industrial customer segments, the demand environment in Europe continues to weaken but at a slower rate. The demand environment in North America is relatively stable overall and remains on a higher level compared to Europe. Asia Pacific is showing early signs of improving demand conditions.

Despite its recent decline, global container throughput continues on a good level. Although there is hesitation in the decision-making among some port customers, the longer-term prospects for orders related to container handling remain good overall.

FINANCIAL GUIDANCE

Konecranes expects sales in full-year 2020 to increase 7–10 percent year-on-year, including MHE-Demag. Konecranes expects the adjusted EBITA margin to improve in full-year 2020 compared to full-year 2019.

BOARD OF DIRECTORS' PROPOSAL FOR DISPOSAL OF DISTRIBUTABLE FUNDS

The parent company's non-restricted equity is EUR 968,361,776.27, of which the net income for the year is EUR 95,148,906.32. The Group's non-restricted equity is EUR 1,109,748,000.

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 26 March 2020 that a dividend of EUR 1.20 be paid on each share and that the remaining nonrestricted equity is retained in shareholders' equity. Furthermore, the Board of Directors proposes the dividend to be paid in two equal instalments, one in April and one in October. The proposal will be included in the notice to the Annual General Meeting, which will be published during February 2020.

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 Konecrances website on March 3, 2020.

Espoo, February 6, 2020
Konecranes Plc
Board of Directors

Disclaimer

It should be noted that certain statements in this report, which are not historical facts, including, without limitation, those regarding

- expectations for general economic development and market situation,
- expectations for general developments in the industry,
- expectations regarding customer industry profitability and investment willingness,
- expectations for company growth, development, and profitability,
- expectations regarding market demand for the company's products and services,
- expectations regarding the successful completion of acquisitions on a timely basis and Konecranes' ability to achieve the set targets and synergies,
- expectations regarding competitive conditions,
- expectations regarding cost savings,
- and statements preceded by "believes," "expects," "anticipates," "foresees" or similar expressions, are forward-looking statements. These statements are based on current expectations, decisions and plans, and currently known facts. Therefore, they involve risks and uncertainties, which may cause the actual results to materially differ from the results currently expected by the company. Such factors include, but are not limited to:
- general economic conditions, including fluctuations in exchange rates and interest levels,
- competitive situation, especially significant products or services developed by our competitors,
- industry conditions,
- the company's own operating factors including the success of production, product development, project management, quality, and timely delivery of our products and services and their continuous development,
- the success of pending and future acquisitions and restructurings.

Consolidated statement of income

EUR million	Note	10–12/2019	10–12/2018	Change percent	1–12/2019	1–12/2018	Change percent
Sales	7	**933.3**	**910.8**	**2.5**	**3,326.9**	**3,156.1**	**5.4**
Other operating income		7.3	1.7		19.6	6.3	
Materials, supplies and subcontracting		-465.1	-432.1		-1,505.0	-1,371.9	
Personnel cost		-304.0	-257.6		-1,080.7	-1,006.5	
Depreciation and impairments	8	-30.7	-39.5		-123.6	-119.9	
Other operating expenses		-75.2	-131.5		-488.5	-498.0	
Operating profit		**65.5**	**51.9**	**26.3**	**148.7**	**166.2**	**-10.5**
Share of associates' and joint ventures' result		5.0	5.5		4.5	4.0	
Financial income		0.3	1.3		2.5	2.6	
Financial expenses		-7.4	-6.7		-37.2	-34.1	
Profit before taxes		**63.3**	**51.9**	**22.0**	**118.5**	**138.7**	**-14.6**
Taxes	10	-17.5	-16.1		-35.7	-40.4	
PROFIT FOR THE PERIOD		**45.8**	**35.8**	**28.0**	**82.8**	**98.3**	**-15.8**
Profit for the period attributable to:							
Shareholders of the parent company		45.1	39.2		81.0	101.8	
Non-controlling interest		0.8	-3.4		1.8	-3.5	
Earnings per share, basic (EUR)		0.57	0.50	15.0	1.03	1.29	-20.5
Earnings per share, diluted (EUR)		0.57	0.50	15.0	1.03	1.29	-20.5

Consolidated statement of other comprehensive income

EUR million	10–12/2019	10–12/2018		1–12/2019	1–12/2018	
Profit for the period	**45.8**	**35.8**		**82.8**	**98.3**	
Items that can be reclassified into profit or loss						
Cash flow hedges	10.4	-2.5		-0.7	-13.4	
Exchange differences on translating foreign operations	-1.0	2.7		6.8	-5.7	
Income tax relating to items that can be reclassified into profit or loss	-2.1	0.5		0.2	2.7	
Items that cannot be reclassified into profit or loss						
Re-measurement gains (losses) on defined benefit plans	-27.6	0.7		-27.6	0.7	
Income tax relating to items that cannot be reclassified into profit or loss	8.1	-0.2		8.1	-0.2	
Other comprehensive income for the period, net of tax	**-12.3**	**1.2**		**-13.2**	**-15.9**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**33.6**	**37.0**		**69.6**	**82.4**	
Total comprehensive income attributable to:						
Shareholders of the parent company	32.3	40.2		67.4	86.2	
Non-controlling interest	1.3	-3.2		2.2	-3.8	

Consolidated balance sheet

EUR million

ASSETS	Note	31.12.2019	31.12.2018
Non-current assets			
Goodwill		908.2	906.1
Intangible assets		531.6	582.0
Property, plant and equipment		332.8	236.7
Advance payments and construction in progress		15.7	14.5
Investments accounted for using the equity method		73.9	71.0
Other non-current assets		0.9	0.8
Deferred tax assets		123.4	119.5
Total non-current assets		**1,986.5**	**1,930.5**
Current assets			
Inventories			
Raw material and semi-manufactured goods		298.4	281.7
Work in progress		339.1	336.6
Advance payments		21.2	17.5
Total inventories		658.7	635.8
Accounts receivable		530.4	548.0
Other receivables		33.0	28.5
Loans receivable		0.7	0.7
Income tax receivables		30.5	22.3
Receivable arising from percentage of completion method	7	167.8	115.7
Other financial assets		8.1	8.9
Deferred assets		60.3	46.2
Cash and cash equivalents		378.2	230.5
Total current assets		**1,867.7**	**1,636.5**
TOTAL ASSETS		**3,854.2**	**3,567.0**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	31.12.2019	31.12.2018
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	-0.5	0.1
Translation difference		3.7	-2.8
Other reserve		58.8	55.2
Retained earnings		272.4	289.4
Net profit for the period		81.0	101.8
Total equity attributable to equity holders of the parent company		**1,237.5**	**1,265.8**
Non-controlling interest		9.2	18.4
Total equity		**1,246.7**	**1,284.1**
Non-current liabilities			
Interest-bearing liabilities	13	785.8	584.6
Other long-term liabilities		290.4	269.1
Provisions		19.1	21.2
Deferred tax liabilities		143.1	143.4
Total non-current liabilities		**1,238.4**	**1,018.3**
Current liabilities			
Interest-bearing liabilities	13	248.4	191.8
Advance payments received	7	337.3	341.4
Accounts payable		236.2	211.2
Provisions		151.7	112.6
Other short-term liabilities (non-interest bearing)		44.3	43.0
Other financial liabilities		6.2	7.7
Income tax liabilities		14.6	20.3
Accrued costs related to delivered goods and services		156.0	164.1
Accruals		174.4	172.5
Total current liabilities		**1,369.1**	**1,264.6**
Total liabilities		**2,607.5**	**2,282.8**
TOTAL EQUITY AND LIABILITIES		**3,854.2**	**3,567.0**

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, 2019	**30.1**	**39.3**	**752.7**	**0.1**	**-2.8**
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-0.6	6.5
Total comprehensive income				-0.6	6.5
Balance at 31 December, 2019	**30.1**	**39.3**	**752.7**	**-0.5**	**3.7**
Balance at 1 January, 2018	**30.1**	**39.3**	**752.7**	**10.8**	**2.6**
Share issue					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-10.7	-5.4
Total comprehensive income				-10.7	-5.4
Balance at 31 December, 2018	**30.1**	**39.3**	**752.7**	**0.1**	**-2.8**

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, 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	3.6		**3.6**
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	-13.6	0.4	**-13.2**
Total comprehensive income	0.0	61.5	67.4	2.2	**69.6**
Balance at 31 December, 2019	**58.8**	**353.4**	**1,237.5**	**9.2**	**1,246.7**
Balance at 1 January, 2018	**36.6**	**384.3**	**420.9**	**22.5**	**1,278.9**
Change in accounting principles (IFRS 9)		-0.8	-0.8		**-0.8**
Change in accounting principles (IFRS 2)	1.5		1.5		**1.5**
Balance at 1 January, 2018, restated	**38.1**	**383.4**	**421.6**	**22.5**	**1,279.5**
Dividends paid to equity holders		-94.6	-94.6	-0.4	**-94.9**
Equity-settled share based payments	17.1	0.0	17.1		**17.1**
Profit for the period		101.8	101.8	-3.5	**98.3**
Other comprehensive income		0.5	-15.6	-0.3	**-15.9**
Total comprehensive income	0.0	102.3	86.2	-3.8	**82.4**
Balance at 31 December, 2018	**55.2**	**391.2**	**1,265.8**	**18.4**	**1,284.1**

Consolidated cash flow statement

EUR million	1–12/2019	1–12/2018
Cash flow from operating activities		
Profit for the period	82.8	98.3
Adjustments to net income		
Taxes	35.7	40.4
Financial income and expenses	34.7	31.5
Share of associates' and joint ventures' result	-4.5	-4.0
Depreciation and impairments	123.6	119.9
Profits and losses on sale of fixed assets and businesses	-0.5	3.8
Other adjustments	3.2	5.2
Operating income before change in net working capital	**275.0**	**295.1**
Change in interest-free current receivables	-40.3	3.9
Change in inventories	-18.9	-91.1
Change in interest-free current liabilities	46.7	-4.3
Change in net working capital	**-12.5**	**-91.5**
Cash flow from operations before financing items and taxes	**262.5**	**203.5**
Interest received	26.5	19.3
Interest paid	-46.1	-38.4
Other financial income and expenses	-24.2	7.4
Income taxes paid	-45.9	-82.5
Financing items and taxes	**-89.7**	**-94.3**
NET CASH FROM OPERATING ACTIVITIES	**172.8**	**109.2**
Cash flow from investing activities		
Acquisition of Group companies, net of cash	-3.1	0.0
Divestment of Businesses, net of cash	4.2	1.1
Capital expenditures	-40.7	-38.3
Proceeds from sale of property, plant and equipment	16.4	2.2
NET CASH USED IN INVESTING ACTIVITIES	**-23.2**	**-35.0**
Cash flow before financing activities	**149.6**	**74.2**
Cash flow from financing activities		
Proceeds from non-current borrowings	140.0	0.0
Repayments of non-current borrowings	-20.6	-14.5
Repayments of lease liability	-44.3	0.0
Proceeds from (+), payments of (-) current borrowings	19.6	34.6
Change in loans receivable	-0.1	-0.3
Dividends paid to equity holders of the parent	-94.6	-94.6
Dividends paid to non-controlling interests	-4.5	-0.4
NET CASH USED IN FINANCING ACTIVITIES	**-4.5**	**-75.2**
Translation differences in cash	2.6	-1.6
CHANGE OF CASH AND CASH EQUIVALENTS	**147.7**	**-2.6**
Cash and cash equivalents at beginning of period	230.5	233.1
Cash and cash equivalents at end of period	378.2	230.5
CHANGE OF CASH AND CASH EQUIVALENTS	**147.7**	**-2.6**

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	1–12/2019	1–12/2018
Net cash from operating activities	172.8	109.2
Capital expenditures	-40.7	-38.3
Proceeds from sale of property, plant and equipment	16.4	2.2
Free cash flow	**148.5**	**73.1**

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 audited interim condensed consolidated financial statements of Konecranes Plc for twelve months ending 31.12.2019 and 31.12.2018 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (“IAS 34”). As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company’s annual consolidated financial statements as of December 31, 2019. The audited 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.

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, 2019. From January 1, 2019 onwards Konecranes applies also new IFRS 16 standard as described below.

IFRS 16 Leases replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC -27 Evaluating the Substance of Transactions Involving the Legal form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance lease under IAS17. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases (with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease terms. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (for example, a change in lease term or a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease

Notes

liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17.

Konecranes is using the general modified retrospective approach in which right of use assets and lease liabilities were calculated per transition date 1.1.2019 except for the lease contracts of the Finnish premises in Hyvinkää and Hämeenlinna, in which Konecranes used modified retrospective method to calculate the right of use assets and liability from the commencement date but using the prevailing discount interest at the transition date. Konecranes elected also to use the exemptions proposed by the standard on lease contracts for which the lease terms end within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has various lease agreements for office equipment, vehicles and premises with varying terms and renewal rights. Group has used judgment especially for the use of extension options as well as when defining the lease term for open end lease agreements so that they are based on the business requirements and real estimated useful life time of the underlying asset. The right of use assets was increased by EUR 118.5 million and corresponding liabilities by EUR 124.1 million at 1.1.2019. Equity decreased by EUR 4.5 million and deferred tax asset increased by EUR 1.1 million. Group had also EUR 20.1 million existing finance leases according to IAS17 in 31.12.2018 balance sheet. The interest-bearing net debt of 1.1.2019 increased from EUR 545.3 million to EUR 669.4 million and interest-bearing net nebt / equity % respectively from 42.5% to 52.3%.

The right of use assets totalled EUR 131.8 million and lease liabilities EUR 138.2 million in 31.12.2019 balance sheet.

The IFRIC Interpretation 23 Uncertainty over Income Tax treatment addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. An entity has to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed. The interpretation did not have an impact on the consolidated financial statements of the Group.

Notes

5. ACQUISITIONS

in January 2019, Konecranes acquired a small service business from MSAURförderteknik GmbH in Germany and paid EUR 0.7 million as purchase price for the acquired assets. In August 2019, Konecranes acquired a small service business company Trevolution Service S.r.l. in Italy and paid EUR 2.6 million for the shares of the company.

The fair values of acquired businesses are as follows:

EUR million	Fair value
Intangible assets	
Clientele	1.2
Other intangible assets	0.0
Property, plant and equipment	0.3
Deferred tax assets	0.1
Inventories	0.6
Accounts receivable	1.0
Other assets	0.3
Cash and cash equivalents	0.5
Total assets	**3.9**
Deferred tax liabilities	0.3
Defined benefit plans	0.3
Other long-term liabilities	0.1
Accounts payable and other current liabilities	1.2
Total liabilities	**1.9**
Net assets	**2.1**
Purchase consideration transferred	**3.3**
Goodwill	**1.2**
Cash flow on acquisition	
Purchase consideration, paid in cash	3.3
Cash and cash equivalents in acquired companies	-0.5
Net cash flow arising on acquisition	**2.8**

5.1. Disposals

In December 2019 Konecranes completed the divestment of its ownership in Noell Crane Systems (China) Ltd. Konecranes received proceeds of EUR 18.4 million and recorded EUR 2.3 million pre-tax loss from the transaction. Part of the sales price is conditional and dependent on the collection of the open receivables and possible third party liabilities until October 31, 2021. Translation difference included in accumulated other comprehensive income that was reclassified to profit of the year was EUR -2.9 million.

Carrying amounts of net assets over which control was lost in 2019

Assets	EUR million
Intangible assets	8.3
Property, plant and equipment	9.9
Accounts receivables	9.7
Other receivables	0.1
Cash and cash equivalents	5.2
Assets held for sale	**33.3**

Liabilities	EUR million
Interest-bearing liabilities	0.0
Provisions	0.8
Accounts payable	4.9
Accruals and other liabilities	0.1
Liabilities directly attributable to assets held for sale	**5.8**
Non-controlling interest	**6.8**
Net assets derecgonized	**20.7**
Consideration received	9.4
Deferred conditional consideration	9.0
Total consideration recognized	**18.4**

Notes

6. SEGMENT INFORMATION

6.1. Operating segments

EUR million

Orders received by Business Area	1–12/2019	% of total	1–12/2018	% of total
Service [1]	1,015.1	30	986.5	30
Industrial Equipment	1,251.5	37	1,248.9	37
Port Solutions [1]	1,147.3	34	1,096.0	33
./. Internal	-246.5		-241.1	
Total	**3,167.3**	**100**	**3,090.3**	**100**

[1] *Excl. Service Agreement Base*

Order book total [2]	31.12.2019	% of total	31.12.2018	% of total
Service	215.7	12	214.3	12
Industrial Equipment	648.9	36	590.6	34
Port Solutions	959.7	53	910.5	53
Total	**1,824.3**	**100**	**1,715.4**	**100**

[2] *Percentage of completion deducted*

Sales by Business Area	1–12/2019	% of total	1–12/2018	% of total
Service	1,259.7	35	1,192.5	36
Industrial Equipment	1,185.5	33	1,150.9	34
Port Solutions	1,115.7	31	1,012.9	30
./. Internal	-234.1		-200.1	
Total	**3,326.9**	**100**	**3,156.1**	**100**

Adjusted EBITA by Business Area	1–12/2019 MEUR	EBITA %	1–12/2018 MEUR	EBITA %
Service	208.5	16.6	180.0	15.1
Industrial Equipment	18.2	1.5	42.6	3.7
Port Solutions	86.9	7.8	71.3	7.0
Group costs and eliminations	-38.5		-36.8	
Total	**275.1**	**8.3**	**257.1**	**8.1**

Operating profit (EBIT) by Business Area	1–12/2019 MEUR	EBIT %	1–12/2018 MEUR	EBIT %
Service	194.6	15.5	162.8	13.6
Industrial Equipment	-61.4	-5.2	15.1	1.3
Port Solutions	71.3	6.4	40.0	4.0
Group costs and eliminations	-55.9		-51.7	
Total	**148.7**	**4.5**	**166.2**	**5.3**

Notes

Business segment assets	31.12.2019 MEUR		31.12.2018 MEUR	
Service	1,327.7		1,284.8	
Industrial Equipment	863.3		865.1	
Port Solutions	922.0		884.4	
Unallocated items	741.2		532.8	
Total	**3,854.2**		**3,567.0**	

Business segment liabilities	31.12.2019 MEUR		31.12.2018 MEUR	
Service	194.1		207.7	
Industrial Equipment	345.3		365.0	
Port Solutions	417.7		411.4	
Unallocated items	1,650.3		1,298.7	
Total	**2,607.5**		**2,282.8**	

Personnel by Business Area (at the end of the period)	31.12.2019	% of total	31.12.2018	% of total
Service	7,762	48	7,372	46
Industrial Equipment	5,397	33	5,782	36
Port Solutions	2,938	18	2,830	18
Group staff	99	1	93	1
Total	**16,196**	**100**	**16,077**	**100**

Notes

Orders received by Business Area, Quarters	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service [1]	250.0	256.4	253.2	255.4	249.3	241.9	256.8	238.5
Industrial Equipment	316.3	284.0	330.0	321.2	343.9	294.7	338.6	271.6
Port Solutions [1]	264.4	249.0	304.0	329.9	399.1	240.0	230.7	226.2
./. Internal	-49.3	-74.3	-64.5	-58.4	-62.6	-60.1	-65.2	-53.2
Total	**781.3**	**715.3**	**822.7**	**848.1**	**929.8**	**716.5**	**760.9**	**683.1**

[1] *Excl. Service Agreement Base*

Order book by Business Area, Quarters	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	215.7	245.5	236.8	234.1	214.3	239.6	237.8	212.0
Industrial Equipment	648.9	665.1	668.5	639.4	590.6	572.0	579.0	527.6
Port Solutions	959.7	1,012.6	1,062.5	1,004.0	910.5	813.0	830.7	836.2
Total	**1,824.3**	**1,923.2**	**1,967.8**	**1,877.6**	**1,715.4**	**1,624.6**	**1,647.5**	**1,575.8**

Sales by Business Area, Quarters	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	341.6	312.1	308.9	297.1	336.4	296.3	293.3	266.4
Industrial Equipment	336.0	281.7	293.2	274.6	325.6	291.7	285.0	248.6
Port Solutions	320.3	305.6	248.0	241.8	306.4	262.3	243.7	200.6
./. Internal	-64.7	-58.2	-56.0	-55.2	-57.5	-50.0	-49.7	-42.8
Total	**933.3**	**841.3**	**794.0**	**758.2**	**910.8**	**800.2**	**772.2**	**672.8**

Adjusted EBITA by Business Area, Quarters	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	61.4	50.6	49.7	46.8	55.8	48.0	42.4	33.8
Industrial Equipment	0.6	8.3	8.5	0.8	14.8	14.6	6.5	6.6
Port Solutions	31.7	25.0	19.5	10.6	25.3	20.5	19.3	6.2
Group costs and eliminations	-6.4	-11.5	-10.7	-9.9	-10.3	-8.6	-8.5	-9.4
Total	**87.3**	**72.4**	**67.0**	**48.3**	**85.6**	**74.5**	**59.8**	**37.2**

Adjusted EBITA margin by Business Area, Quarters	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	18.0	16.2	16.1	15.7	16.6	16.2	14.5	12.7
Industrial Equipment	0.2	2.9	2.9	0.3	4.5	5.0	2.3	2.7
Port Solutions	9.9	8.2	7.9	4.4	8.3	7.8	7.9	3.1
Group EBITA margin total	**9.4**	**8.6**	**8.4**	**6.4**	**9.4**	**9.3**	**7.7**	**5.5**

Personnel by Business Area, Quarters (at the end of the period)	Q4/2019	Q3/2019	Q2/2019	Q1/2019	Q4/2018	Q3/2018	Q2/2018	Q1/2018
Service	7,762	7,680	7,563	7,527	7,372	7,351	7,252	7,187
Industrial Equipment	5,397	5,546	5,537	5,502	5,782	5,831	5,829	5,872
Port Solutions	2,938	2,895	2,864	2,849	2,830	3,084	3,069	3,039
Group staff	99	98	94	93	93	95	90	87
Total	**16,196**	**16,219**	**16,058**	**15,971**	**16,077**	**16,361**	**16,240**	**16,185**

Notes

6.2. Geographical areas

EUR million

Sales by market	**1–12/2019**	% of total	**1–12/2018**	% of total
Europe-Middle East-Africa (EMEA)	1,714.1	52	1,593.5	50
Americas (AME)	1,145.8	34	1,049.9	33
Asia-Pacific (APAC)	467.0	14	512.7	16
Total	**3,326.9**	**100**	**3,156.1**	**100**

Personnel by region (at the end of the period)	**31.12.2019**	% of total	**31.12.2018**	% of total
Europe-Middle East-Africa (EMEA)	10,126	63	10,027	62
Americas (AME)	3,319	20	3,172	20
Asia-Pacific (APAC)	2,751	17	2,878	18
Total	**16,196**	**100**	**16,077**	**100**

Sales by market, Quarters	**Q4/2019**	**Q3/2019**	**Q2/2019**	**Q1/2019**	**Q4/2018**	**Q3/2018**	**Q2/2018**	**Q1/2018**
Europe-Middle East-Africa (EMEA)	475.5	444.8	408.3	385.5	461.7	380.9	402.8	348.0
Americas (AME)	313.4	291.3	281.9	259.2	312.2	262.0	256.1	219.6
Asia-Pacific (APAC)	144.4	105.2	103.8	113.6	136.9	157.3	113.3	105.1
Total	**933.3**	**841.3**	**794.0**	**758.2**	**910.8**	**800.2**	**772.2**	**672.8**

Personnel by region, Quarters (at the end of the period)	**Q4/2019**	**Q3/2019**	**Q2/2019**	**Q1/2019**	**Q4/2018**	**Q3/2018**	**Q2/2018**	**Q1/2018**
Europe-Middle East-Africa (EMEA)	10,126	10,119	10,028	9,966	10,027	10,021	9,902	9,854
Americas (AME)	3,319	3,314	3,237	3,231	3,172	3,161	3,139	3,123
Asia-Pacific (APAC)	2,751	2,786	2,793	2,774	2,878	3,179	3,199	3,208
Total	**16,196**	**16,219**	**16,058**	**15,971**	**16,077**	**16,361**	**16,240**	**16,185**

Notes

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

EUR million	31.12.2019	31.12.2018
The cumulative revenues of non-delivered projects	570.7	433.2
Advances received netted	402.9	317.5
Contract assets	**167.8**	**115.7**
Gross advance received from percentage of completion method	433.3	375.3
Advances received netted	402.9	317.5
Contract liabilities	**30.4**	**57.8**

Net sales recognized under the percentage of completion method amounted EUR 458.5 million in 1–12/2019 (EUR 411.8 million in 1–12/2018).

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	31.12.2019	31.12.2018
Advance received from percentage of completion method (netted)	30.4	57.8
Other advance received from customers	306.9	283.6
Total	**337.3**	**341.4**

8. IMPAIRMENTS

EUR million	1–12/2019	1–12/2018
Property, plant and equipment	0.8	13.8
Total	**0.8**	**13.8**

All impairments in 2019 and 2018 relate to restructuring actions.

9. RESTRUCTURING COSTS

Konecranes has recorded EUR 100.7 million restructuring costs during 1–12/2019 (EUR 53.4 million in 1–12/2018) of which EUR 0.8 million was impairment of assets (EUR 13.8 million for 1–12/2018). The remaining EUR 99.9 million of restructuring cost is reported 1–12/2019 in personnel costs (EUR 71.3 million) and in other operating expenses (EUR 37.3 million) and profits on disposal of assets in other operating income (EUR 8.7 million).

10. INCOME TAXES

Taxes in statement of Income	1–12/2019	1–12/2018
Local income taxes of group companies	32.3	49.0
Taxes from previous years	-1.8	-4.4
Change in deferred taxes	5.2	-4.3
Total	**35.7**	**40.4**

Notes

11. KEY FIGURES

	31.12.2019	31.12.2018	Change %
Earnings per share, basic (EUR)	1.03	1.29	-20.5
Earnings per share, diluted (EUR)	1.03	1.29	-20.5
Alternative Performance Measures:			
Return on capital employed, %	6.3	7.9	-20.3
Adjusted return on capital employed, %	12.7	12.5	1.6
Return on equity, %	6.5	7.7	-15.6
Equity per share (EUR)	15.70	16.06	-2.2
Interest-bearing net debt / Equity, %	52.6	42.5	23.8
Net debt / Adjusted EBITDA	1.8	1.7	5.9
Equity to asset ratio, %	35.4	39.8	-11.1
Investments total (excl. acquisitions), EUR million	39.5	35.4	11.6
Interest-bearing net debt, EUR million	655.3	545.3	20.2
Net working capital, EUR million	446.0	410.4	8.7
Average number of personnel during the period	16,104	16,247	-0.9
Average number of shares outstanding, basic	78,835,721	78,811,265	0.0
Average number of shares outstanding, diluted	78,835,721	78,811,265	0.0
Number of shares outstanding	78,839,426	78,816,503	0.0

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)	1–12/2019	1–12/2018
Adjusted EBITDA	**373.2**	**325.7**
Transaction costs	-0.9	0.0
Restructuring costs (excluding impairments)	-99.9	-39.6
EBITDA	**272.3**	**286.1**
Depreciation, amortization and impairments	-123.6	-119.9
Operating profit (EBIT)	**148.7**	**166.2**
Adjusted EBITA	**275.1**	**257.1**
Purchase price allocation amortization	-24.7	-37.5
Adjusted Operating profit (EBIT)	**250.4**	**219.6**
Transaction costs	-0.9	0.0
Restructuring costs	-100.7	-53.4
Operating profit (EBIT)	**148.7**	**166.2**

Interest-bearing net debt	31.12.2019	31.12.2018
Non current interest bearing liabilities	785.8	584.6
Current interest bearing liabilities	248.4	191.8
Loans receivable	-0.7	-0.7
Cash and cash equivalents	-378.2	-230.5
Interest-bearing net debt	**655.3**	**545.3**

The period end exchange rates:	31.12.2019	31.12.2018	Change %
USD - US dollar	1.123	1.145	1.9
CAD - Canadian dollar	1.460	1.561	6.9
GBP - Pound sterling	0.851	0.895	5.1
CNY - Chinese yuan	7.821	7.875	0.7
SGD - Singapore dollar	1.511	1.559	3.2
SEK - Swedish krona	10.447	10.255	-1.8
AUD - Australian dollar	1.600	1.622	1.4

The period average exchange rates:	31.12.2019	31.12.2018	Change %
USD - US dollar	1.120	1.181	5.5
CAD - Canadian dollar	1.486	1.529	2.9
GBP - Pound sterling	0.878	0.885	0.8
CNY - Chinese yuan	7.735	7.809	1.0
SGD - Singapore dollar	1.527	1.593	4.3
SEK - Swedish krona	10.589	10.258	-3.1
AUD - Australian dollar	1.611	1.580	-1.9

Notes

12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	31.12.2019	31.12.2018
For own commercial obligations		
Guarantees	629.5	619.2
Leasing liabilities		
Next year	-	39.8
Later on	-	77.5
Other	34.1	33.4
Total	**663.6**	**769.9**

According to IFRS 16 the disclosure for lease liabilities is not anymore required here from 1.1.2019 onwards.

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 31.12.2019**	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**

EUR million **Financial assets 31.12.2018**	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	577.2	577.2
Derivative financial instruments	5.8	3.1	0.0	8.9
Cash and cash equivalents	0.0	0.0	230.5	230.5
Total	**5.8**	**3.1**	**807.7**	**816.6**

Financial liabilities 31.12.2018				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	584.6	584.6
Other payable	0.0	0.0	5.9	5.9
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	191.8	191.8
Derivative financial instruments	4.1	3.6	0.0	7.7
Accounts and other payable	0.0	0.0	254.0	254.0
Total	**4.1**	**3.6**	**1,036.3**	**1,044.0**

Notes

During the fourth quarter of 2019, Konecranes raised EUR 140 million additional long-term financing in form of a EUR 40 million pension loan and two term loans totaling EUR 100 million. During the second quarter in 2019 Konecranes repaid the EUR 36 million R&D loan in advance from its cash reserves. At the end of December 2019, the outstanding long-term loans were: EUR 250 million term loan, EUR 150 million for the Schuldschein loan, EUR 250 million bond and EUR 40 million 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 1.28% per annum. The company is in compliance with the quarterly monitored financial covenant (interest-bearing net debt/equity) for the loans. No specific securities have been given for the loans. The Company continues to have healthy Interest-bearing net debt/equity ratio of 52.6% (31.12.2018: 42.5%) which is in compliance with the financial covenants the Company 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.

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 **31.12.2019**	Carrying amount **31.12.2018**	Fair value **31.12.2019**	Fair value **31.12.2018**
Current financial assets				
Account and other receivables	564.2	577.2	564.2	577.2
Derivative financial instruments	8.1	8.9	8.1	8.9
Cash and cash equivalents	378.2	230.5	378.2	230.5
Total	**950.5**	**816.6**	**950.5**	**816.6**

Financial liabilities				
Non-current financial liabilities				
Interest-bearing liabilities	785.8	584.6	795.7	586.7
Other payable	6.8	5.9	6.8	5.9
Current financial liabilities				
Interest-bearing liabilities	248.4	191.8	248.4	191.8
Derivative financial instruments	6.2	7.7	6.2	7.7
Accounts and other payable	280.5	254.0	279.8	254.0
Total	**1,327.7**	**1,044.0**	**1,337.0**	**1,046.1**

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

	31.12.2019			31.12.2018		
Financial assets	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	8.1	0.0	0.0	8.9	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**8.1**	**0.0**	**0.0**	**8.9**	**0.0**
Other financial assets						
Cash and cash equivalents	378.2	0.0	0.0	230.5	0.0	0.0
Total	**378.2**	**0.0**	**0.0**	**230.5**	**0.0**	**0.0**
Total financial assets	**378.2**	**8.1**	**0.0**	**230.5**	**8.9**	**0.0**

Financial liabilities						
Derivative financial instruments						
Foreign exchange forward contracts	0.0	6.2	0.0	0.0	7.7	0.0
Total	**0.0**	**6.2**	**0.0**	**0.0**	**7.7**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	1,034.2	0.0	0.0	776.4	0.0
Other payables	0.0	0.0	0.8	0.0	0.0	1.3
Total	**0.0**	**1,034.2**	**0.8**	**0.0**	**776.4**	**1.3**
Total financial liabilities	**0.0**	**1,040.4**	**0.8**	**0.0**	**784.1**	**1.3**

14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	31.12.2019 Nominal value	31.12.2019 Fair value	31.12.2018 Nominal value	31.12.2018 Fair value
Foreign exchange forward contracts	1,145.4	1.9	1,224.2	1.2
Currency options	21.4	0.0	0.0	0.0
Total	**1,166.8**	**2.0**	**1,224.2**	**1.2**

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 38.5% of the Group's total hedged transaction flows. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

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

The cash flow hedges of the expected future sales and purchases in 2019 and 2018 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	31.12.2019	31.12.2018
Balance as of January 1	0.1	10.8
Gains and losses deferred to equity (fair value reserve)	-0.7	-13.4
Change in deferred taxes	0.1	2.7
Balance as of the end of period	**-0.5**	**0.1**

15. TRANSACTIONS WITH RELATED PARTIES

EUR million	31.12.2019	31.12.2018
Sales of goods and services with associated companies and joint arrangements	46.5	47.1
Receivables from associated companies and joint arrangements	8.9	8.9
Purchases of goods and services from associated companies and joint arrangements	53.2	50.5
Liabilities to associated companies and joint arrangements	0.9	8.7

Notes

16. SUBSEQUENT EVENTS

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. Jebsen & Jensen received EUR 143 million in cash. Pursuant to the “Stock and asset purchase agreement” dated December 5, 2019 the final cash consideration is subject to post-closing adjustments for cash. 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.

Service represents approximately 50% of MHE-Demag annual net sales, with cranes and components at approximately 35% and other industrial products at approximately 15%. In 2018, MHE-Demag’s net sales were approximately SGD 285 million (EUR 179 million) and EBITA approximately SGD 20 million (EUR 13 million). In 2019, the net sales were approximately SGD 299 million (EUR 196 million). Konecranes is the main supplier to MHE-Demag, selling crane components under the Demag brand name. During 2019 Konecranes sales to MHE-Demag were approximately EUR 27 million.

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 8 countries: 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 Konecranes owned 50% of the MHE-Demag shares and is reporting the company as an associated company. In 2019 the net result in the Group attributable to MHE-Demag was EUR 4.3 million and was reported in Share of associates’ and joint ventures’ result. The transaction will allow Konecranes to fully consolidate MHE-Demag going forward.

Konecranes remeasures its previously held equity interest in MHE-Demag at its acquisition date fair value and recognises the resulting gain or loss, if any, in profit or loss. 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 preliminary fair values as of the date of acquisition. As of the date of these financial statements, Konecranes has not yet completed the detailed valuation studies necessary to conclude on the fair value of MHE-Demag assets to be acquired and the liabilities to be assumed and the related allocations of purchase price. The preliminary estimated intangible assets are considered to consist of customer relationships, sales order backlog and trade name. The accumulated transaction costs until December 31, 2019 were EUR 0.9 million.

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at the restaurant Savoy (address: Eteläesplanadi 14, Helsinki, 7th floor) on February 6, 2020, at 11.00 am Finnish time. The Interim Report will be presented by Konecranes' President and CEO Rob Smith and CFO Teo Ottola.

A live webcast of the conference will begin at 11.00 am at www.konecranes.com. Please see the press release dated January 23, 2020 for the conference call details.

NEXT REPORT

Konecranes Plc plans to publish Interim Report January–March 2020 on April 29, 2020.

KONECRANES PLC

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FURTHER INFORMATION

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2019, Group sales totaled EUR 3.33 billion. Including MHE-Demag, the Group has around 18,000 employees in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

www.konecranes.com