Cargotec's interim report January–September 2020

PERFORMANCE IMPROVED FROM THE SECOND QUARTER

CARGOTEC

Cargotec's interim report January–September 2020: Performance improved from the second quarter

- Orders received, sales and comparable operating profit improved from Q2/2020 but remained below the comparison period
- Cost savings and productivity improvements enhanced profitability
- Cargotec expects its comparable operating profit for H2/2020 to increase compared to H1/2020
- Cargotec and Konecranes announced plans to merge on 1 October. The merger is subject to the obtaining of merger control approvals, among other items.

July–September 2020 in brief: Relative profitability at the comparison period's level

- Orders received decreased by 14 percent and totalled EUR 740 (858) million.
- Order book amounted to EUR 1,751 (31 Dec 2019: 2,089) million at the end of the period.
- Sales decreased by 14 percent and totalled EUR 777 (901) million.
- Service sales decreased by 9 percent and totalled EUR 244 (269) million.
- Service and software sales represented 36 (35) percent of consolidated sales.
- Operating profit was EUR 46 (58) million, representing 5.9 (6.4) percent of sales. Operating profit includes items affecting comparability worth EUR -11 (-10) million.
- Comparable operating profit decreased by 17 percent and amounted to EUR 57 (68) million, representing 7.3 (7.6) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 74 (81) million.
- Net income for the period amounted to EUR 27 (30) million.
- Earnings per share was EUR 0.41 (0.46).

January–September 2020 in brief: Service business remained stable in an exceptional environment

- Orders received decreased by 22 percent and totalled EUR 2,158 (2,752) million.
- Sales decreased by 10 percent and totalled EUR 2,391 (2,669) million.
- Service sales decreased by 4 percent and totalled EUR 743 (777) million.
- Service and software sales represented 36 (34) percent of consolidated sales.
- Operating profit was EUR 53 (162) million, representing 2.2 (6.1) percent of sales. Operating profit includes items affecting comparability worth EUR -87 (-28) million.
- Comparable operating profit decreased by 27 percent and amounted to EUR 140 (190) million, representing 5.8 (7.1) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 101 (153) million.
- Net income for the period amounted to EUR 1 (90) million.
- Earnings per share was EUR 0.03 (1.39).

Outlook for 2020

Cargotec expects its comparable operating profit for H2/2020 to increase compared to H1/2020 (EUR 82.9 million)

Cargotec's key figures

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Orders received	740	858	-14%	2,158	2,752	-22%	3,714
Service orders received	229	262	-13%	723	803	-10%	1,079
Order book, end of period	1,751	2,251	-22%	1,751	2,251	-22%	2,089
Sales	777	901	-14%	2,391	2,669	-10%	3,683
Service sales	244	269	-9%	743	777	-4%	1,062
Software sales*	38	44	-12%	122	122	0%	168
Service and software sales, % of Cargotec's sales	36%	35%		36%	34%		33%
Operating profit	45.8	57.9	-21%	52.8	162.0	-67%	180.0
Operating profit, %	5.9%	6.4%		2.2%	6.1%		4.9%
Comparable operating profit	56.6	68.3	-17%	139.5	190.0	-27%	264.4
Comparable operating profit, %	7.3%	7.6%		5.8%	7.1%		7.2%
Income before taxes	38.3	50.0	-23%	29.9	137.7	-78%	145.9
Cash flow from operations before financing items and taxes	74.1	80.8	-8%	100.5	153.1	-34%	361.1
Net income for the period	26.6	29.7	-11%	1.4	89.7	-98%	89.4
Earnings per share, EUR	0.41	0.46	-11%	0.03	1.39	-98%	1.39
Interest-bearing net debt, end of period	851	927	-8%	851	927	-8%	774
Gearing, %	65.8%	64.5%		65.8%	64.5%		54.2%
Interest-bearing net debt / EBITDA**	3.8	2.8		3.8	2.8		2.5
Return on capital employed (ROCE), last 12 months, %***	2.8%	9.0%		2.8%	9.0%		7.3%
Personnel, end of period	11,758	12,742	-8%	11,758	12,742	-8%	12,587

*Software sales include the strategic business unit Navis and automation software
**Last 12 months' EBITDA
***Cargotec has refined the treatment of the interest rate component of currency forward contracts in the calculation of return on capital employed at the end of the financial year 2019. As a result, the return on capital employed increased by 0.4 percentage points in the third quarter of 2019.

Cargotec’s CEO Mika Vehviläinen: Merger with Konecranes announced

Even in an exceptional operating environment, Cargotec's strategic direction has proved to be the right one and yet again we managed to make a reasonable result despite the pandemic situation. Visibility was still weak at the beginning of the third quarter but the recovery in the market environment that started after April eventually continued throughout the third quarter.

Our delivery capability returned back to normal during the quarter, and the same goes for our supply chain. On the other hand, the data collected from our connected equipment tells us that the activity levels of our customers have been rising closer to last year’s levels. In addition, for example Drewry's statistics on the number of containers handled in ports show that the reduction has so far proved to be less dramatic than what the forecasts predicted.

Following the strengthened confidence along the quarter, Cargotec's Board of Directors decided in August on the second instalment of the dividend to be paid in accordance to the original proposal. In mid-September, as visibility improved, we also gave a financial outlook for the third quarter.

In accordance with our guidance, orders received increased compared to the second quarter, although decreasing by 14 percent from the third quarter 2019. Demand for Kalmar's mobile equipment and Hiab's solutions recovered in particular from the decline caused by the coronavirus pandemic. Regarding larger automation orders, uncertainty and pandemic restrictions still slowed down the customer decision making, and the situation in the offshore oil and gas as well as merchant ship markets remain challenging. However, MacGregor received a significant order during the quarter to supply a mission-critical system in an offshore wind foundation installation vessel. This is the largest single vessel contract secured by MacGregor.

The recovery trend in sales from the second quarter also continued and our services business remained stable. However, sales remained below the comparison period’s level, which was also reflected in a decrease in comparable operating profit. Productivity improvements and cost savings helped our relative profitability to still remain close to the comparison period’s level and, in accordance with our guidance, the comparable operating profit increased from the second quarter. Despite volumes being lower than in the comparison period, Kalmar's and Hiab's results were satisfactory and MacGregor's comparable operating profit rose to black numbers. In terms of cost savings, our focus is shifting from temporary measures to more permanent actions.

Our focus on product development and sustainability continues. Our research and development investments as well as sales of our eco-efficiency portfolio increased in the first nine months 2020.

On 1 October, we announced the plan to combine Cargotec and Konecranes through a merger. The merger is subject to the obtaining of merger control approvals, among other items. More information about the merger is available from the web address www.sustainablematerialflow.com.

Reporting segments’ key figures

Orders received

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Kalmar	328	396	-17%	955	1,329	-28%	1,776
Hiab	274	307	-11%	793	988	-20%	1,310
MacGregor	139	156	-11%	410	437	-6%	630
Internal orders	-1	0		-1	-1		-1
Total	**740**	**858**	**-14%**	**2,158**	**2,752**	**-22%**	**3,714**

Order book

MEUR	30 Sep 2020	31 Dec 2019	Change
Kalmar	834	1,049	-21%
Hiab	386	406	-5%
MacGregor	532	633	-16%
Internal orders	-1	0	
Total	**1,751**	**2,089**	**-16%**

Sales

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Kalmar	364	424	-14%	1,119	1,252	-11%	1,723
Hiab	254	307	-17%	799	982	-19%	1,350
MacGregor	158	170	-7%	474	436	9%	611
Internal sales	0	0		-1	0		-1
Total	**777**	**901**	**-14%**	**2,391**	**2,669**	**-10%**	**3,683**

Operating profit

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Kalmar	31.4	47.5	-34%	42.4	113.3	-63%	154.4
Hiab	25.9	30.3	-14%	72.3	111.0	-35%	159.3
MacGregor	-0.7	-9.8	93%	-35.6	-23.4	-52%	-83.3
Corporate administration and support functions	-10.9	-10.1	-8%	-26.4	-38.9	32%	-50.4
Total	**45.8**	**57.9**	**-21%**	**52.8**	**162.0**	**-67%**	**180.0**

Comparable operating profit

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Kalmar	32.3	47.8	-32%	88.2	117.8	-25%	161.8
Hiab	30.9	34.1	-9%	85.4	118.4	-28%	170.2
MacGregor	1.6	-5.8	> 100%	-7.3	-15.6	53%	-28.2
Corporate administration and support functions	-8.2	-7.7	-6%	-26.7	-30.5	12%	-39.5
Total	**56.6**	**68.3**	**-17%**	**139.5**	**190.0**	**-27%**	**264.4**

Telephone conference for analysts, investors and media

A live international telephone conference for analysts, investors and media will be arranged on the publishing day at 2:30 p.m. EEST. The event will be held in English. The report will be presented by CEO Mika Vehviläinen and Executive Vice President, CFO Mikko Puolakka. The presentation material will be available at www.cargotec.com by the latest 2:30 p.m. EEST.

The telephone conference, during which questions may be presented, can be accessed by registering here. The registration opens 15 minutes prior to the event. The event conferencing system will call the participant on the phone number provided and place the participant into the event.

The telephone conference can also be accessed without advance registration with code 933290 by calling to one of the following numbers:

FI +358 (0) 9 7479 0360

DE +49 (0) 69 2222 13426

SE +46 (0) 8 5033 6573

UK +44 (0) 330 336 9104

US +1 646-828-8199

The event can also be viewed as a live webcast at https://cargotec.videosync.fi/2020-q3. The conference call will be recorded and an on-demand version of the conference will be published at Cargotec's website later during the day.

Note that by dialling in to the conference call, the participant agrees that personal information such as name and company name will be collected.

For further information, please contact:
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Cargotec (Nasdaq Helsinki: CGCBV) enables smarter cargo flow for a better everyday with its leading cargo handling solutions and services. Cargotec's business areas Kalmar, Hiab and MacGregor are pioneers in their fields. Through their unique position in ports, at sea and on roads, they optimise global cargo flows and create sustainable customer value. Cargotec's sales in 2019 totalled approximately EUR 3.7 billion and it employs around 12,000 people. www.cargotec.com

Cargotec's January–September 2020 interim report

The interim report provides estimates on future prospects involving risk and uncertainty factors, and other factors as a result of which the performance, operation or achievements of Cargotec may substantially deviate from the estimates. Forward-looking statements relating to future prospects are subject to risks, uncertainties and assumptions, the implementation of which depends on the future business environment and other circumstances, such as the development of the coronavirus pandemic.

Operating environment

The pandemic slowed activities in China during the beginning of the year, as factories were faced with lower capacities, and the availability of components weakened. However, the situation improved towards the end of the first quarter. Until March, the development of the operating environment was stable, especially in Cargotec's main market areas, Europe and Americas. Since then, the coronavirus pandemic changed the situation significantly, and the general market uncertainty, government actions and, for example, regulations that closed down assembly units as well as traveling and meeting restrictions have slowed or postponed the customer decision making, orders, starting and finalisation of projects, and weakened the availability of components. However, both demand and the delivery capability of Cargotec and its supply chain started recovering towards the end of the second quarter. The recovery continued in the third quarter, and Cargotec's delivery capability, including its supply chain, has returned to a normal level. Also the demand for Cargotec's solutions improved compared to the second quarter, but fell short of the previous year's level.

Economic growth forecasts have been revised slightly upwards over the past months. According to the International Monetary Fund's (IMF) world economic outlook update published in October, the world economy will contract by 4.4 percent in 2020, a 0.5 percentage points higher estimate compared to IMF's previous estimate from June. In 2020, the decline would be 5.8 percent in what IMF calls an advanced economy group, which includes several key Cargotec markets, such as the United States, the United Kingdom and Germany[1], while the estimate in June was -8.0 percent. In 2021, the world economy is expected to increase by 5.2 percent according to the IMF. However, the uncertainty around the estimate is unusually large due to the path of the pandemic, spillover effects and financial market sentiment, for example.

Kalmar's demand driver, the number of containers handled at ports globally, is estimated to decrease by 3.3 percent in 2020 compared to the previous year and increase by 6.6 percent in 2021. During the first nine months of 2020 it is forecasted to have declined by 4.3 percent[2]. Demand for smaller cargo handling equipment in industrial segments decreased. There is demand for automation solutions, but customers postpone their decisions due to the uncertain market situation. The demand for Kalmar's services weakened slightly.

Oxford Economics[3] forecasts that one of Hiab's demand drivers – construction activity – would slow down by approximately ten percent in Europe and by approximately three percent in the US in 2020. During the first nine months of the year, the construction activity is prognosed to have

[1] International Monetary Fund: World Economic Outlook Update, October 2020
[2] Drewry Container Forecaster, September 2020
[3] Oxford Economics, Construction, September 2020

decreased by 11 percent in Europe and approximately three percent in the US compared to the previous year. The demand for services decreased slightly compared to the first nine months of 2019.

The demand for MacGregor's cargo handling solutions is impacted by the level of merchant ship contracting, which is prognosed to decrease in 2020 and draw close to the historically low level of 2016. During the first nine months of 2020, the amount of new vessel contracting was 392 (554)[4]. In the offshore sector, due to, for example, a fall in oil prices and the overcapacity of offshore supply vessels and drilling rigs, the amount of new vessel contracting is still expected to remain at a low level. On the other hand, for example new contracting of wind turbine installation and service vessels is expected to grow[5]. During January–September, the amount of offshore vessel orders increased from the comparison period but remained still on a low level[6]. The demand for services declined slightly from the comparison period.

[4] Clarkson, October 2020

[5] Clarkson, September 2020

[6] Clarkson, October 2020

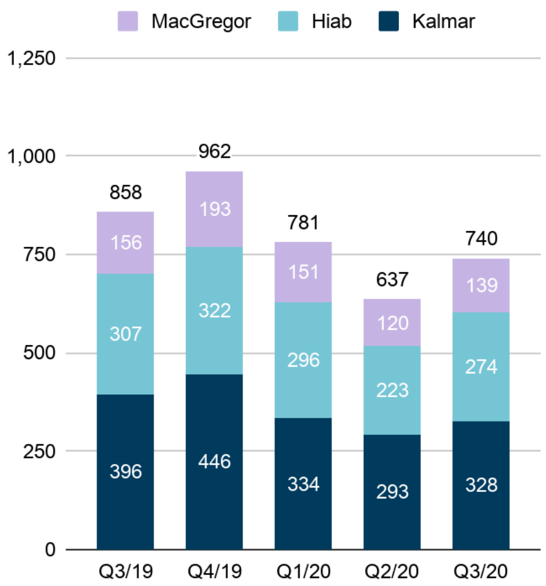
Financial performance

Orders received and order book

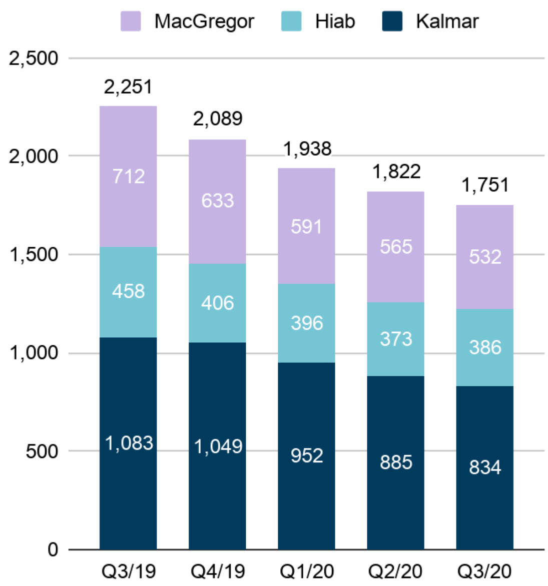
Orders received and order book

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Orders received	740	858	-14%	2,158	2,752	-22%	3,714
Service orders received	229	262	-13%	723	803	-10%	1,079
Order book, end of period	1,751	2,251	-22%	1,751	2,251	-22%	2,089

Orders received, MEUR



Order book, MEUR



Orders received decreased during the third quarter by 14 percent from the comparison period and totalled EUR 740 (858) million. Orders received declined in all business areas. Service orders received decreased by 13 percent and totalled EUR 229 (262) million. Orders received increased by 16 percent compared to the second quarter.

Orders received decreased during January–September by 22 percent from the comparison period and totalled EUR 2,158 (2,752) million. Orders received declined in all business areas. Service orders received decreased by 10 percent and totalled EUR 723 (803) million.

The order book declined by 16 percent from the end of 2019, and at the end of the third quarter it totalled EUR 1,751 (31 Dec 2019: 2,089) million. Kalmar's order book totalled EUR 834 (1,049) million, representing 48 (50) percent, Hiab's EUR 386 (406) million or 22 (20) percent and MacGregor's EUR 532 (633) million or 30 (30) percent of the consolidated order book.

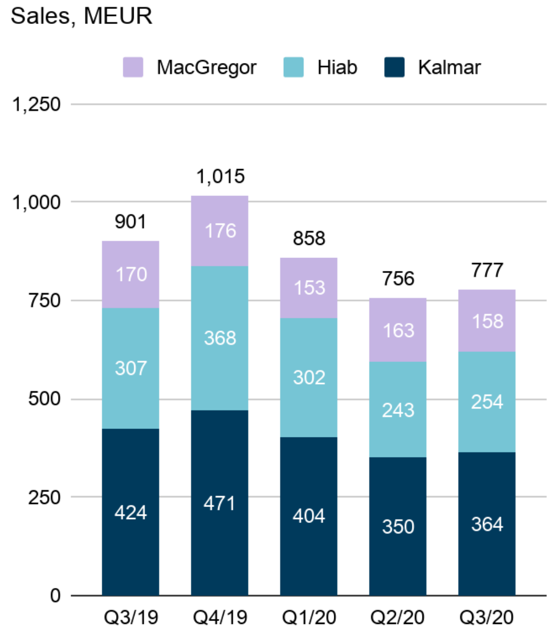
In geographical terms, the share of orders received in the third quarter was 45 (47) percent in EMEA and 33 (37) percent in Americas. Asia-Pacific's share of orders received was 22 (16) percent.

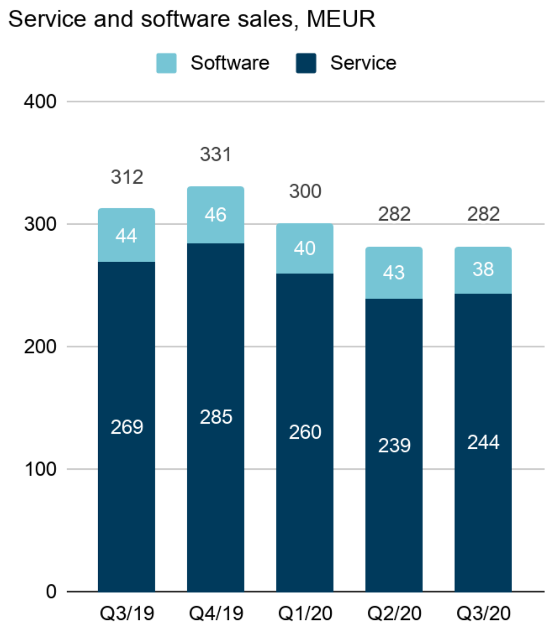
In January–September, the share of orders received was 51 (49) percent in EMEA and 29 (34) percent in Americas. Asia-Pacific's share of orders received was 20 (17) percent.

Sales

Sales

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Sales	777	901	-14%	2,391	2,669	-10%	3,683
Service sales	244	269	-9%	743	777	-4%	1,062
Software sales	38	44	-12%	122	122	0%	168





Third quarter 2020 sales declined from the comparison period's level and amounted to EUR 777 (901) million. Sales declined in all business areas. Service sales decreased by 9 percent from the comparison period and totalled EUR 244 (269) million, representing 31 (30) percent of consolidated sales. Software sales decreased by 12 percent and amounted to EUR 38 (44) million. In total, service and software sales amounted to EUR 282 (312) million, representing 36 (35) percent of consolidated sales.

January–September sales declined by 10 percent from the comparison period to EUR 2,391 (2,669) million. Sales declined in all business areas. Service sales decreased by 4 percent from the comparison period and totalled EUR 743 (777) million, representing 31 (29) percent of consolidated sales. Software sales remained at the comparison period's level and amounted to EUR 122 (122) million. Service and software sales amounted to EUR 865 (899) million, representing 36 (34) percent of consolidated sales.

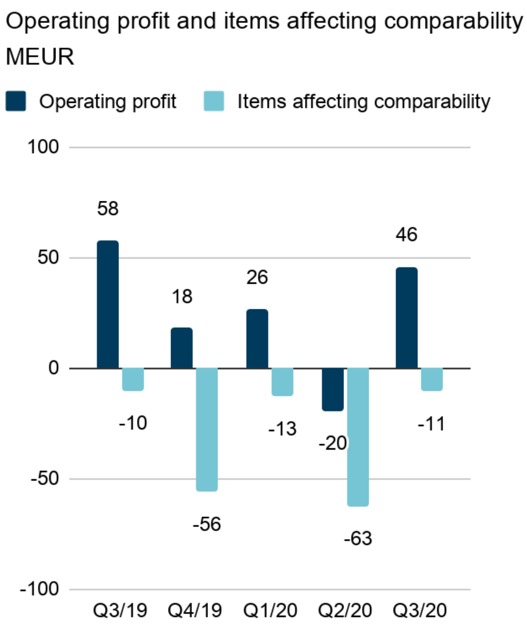
In geographical terms, sales decreased in EMEA, in Americas and in Asia-Pacific region during the third quarter. EMEA's share of consolidated sales was 51 (45) percent, Americas' 29 (34) percent and Asia-Pacific's 20 (21) percent.

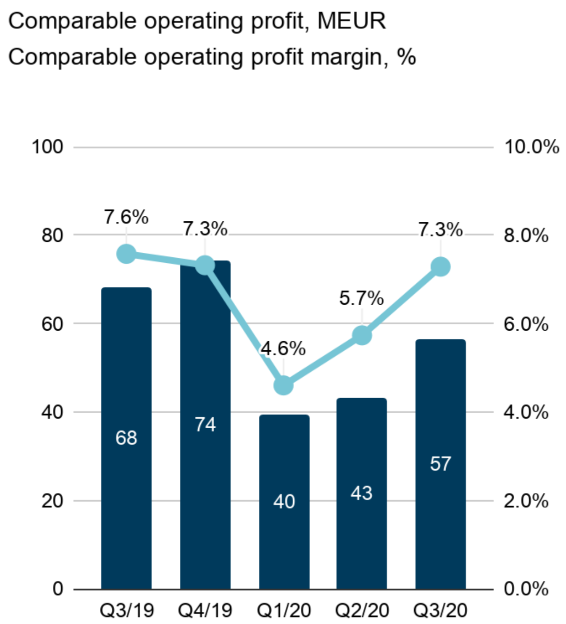
January–September EMEA's share of consolidated sales was 49 (47) percent, Americas' 31 (34) percent and Asia-Pacific's 20 (19) percent.

Financial result

Operating profit and comparable operating profit

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Operating profit	45.8	57.9	-21%	52.8	162.0	-67%	180.0
Operating profit, %	5.9%	6.4%		2.2%	6.1%		4.9%
Comparable operating profit	56.6	68.3	-17%	139.5	190.0	-27%	264.4
Comparable operating profit, %	7.3%	7.6%		5.8%	7.1%		7.2%





Operating profit for the third quarter totalled EUR 46 (58) million. The operating profit includes items affecting comparability worth EUR -11 (-10) million. EUR -1 (-0) million of the items were related to Kalmar, EUR -5 (-4) million to Hiab, EUR -2 (-4) million to MacGregor and EUR -3 (-2) million to corporate administration and support functions.

January–September operating profit totalled EUR 53 (162) million. The operating profit includes items affecting comparability worth EUR -87 (-28) million. EUR -46 (-4) million of the items were related to Kalmar, EUR -13 (-7) million to Hiab, EUR -28 (-8) million to MacGregor and EUR 0 (-8) million to corporate administration and support functions. More information regarding items affecting comparability is available in Note 7, Comparable operating profit.

Comparable operating profit for the third quarter decreased by 17 percent and totalled EUR 57 (68) million, representing 7.3 (7.6) percent of sales. Comparable operating profit decreased due to the decline in sales, partly offset by productivity improvements and cost savings. Comparable operating profit increased by 31 percent compared to the second quarter.

January–September comparable operating profit decreased by 27 percent and totalled EUR 140 (190) million, representing 5.8 (7.1) percent of sales.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the third quarter totalled EUR 6 (5) million. Net financing expenses totalled EUR 8 (8) million. January–September net interest expenses for interest-bearing debt and assets totalled EUR 17 (16) million. Net financing expenses totalled EUR 23 (24) million.

Net income for the third quarter totalled EUR 27 (30) million, and earnings per share was EUR 0.41 (0.46). January–September net income totalled EUR 1 (90) million, and earnings per share EUR 0.03 (1.39).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 3,912 (31 Dec 2019: 4,227) million at the end of the third quarter. Equity attributable to the equity holders of the parent was EUR 1,292 (1,424) million, representing EUR 20.04 (22.12) per share. Property, plant and equipment on the balance sheet amounted to EUR 446 (490) million and intangible assets to EUR 1,283 (1,355) million.

Return on equity (ROE, last 12 months) was 0.1 (30 Sep 2019: 8.7) percent at the end of the third quarter, and return on capital employed (ROCE, last 12 months) was 2.8 (9.0) percent. Cargotec’s financial target is to reach 15 percent return on capital employed.

Cash flow from operating activities before financial items and taxes totalled EUR 101 (153) million during January–September. Cash flow was weakened by the increase in net working capital to EUR 238 million at the end of the third quarter from EUR 158 million at the end of 2019. Net working capital increased due to decrease in accounts payable and in advances received, partly offset by decrease in accounts receivable.

Cargotec’s liquidity position is strong. The objective of liquidity management is to maintain a continuous adequate amount of liquidity to fund the business operations of Cargotec at all times, taking interest and other bank costs into consideration.

Liquidity risk is managed by retaining long-term liquidity reserves exceeding the level of short-term liquidity requirement. The liquidity reserves, consisting of cash and cash equivalents and an undrawn EUR 300 million long-term revolving credit facility, totalled EUR 678 million on 30 September 2020 (31 Dec 2019: 720). Repayments of interest-bearing liabilities due within the following 12 months totalled EUR 175 (31 Dec 2019: 271) million.

Liquidity

MEUR	30 Sep 2020	31 Dec 2019
Cash and cash equivalents	378.0	420.2
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-174.5	-271.0
Liquidity	**503.5**	**449.2**

In addition, Cargotec had access to a EUR 150 million commercial paper programme, of which undrawn EUR 150 million (31 Dec 2019: 150), as well as undrawn bank overdraft facilities, totalling EUR 110 (31 Dec 2019: 137) million.

In addition to liquidity risk management, Cargotec manages funding risk of its loan portfolio. The objective is to avoid an untenably large proportion of loans or credit facilities to mature at a time when refunding is not economically or contractually feasible. The risk is minimised by diversifying the financing sources as well as balancing the repayment schedules of loans and credit facilities. At the end of the third quarter of 2020, 60 percent of Cargotec's loan portfolio were bonds and Schuldschein loans (31 Dec 2019: 77), 39 (22) percent bilateral bank loans, and 1 (1) percent commercial papers and drawn bank overdrafts.

Cargotec's maturity profile is balanced: debt maturities in October–December 2020 amount to EUR 86 million. During 2021–2026, the annual maturities are in the range of EUR 100–350 million. The revolving credit facility of EUR 300 million matures in 2024.

Interest-bearing net debt totalled EUR 851 (31 Dec 2019: 774) million at the end of the third quarter. Interest-bearing net debt includes EUR 175 (188) million in lease liabilities. Interest-bearing debt amounted to EUR 1,257 (1,224) million, of which EUR 175 (271) million was current and EUR 1,083 (953) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 1.4 (1.8) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 406 (451) million.

At the end of the third quarter, Cargotec's total equity/total assets ratio was 35.3 (31 Dec 2019: 36.4) percent. Gearing was 65.8 (54.2) percent.

Corporate topics

Research and development

Research and product development expenditure January–September totalled EUR 76 (73) million, representing 3.2 (2.7) percent of sales. Research and development investments were focused on digitalisation as well as projects that aim to improve the competitiveness, cost efficiency and eco-efficiency of products. In the third quarter, R&D activities included for example following projects:

Kalmar prepared for the introduction of a new range of G-Generation top loaders with improved hydraulics, fuel consumption and operator ergonomics as well as a containerised ChargePod solution and energy-saving guarantee for electrically powered forklift trucks.

Hiab has helped to develop a new truck used by JOLT Energy Group to collect and return mobile charging stations for electric vehicles. The truck body has been created with the help of Hiab's modular installation system FrameWorks and it comes equipped with a HIAB X-HiPro 232 loader crane with Hiab's automation technologies.

All new WDV railgates by Hiab's American brand WALTCO ordered from 1 September will have HiConnect™ connectivity as a standard feature with one year of access already included. This enables WALTCO WDV customers to utilise real time data and notifications to improve safety, reduce downtime and increase productivity throughout their fleets. WALTCO has also moved to a new location in Streetsboro, Ohio. The new facilities will provide a better environment for employees, improve productivity and serve customers' better than the old premises.

Continuing the development of MacGregor's condition based monitoring and remote support capabilities, a further MacGregor OnWatch Scout pilot system was successfully installed onboard a general cargo vessel at the end of September. This installation included the first electric merchant cranes to be connected to the OnWatch Scout solution, and the first installation of wireless antennas to transmit data from the cranes to the ship's office room instead of hard cabling.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 46 (40) million in January–September. Investments in customer financing were EUR 17 (33) million. Depreciation, amortisation and impairment amounted to EUR 108 (90) million. The amount includes impairments worth EUR 12 (1) million, of which EUR 12 (0) million has been booked as restructuring costs.

Acquisitions and divestments in 2020

Navis, a part of Cargotec, acquired the assets of Biarri Rail, a global provider of planning and scheduling optimisation software for freight railroads on 20 March 2020 at a consideration of EUR 7.7 million. The acquired businesses' results have been consolidated into business area Kalmar's financial figures as of 1 April 2020.

More information regarding acquisitions and divestments is available in Note 15, Acquisitions and disposals.

Operational restructurings

In May 2017, Cargotec announced it would target EUR 50 million savings by reducing indirect purchasing spend, streamlining processes and centralising administrative operations to Cargotec Business Services centre. The realised savings cumulatively since the beginning of the programme amount to approximately EUR 54 million. Around EUR 7 million savings were achieved during the third quarter.

In May, Cargotec concluded the change of ownership structure of its joint venture Rainbow-Cargotec Industries Co., Ltd (RCI) in China. As part of the agreement, Cargotec acquired certain operations and assets from Jiangsu Rainbow Heavy Industries Co., Ltd. (RHI), and approximately 160 employees moved over to Kalmar. Additional information about the sold ownership in RCI is disclosed in note 16, Joint ventures and associated companies.

In June, Kalmar signed a letter of intent with ARX Mining and Construction Equipment Private Limited (ARX), according to which ARX would become Kalmar's contract manufacturing partner in India, responsible for the manufacturing and development of Indital branded products previously manufactured at Kalmar's current multi-assembly unit in Bangalore. As a consequence, all the activities in the unit discontinued as of 12 June 2020.

Restructuring costs in the third quarter amounted to EUR 13 (10) million and to EUR 91 (27) million in January–September. We estimate the restructuring costs of ongoing restructuring programmes to be approximately EUR 110 million in total in 2020. Additional reviews have been started which may increase the estimate.

It is difficult to estimate how the COVID-19 pandemic, and its negative effects on the economy, will develop. For that reason, Cargotec continues to actively adjust its costs to match the generally weaker economic situation. Cost saving measures have included temporary lay-offs, structural developments of the organisation, and other cost adjustments, for example. Our focus is shifting from temporary measures to more permanent actions.

More information regarding restructuring costs and other items affecting comparability is available in Note 7, Comparable operating profit.

Personnel

Cargotec employed 11,758 (31 Dec 2019: 12,587) people at the end of the third quarter. The average number of employees in the first nine months of 2020 was 12,214 (1–12/2019: 12,470).

Sustainability

During Q3 we proceeded with our focus on sustainability. Our emission reduction targets, which we published in May, were approved by the Science Based Targets initiative in August. That means the targets have been validated to be in line with the latest climate science to limit global warming to 1.5 degrees, the most ambitious goal of the Paris Agreement. In addition to its climate ambition, Cargotec had in May also announced the commitment to the United Nations Global Compact’s Business Ambition for 1.5°C.

Our ambition, approved by The Science Based Targets initiative, is to reduce Cargotec’s greenhouse gas emissions by 50 percent across all the three emission scopes by 2030, from 2019 base year. Cargotec’s internal goal is to become carbon neutral in its own operations which goes beyond the required ambition level of the Science Based Targets initiative. Moreover, since more than 95 percent of the emissions occur in Cargotec's value chain (upstream and downstream activities), setting the 50 percent reduction target in that area is vital to tackling climate change. Offering solutions that enable a low-carbon economy is a lucrative business opportunity for us, while at the same time we are also proud and excited about the opportunity to contribute to the global efforts of safeguarding the environment.

Safety continues to be a priority topic for us, especially with the COVID-19 situation continuing to have an effect on the global scene. We are still applying additional health and safety measures to ensure both the wellbeing of our employees and the continuity of our operations.

Our rolling 12 months industrial injury frequency rate (IIFR) improved to 5.6 (30 Sep 2019: 6.4). The IIFR in our assembly sites was 4.4 (5.7), while it was 6.4 (8.1) in our non-assembly operations. Our target for this year is to have an IIFR rate of 5 in our assembly operations and we are currently on track to achieve it. The offering for eco-efficiency product portfolio sales increased from the comparison period while increasing to 24 (Q1–Q3 2019: 20) percent of Cargotec’s total sales in January–September 2020.

Leadership Team

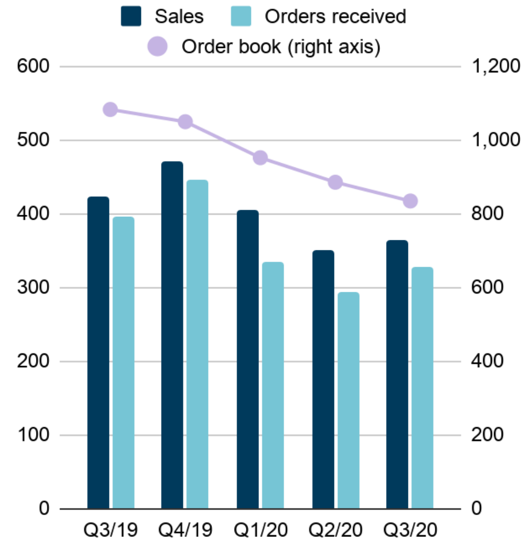
On 30 September 2020, Cargotec's Leadership Team consisted of Mika Vehviläinen, CEO; Mikko Puolakka, Executive Vice President, CFO; Mikko Pelkonen, Senior Vice President, Human Resources; Mikael Laine, Senior Vice President, Strategy; Soili Mäkinen, CIO; Outi Aaltonen, General Counsel; Carina Geber-Teir, Senior Vice President, Communications; Antti Kaunonen, President, Kalmar Automation Solutions; Stefan Lampa, President, Kalmar Mobile Solutions; Scott Phillips, President, Hiab; and Michel van Roozendaal, President, MacGregor.

Reporting segments

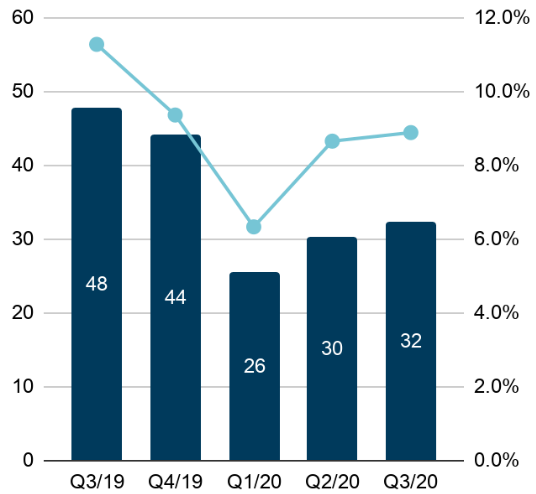
Kalmar

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Orders received	328	396	-17%	955	1,329	-28%	1,776
Order book, end of period	834	1,083	-23%	834	1,083	-23%	1,049
Sales	364	424	-14%	1,119	1,252	-11%	1,723
Service sales	106	116	-9%	318	340	-6%	464
% of sales	29%	27%		28%	27%		27%
Software sales	38	44	-12%	122	122	0%	169
% of sales	11%	10%		11%	10%		10%
Operating profit	31.4	47.5	-34%	42.4	113.3	-63%	154.4
% of sales	8.6%	11.2%		3.8%	9.0%		9.0%
Comparable operating profit	32.3	47.8	-32%	88.2	117.8	-25%	161.8
% of sales	8.9%	11.3%		7.9%	9.4%		9.4%
Personnel, end of period	5,542	5,762	-4%	5,542	5,762	-4%	5,625

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



In the third quarter, orders received by Kalmar decreased by 17 percent and totalled EUR 328 (396) million. Orders received decreased particularly in automation and projects.

Major orders received by Kalmar in the third quarter included:

- 36 Kalmar Ottawa T2 terminal tractors to Yilport in Ecuador and Sweden,
- seven Kalmar Essential reachstackers for CRIntermodal's terminals in China,
- DP World's order of 12 terminal tractors and two empty container handlers to the Dominican Republic as well as three reachstackers and six terminal tractors to Chile,
- three Kalmar rubber-tyred gantry (RTG) cranes to Marsa Maroc in Morocco,
- repeat order of 20 Kalmar Hybrid Shuttle Carriers from The Port of Virginia, a deep water port in the U.S. East Coast, and
- four Kalmar SmartPower RTG Cranes to Phnom Penh Autonomous Port (PPAP) in Cambodia.

Kalmar's orders received in January–September decreased by 28 percent and totalled EUR 955 (1,329) million.

Kalmar's order book decreased by 21 percent from the end of 2019, and at the end of the third quarter it totalled EUR 834 (31 Dec 2019: 1,049) million.

Kalmar's third quarter sales decreased by 14 percent from the comparison period and totalled EUR 364 (424) million. Service sales decreased by 9 percent and totalled EUR 106 (116) million, representing 29 (27) percent of sales. Software sales decreased by 12 percent and amounted to EUR 38 (44) million.

January–September sales decreased by 11 percent and totalled EUR 1,119 (1,252) million. Service sales decreased by 6 percent and totalled EUR 318 (340) million, representing 28 (27) percent of sales. Software sales decreased by 0 percent and amounted to EUR 122 (122) million.

Kalmar's third quarter operating profit decreased 34 percent and totalled EUR 31 (47) million. The operating profit includes EUR -1 (-0) million in items affecting comparability. The comparable operating profit amounted to EUR 32 (48) million, representing 8.9 (11.3) percent of sales. Kalmar's comparable operating profit decreased due to decline in sales and costs related to automation and projects business' production setup reorganisation, partly offset by productivity improvements and cost savings as well as improved margins in the mobile equipment business.

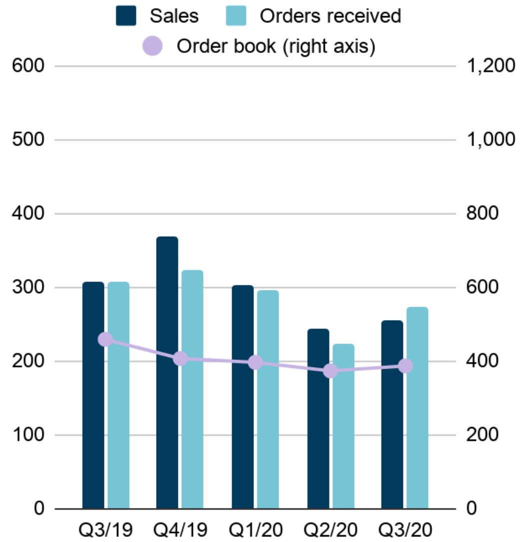
Kalmar's January–September operating profit totalled EUR 42 (113) million. Operating profit includes EUR -46 (-4) million in items affecting comparability. Comparable operating profit amounted to EUR 88 (118) million, representing 7.9 (9.4) percent of sales.

We announced in February that we have decided to evaluate strategic alternatives for our Navis business to identify the best options to support its future development. To secure the best possible growth and value creation for the next development phase for Navis, we will review alternative development paths, including new ownership structures and a potential sale of Navis software business. In our January–March interim report, we announced that the evaluation had been paused due to the coronavirus pandemic. After the reporting period, 1 October, Cargotec announced that it has decided to continue the strategic evaluation.

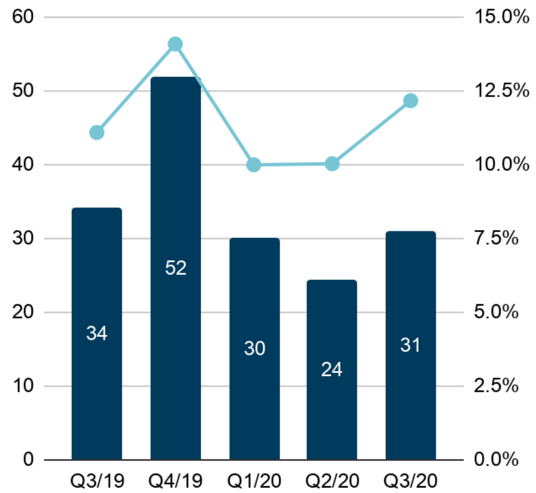
Hiab

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Orders received	274	307	-11%	793	988	-20%	1,310
Order book, end of period	386	458	-16%	386	458	-16%	406
Sales	254	307	-17%	799	982	-19%	1,350
Service sales	80	86	-7%	236	256	-8%	343
% of sales	31%	28%		29%	26%		25%
Operating profit	25.9	30.3	-14%	72.3	111.0	-35%	159.3
% of sales	10.2%	9.9%		9.1%	11.3%		11.8%
Comparable operating profit	30.9	34.1	-9%	85.4	118.4	-28%	170.2
% of sales	12.2%	11.1%		10.7%	12.1%		12.6%
Personnel, end of period	3,549	4,033	-12%	3,549	4,033	-12%	4,028

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



Hiab's orders received for the third quarter decreased by 11 percent from the comparison period and totalled EUR 274 (307) million. Orders received decreased in EMEA, in Americas and increased in Asia-Pacific. Major orders received by Hiab in the third quarter included:

- EUR 7.5 million order for MOFFETT truck mounted forklifts from a roofing and building supply company in the US,
- EUR 5 million order for MOFFETT truck mounted forklifts from a home improvement company in the US, and
- EUR 1.6 million order for WALTCO tail lifts from a leading automobile spare parts provider in the US.

Hiab's orders received in January–September decreased by 20 percent and totalled EUR 793 (988) million.

Hiab's order book decreased by 5 percent from the end of 2019 and totalled EUR 386 (31 Dec 2019: 406) million at the end of the third quarter.

Hiab's third quarter sales decreased by 17 percent and totalled EUR 254 (307) million. Sales declined in EMEA, in Americas and in Asia-Pacific. Service sales decreased by 7 percent from the comparison period to EUR 80 (86) million, representing 31 (28) percent of sales. In January–September, Hiab's sales decreased by 19 percent and totalled EUR 799 (982) million. Service sales decreased by 8 percent to EUR 236 (256) million, representing 29 (26) percent of sales.

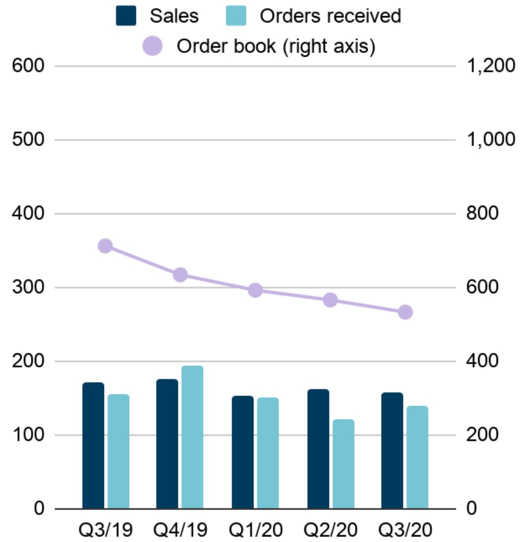
Hiab's third quarter operating profit decreased from the comparison period by 14 percent and totalled EUR 26 (30) million. The operating profit includes EUR -5 (-4) million in items affecting comparability. The comparable operating profit amounted to EUR 31 (34) million, representing 12.2 (11.1) percent of sales. Hiab's comparable operating profit decreased due to the decline in sales. However, Hiab's comparable operating margin improved due to productivity improvements and cost savings as well as higher gross margins.

Hiab's operating profit in January–September totalled EUR 72 (111) million. Operating profit includes EUR -13 (-7) million in items affecting comparability. Comparable operating profit amounted to EUR 85 (118) million, representing 10.7 (12.1) percent of sales.

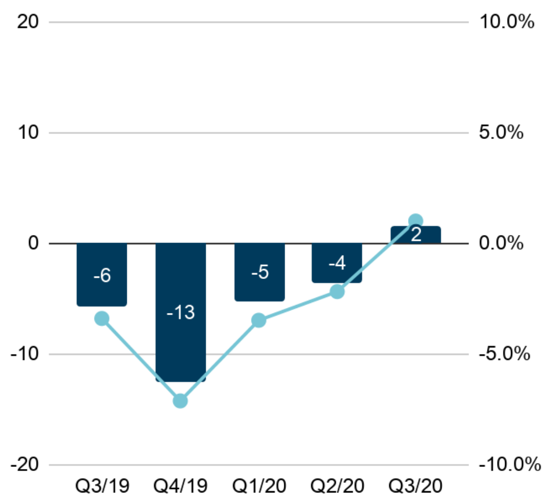
MacGregor

MEUR	Q3/20	Q3/19	Change	Q1-Q3/20	Q1-Q3/19	Change	2019
Orders received	139	156	-11%	410	437	-6%	630
Order book, end of period	532	712	-25%	532	712	-25%	633
Sales	158	170	-7%	474	436	9%	611
Service sales	58	67	-13%	190	181	5%	255
% of sales	37%	40%		40%	42%		42%
Operating profit	-0.7	-9.8	93%	-35.6	-23.4	-52%	-83.3
% of sales	-0.4%	-5.8%		-7.5%	-5.4%		-13.6%
Comparable operating profit	1.6	-5.8	> 100%	-7.3	-15.6	53%	-28.2
% of sales	1.0%	-3.4%		-1.5%	-3.6%		-4.6%
Personnel, end of period	2,038	2,377	-14%	2,038	2,377	-14%	2,350

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



MacGregor's orders received in the third quarter decreased by 11 percent from the comparison period to EUR 139 (156) million. Orders received increased in EMEA and decreased in Americas and in Asia-Pacific. Three fifths of the orders received were related to merchant ships and two fifths to the offshore sector.

MacGregor's major orders received in the third quarter included:

- a mission-critical system to be installed on the OHT offshore wind foundation installation vessel, Alfa Lift. The order is the largest single vessel contract secured to date by MacGregor,
- two orders from Japan to provide full hardware supply including ramps and lifting platforms for two RoPax ferries and two material supply vessels,
- an order from Asia to supply a wide range of equipment for two RoPax ferries, being one of the largest RoPax contracts secured by MacGregor in recent years, and
- an order from Scandinavia for a group of Linkspans comprising several ramps for efficient loading of both main and upper ferry decks.

MacGregor's orders received in January–September decreased by 6 percent from the comparison period to EUR 410 (437) million.

MacGregor's order book decreased by 16 percent from the end of 2019, totalling EUR 532 (31 Dec 2019: 633) million at the end of the third quarter. Around 70 percent of the order book is merchant ship-related and around 30 percent is offshore vessel-related.

MacGregor's third quarter sales decreased by 7 percent from the comparison period to EUR 158 (170) million. Service sales decreased by 13 percent and totalled EUR 58 (67) million, representing 37 (40) percent of sales. January–September sales increased by 9 percent from the comparison period to EUR 474 (436) million. Service sales grew by 5 percent to EUR 190 (181) million, representing 40 (42) percent of sales.

MacGregor's operating profit for the third quarter totalled EUR -1 (-10) million. Operating profit includes EUR -2 (-4) million in items affecting comparability. The comparable operating profit totalled EUR 2 (-6) million, representing 1.0 (-3.4) percent of sales. MacGregor's comparable operating profit increased driven by cost savings achieved by restructurings and higher gross margins.

MacGregor's January–September operating profit totalled EUR -36 (-23) million. Operating profit includes EUR -28 (-8) million in items affecting comparability. Comparable operating profit totalled EUR -7 (-16) million, representing -1.5 (-3.6) percent of sales.

Excluding TTS, MacGregor's orders received decreased by 4 percent from the comparison period to EUR 129 (135) million and sales decreased by 15 percent to EUR 129 (152) million. MacGregor's operating profit excluding TTS was EUR -4 (-12) million.

Annual General Meeting and shares

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting was held on 27 May 2020 in Helsinki. The Annual General Meeting approved a distribution of dividends by paying the dividend in two instalments, the first instalment was paid directly based on the decision of the Annual General Meeting and the second instalment based on a decision of the Board.

The first instalment of the dividend distribution is a dividend of EUR 0.59 for each of class A shares and a dividend of EUR 0.60 for each of class B shares outstanding. The dividend was paid to shareholders who on the record date of dividend distribution, 29 May 2020, were registered as shareholders in the company's shareholder register. The payment date was 5 June 2020.

On 25 August, Cargotec's Board of Directors decided on the second instalment of the dividend based on the authorisation granted to the Board by the Annual General Meeting. The second instalment of the dividend distribution is a dividend of EUR 0.60 for each of class A shares and a dividend of EUR 0.60 for each of class B shares outstanding. The second instalment of the dividend was paid to shareholders who were registered in the shareholders' register on the record date 27 August 2020. The payment date was 3 September 2020.

The meeting adopted the financial statements and consolidated financial statements and the remuneration policy. The meeting granted discharge from liability to the CEO and the members of the Board of Directors for the financial year 1 January–31 December 2019.

The number of the Board members was confirmed at eight. The current Board members Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. The yearly remunerations stayed unchanged: EUR 85,000 will be paid to the Chairman of the Board, EUR 60,000 to the Vice Chairman, EUR 60,000 to the Chairman of the Audit and Risk Management Committee and EUR 45,000 to the other Board members. In addition, members are paid EUR 1,000 for attendance at board and committee meetings. 30 percent of the yearly remuneration will be paid in Cargotec's class B shares and the rest in cash and Cargotec will cover the transfer taxes related to the Board remuneration paid in shares.

The Annual General Meeting elected accounting firm PricewaterhouseCoopers Oy as the company’s auditor. The fees to the auditors were decided to be paid according to their invoice reviewed by the company

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledge of Cargotec's shares with non-restricted equity. Altogether no more than 6,400,000 shares in the company may be purchased and/or accepted as pledge, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. This authorisation shall remain in effect for a period of 18 months from the resolution by the general meeting and it will supersede the previous one.

On 27 May 2020, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected in its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. The Board also elected the Chairmen and the members for the Audit and Risk Committee as well as the Nomination and Compensation Committee. Outi Aaltonen, Senior Vice President, General Counsel, will continue as Secretary to the Board.

Cargotec published stock exchange releases on the decisions taken at the AGM as well as the Board of Directors' organising meeting on 27 May 2020. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Shares and trading

Share capital, own shares and share issue

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of September. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089.

On 17 March 2020, the Board of Directors decided on a directed share issue related to the reward payments for share-based incentive programmes. The share reward payments are related to the performance period 2018–2019 of Cargotec's share-based incentive programme launched in 2017 and first matching period of matching share programme.

In the share issue, 73,067 own class B shares held by the company were transferred without consideration to the key employees participating in the share based incentive programmes in accordance with the programme-specific terms and conditions. More detailed information about the launch and the terms and conditions of the programmes is available in stock exchange releases published on 8 February 2017 and on 20 February 2019.

The Board of Directors of Cargotec Corporation decided on 27 May 2020 on a directed share issue related to the Board members annual remuneration. In the share issue, in total 6,421 own class B shares held by the company were transferred without consideration to the Board members. According to the decision made in the Annual General Meeting on 27 May 2020, 30 percent of the Board members' yearly remuneration will be paid in Cargotec's class B shares.

The decisions on the directed share issues were based on the authorisation granted to the Board of Directors by the Annual General Meeting on 19 March 2019. According to the authorisation, the Board of Directors can decide on a share issue amounting to a maximum of 952,000 class A shares and 5,448,000 class B shares.

At the end of September, Cargotec held a total of 224,840 own class B shares, accounting for 0.35 percent of the total number of shares and 0.15 percent of the total number of votes. At the end of September, the number of outstanding class B shares totalled 54,957,239.

Share-based incentive programmes

In February 2020, the Board of Directors resolved on the performance criteria for the share-based incentive programme for the year 2020. The performance share programme, approved by the Board of Directors in 2017, includes three performance periods, calendar years 2017–2018, 2018–2019 and 2019–2020. Each performance period includes two measuring periods, both lasting for one calendar year. The Board of Directors will annually resolve the performance criteria for each measuring period.

For the performance period of 2019–2020, the potential reward of the measuring period 2020 will be based on the business areas' service gross profit for the key employees of the business areas Kalmar, Hiab and MacGregor, and for Navis software divisions' key employees, on Navis' sales and on strategic targets of cloud business. For Cargotec Corporate key employees, the performance criterion is Cargotec's service gross profit.

In February 2020, the Board of Directors also resolved to establish a new share-based incentive programme directed to the key employees of Cargotec. The aim of the programme is to combine the objectives of the shareholders and the key employees in order to increase the value of the Company in the long-term, to commit the key employees to implement Cargotec's strategy, and to offer them a competitive reward plan based on earning the Company's shares.

The performance share programme includes three performance periods, calendar years 2020–2022, 2021–2023 and 2022–2024. Each performance period includes one to three measuring periods. One measuring period can be three calendar years at maximum, which is the total length of one performance period. For the measuring periods, the Board of Directors will annually resolve the length, the performance criteria and the required performance levels for each criterion.

During the performance period 2020–2022, the programme is directed to approximately 150 key employees, including the members of Cargotec Leadership Team. The Board of Directors has resolved that the performance period’s first measuring period is one calendar year. For the key employees of the business areas Kalmar, Hiab and MacGregor, the potential reward of the programme from the measuring period 2020 will be based on the business areas' earnings per share (EPS), and for Navis software divisions' key employees, on Navis' sales and on strategic targets of cloud business. For the Cargotec Corporate key employees, the performance criteria is Cargotec's earnings per share (EPS). The rewards to be paid on the basis of the performance period 2020–2022 will amount up to an approximate maximum total of 340,000 Cargotec's class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees.

After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods, and potential rewards from the performance period 2020–2022 will be paid partly in Cargotec's class B shares and partly in cash in 2023. As a rule, no reward will be paid, if a key employee's employment or service ends before the reward payment. The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.

In addition, The Board of Directors of Cargotec Corporation resolved to establish a new restricted shares programme for calendar years 2020–2022, 2021–2023 and 2022–2024. As a part of total compensation, restricted share grants can be allocated for selected key employees for recruitment and retention purposes. For the first programme period 2020–2022 the rewards to be paid on the basis of the programme will amount up to an approximate maximum total of 16,500 Cargotec’s class B shares. In addition, the rewards include cash proportions that are intended to cover taxes and tax-related costs arising from the reward to the key employees.

Market capitalisation and trading

At the end of September, the total market value of class B shares was EUR 1,617 (1,620) million, excluding own shares held by the company. The period-end market capitalisation, in which unlisted class A shares are valued at the average price of class B shares on the last trading day of the period, was EUR 1,899 (1,902) million, excluding own shares held by the company.

The class B share closed at EUR 29.42 (29.52) on the last trading day of September on Nasdaq Helsinki. The volume-weighted average share price in January–September was EUR 22.79 (31.35), the highest quotation being EUR 35.50 (38.48) and the lowest EUR 15.15 (24.12). During the period, a total of 44 (22) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 1,010 (702) million. In addition, according to Fidessa, a total of 42 (31) million class B shares were traded in several alternative marketplaces, such as Cboe BXE and Cboe APA, corresponding to a turnover of EUR 1,013 (989) million.

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect on Cargotec's operating environment and customers' willingness to invest. A slowdown in global economic growth, political uncertainty and trade wars could have an impact on global flow of goods and therefore on the demand of Cargotec's solutions.

The coronavirus pandemic has direct and indirect impacts on Cargotec's business, and the pandemic exposes personnel to a higher risk of illness. Closures of factories, increased safety measures and movement restrictions in accordance with government regulations may limit Cargotec's business prerequisites, and can make it difficult to sell, operate and deliver Cargotec's solutions. Spread of the pandemic and related restrictions may affect the operating environment adversely. Challenges related to the availability, retention and mobility of skilled workforce impact operational performance negatively. The pandemic situation and related operating constraints may have weakened the operational capacity and financial situation of suppliers involved in Cargotec's supply chain, which can hamper Cargotec's ability to deliver products, solutions and services to its customers.

A slowdown or contraction in global economic growth seems to have lowered the container traffic growth rate, which affects demand and deliveries for Kalmar's cargo handling solutions. Project executions face risks related to schedule, cost and delivery guarantees. Furthermore, potential bottlenecks in the supply chain could postpone deliveries and have a negative impact on sales and results. Possible restructurings in supply chains can incur significant costs.

Hiab's demand is impacted by the development of the construction market. A significant share of Hiab's orders are from the United States. Even though the cash flows are hedged for the existing order book, the weakening of the US dollar in the longer term could weaken Hiab's results. Similarly, a stronger dollar could strengthen Hiab's results.

MacGregor's market situation involves uncertainties. It is anticipated that the oversupply in the merchant ship market will take time to balance out, since capacity will continue to increase while demand is expected to grow very moderately. The tightening emission regulation for ships and related uncertainty may limit new investments in the short term. The uncertainty regarding oil price development and global decarbonisation targets have led to an intense fall in investments by the oil industry and created oversupply in the offshore market that has decreased offshore vessel investments. The concurrent deterioration in both markets has a negative impact on the financial situation of shipyards, ship owners, and ship operators. A longer-term market downturn could result in an impairment of MacGregor's goodwill.

In the challenging market situation, customers may also try to postpone or cancel orders. Deterioration of the global economic outlook and access to finance can lead to economic and financial difficulties among customers. In some cases their financial position may deteriorate significantly or even lead to insolvency. Challenges and uncertainties related to deliveries may increase Cargotec's net working capital and reduce cash flow.

Cargotec is involved in certain legal disputes and trials. The interpretation of international agreements and legislation may weaken the predictability of the end results of legal disputes and trials.

Risks regarding Cargotec's acquisitions are related to, for example, the knowledge of the local markets, authority processes, customers, corporate culture, integration, costs, achieving targets as well as key employees.

There are also ethical risks related to the industries and the geographical scope where Cargotec operates in. Cargotec has increased actions to ensure compliance with its business guidelines, regulations and ethical principles. Related internal processes are constantly being developed.

More information on risks is available at www.cargotec.com, under Investors > Governance > Internal control and risk management.

Events after the reporting period

On 1 October, Cargotec Corporation and Konecranes Plc announced that their respective Boards of Directors have signed a combination agreement and a merger plan to combine the two companies through a merger. The combination is subject to, among other items, approval by a majority of two-thirds of votes cast and shares represented at the respective EGMs of Cargotec and Konecranes, and the obtaining of merger control approvals. Completion is expected in the fourth quarter of 2021, subject to all conditions for completion being fulfilled. Until the completion of the merger, Cargotec and Konecranes will carry out their respective businesses as separate and independent companies.

Outlook for 2020

Cargotec expects its comparable operating profit for H2/2020 to increase compared to H1/2020 (EUR 82.9 million)

Financial calendar 2021

Financial Statements review 2020, on Thursday, 4 February 2021

Cargotec's Financial Statements 2020 and Annual Report 2020 will be available at www.cargotec.com on week 8

The Annual General Meeting of Cargotec Corporation will be held on Tuesday, 23 March 2021

Interim report January–March 2021, on Wednesday, 28 April 2021

Half year financial report January–June 2021, on Wednesday, 28 July 2021

Interim report January–September 2021, on Thursday, 28 October 2021

Helsinki, 22 October 2020
Cargotec Corporation
Board of Directors

This interim report is unaudited

THE MERGER AND THE MERGER CONSIDERATION SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN OR INTO THE UNITED STATES, EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION OF, OR IN A TRANSACTION NOT SUBJECT TO, THE U.S. SECURITIES ACT.

Consolidated statement of income

MEUR	Note	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Sales	5	**776.6**	**901.3**	**2,390.6**	**2,668.6**	**3,683.4**
Cost of goods sold		-602.0	-691.1	-1,863.1	-2,035.2	-2,810.3
Gross profit		**174.5**	**210.2**	**527.5**	**633.4**	**873.1**
Gross profit, %		*22.5%*	*23.3%*	*22.1%*	*23.7%*	*23.7%*
Other operating income		13.3	8.4	39.7	24.8	33.5
Selling and marketing expenses		-44.6	-56.5	-148.0	-175.8	-238.4
Research and development expenses		-22.2	-23.7	-78.6	-75.2	-105.6
Administration expenses		-56.8	-61.8	-176.2	-193.2	-269.3
Restructuring costs	7	-12.6	-10.0	-91.1	-26.6	-80.1
Other operating expenses		-8.0	-7.7	-25.1	-23.3	-33.8
Costs and expenses		-130.9	-151.3	-479.3	-469.4	-693.7
Share of associated companies' and joint ventures' net income		2.1	-1.0	4.6	-2.1	0.6
Operating profit		**45.8**	**57.9**	**52.8**	**162.0**	**180.0**
Operating profit, %		*5.9%*	*6.4%*	*2.2%*	*6.1%*	*4.9%*
Financing income		0.2	1.5	2.4	3.6	4.0
Financing expenses		-7.7	-9.3	-25.3	-27.9	-38.1
Income before taxes		**38.3**	**50.0**	**29.9**	**137.7**	**145.9**
Income before taxes, %		*4.9%*	*5.6%*	*1.3%*	*5.2%*	*4.0%*
Income taxes	9	-11.7	-20.3	-28.5	-48.0	-56.5
Net income for the period		**26.6**	**29.7**	**1.4**	**89.7**	**89.4**
Net income for the period, %		*3.4%*	*3.3%*	*0.1%*	*3.4%*	*2.4%*

Net income for the period attributable to:

Equity holders of the parent		26.6	29.7	1.6	89.6	89.4
Non-controlling interest		0.0	0.0	-0.2	0.1	0.0
Total		**26.6**	**29.7**	**1.4**	**89.7**	**89.4**

Earnings per share for profit attributable to the equity holders of the parent:

Earnings per share, EUR		0.41	0.46	0.03	1.39	1.39
Diluted earnings per share, EUR		0.41	0.46	0.03	1.39	1.39

The notes are an integral part of the interim report.

Consolidated statement of comprehensive income

MEUR	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Net income for the period	**26.6**	**29.7**	**1.4**	**89.7**	**89.4**
Other comprehensive income					
Items that cannot be reclassified to statement of income:					
Actuarial gains (+) / losses (-) from defined benefit plans	0.3	0.3	0.6	1.3	-13.9
Gains (+) / losses (-) on designated share investments measured at fair value	8.4	-	6.4	-	-
Taxes relating to items that cannot be reclassified to statement of income	-0.1	-0.1	-0.1	-0.2	2.8
Items that can be reclassified to statement of income:					
Gains (+) / losses (-) on cash flow hedges	8.0	-17.8	14.8	-12.0	2.6
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	-4.1	3.7	-9.5	3.5	3.9
Translation differences	-32.4	8.3	-69.6	19.8	11.1
Taxes relating to items that can be reclassified to statement of income	-0.5	2.7	-1.5	1.6	-2.1
Other comprehensive income, net of tax	**-20.2**	**-2.8**	**-58.9**	**13.9**	**4.5**
Comprehensive income for the period	**6.4**	**26.9**	**-57.5**	**103.6**	**93.8**
Comprehensive income for the period attributable to:					
Equity holders of the parent	6.4	26.9	-57.2	103.5	93.7
Non-controlling interest	0.0	0.0	-0.3	0.1	0.2
Total	**6.4**	**26.9**	**-57.5**	**103.6**	**93.8**

The notes are an integral part of the interim report.

Consolidated balance sheet

ASSETS, MEUR	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
Non-current assets				
Goodwill		1,025.4	1,041.9	1,058.5
Other intangible assets		258.1	299.1	296.1
Property, plant and equipment		446.4	471.0	489.7
Investments in associated companies and joint ventures	16	53.7	112.6	120.8
Share investments	16	38.4	0.3	0.3
Loans receivable and other interest-bearing assets*	11	26.6	28.2	29.1
Deferred tax assets		125.5	128.1	131.2
Derivative assets	12	0.0	-	-
Other non-interest-bearing assets		11.5	9.9	10.3
Total non-current assets		**1,985.6**	**2,091.2**	**2,136.0**
Current assets				
Inventories		704.2	834.0	713.0
Loans receivable and other interest-bearing assets*	11	1.5	1.2	1.3
Income tax receivables		27.8	41.1	24.1
Derivative assets	12	13.7	10.9	8.5
Accounts receivable and other non-interest-bearing assets		801.6	878.1	924.3
Cash and cash equivalents*	11	378.0	388.2	420.2
Total current assets		**1,926.9**	**2,153.5**	**2,091.4**
Total assets		**3,912.4**	**4,244.6**	**4,227.4**

EQUITY AND LIABILITIES, MEUR	Note	30 Sep 2020	30 Sep 2019	31 Dec 2019
Equity attributable to the equity holders of the parent				
Share capital		64.3	64.3	64.3
Share premium account		98.0	98.0	98.0
Translation differences		-102.7	-24.4	-33.2
Fair value reserves		-5.3	-20.4	-9.1
Reserve for invested non-restricted equity		57.4	57.4	57.4
Retained earnings		1,180.3	1,258.8	1,247.1
Total equity attributable to the equity holders of the parent		**1,291.9**	**1,433.6**	**1,424.5**
Non-controlling interest		2.3	2.8	2.8
Total equity		**1,294.2**	**1,436.5**	**1,427.3**
Non-current liabilities				
Interest-bearing liabilities*	11	1,082.9	967.5	953.3
Deferred tax liabilities		40.1	33.5	39.1
Pension obligations		110.8	93.5	110.4
Provisions		6.4	7.8	7.0
Derivative liabilities	12	0.0	-	-
Other non-interest-bearing liabilities		64.0	64.5	66.0
Total non-current liabilities		**1,304.2**	**1,166.8**	**1,175.8**
Current liabilities				
Current portion of interest-bearing liabilities*	11	141.6	230.2	233.0
Other interest-bearing liabilities*	11	32.9	146.8	38.1
Provisions		99.0	92.7	114.3
Advances received		242.5	258.4	306.3
Income tax payables		19.0	16.9	21.1
Derivative liabilities	12	8.9	22.6	11.8
Accounts payable and other non-interest-bearing liabilities		770.2	873.8	899.8
Total current liabilities		**1,314.0**	**1,641.4**	**1,624.3**
Total equity and liabilities		**3,912.4**	**4,244.6**	**4,227.4**

*Included in interest-bearing net debt.

The notes are an integral part of the interim report.

Consolidated statement of changes in equity

	Attributable to the equity holders of the parent							Non-controlling interest	Total equity
MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total		
Equity 1 Jan 2020	**64.3**	**98.0**	**-33.2**	**-9.1**	**57.4**	**1,247.1**	**1,424.5**	**2.8**	**1,427.3**
Net income for the period						1.6	1.6	-0.2	1.4
Cash flow hedges				3.8			3.8	0.0	3.8
Translation differences			-69.5				-69.5	-0.1	-69.6
Actuarial gains and losses from defined benefit plans						0.5	0.5		0.5
Gains and losses on designated share investments measured at fair value						6.4	6.4		6.4
Comprehensive income for the period*	**-**	**-**	**-69.5**	**3.8**	**-**	**8.6**	**-57.2**	**-0.3**	**-57.5**
Profit distribution						-77.3	-77.3	-0.2	-77.5
Treasury shares acquired							-		-
Share-based payments*						1.9	1.9		1.9
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**-75.4**	**-75.4**	**-0.2**	**-75.6**
Transactions with non-controlling interests						-			-
Equity 30 Sep 2020	**64.3**	**98.0**	**-102.7**	**-5.3**	**57.4**	**1,180.3**	**1,291.9**	**2.3**	**1,294.2**
Equity 1 Jan 2019	**64.3**	**98.0**	**-44.2**	**-13.5**	**58.5**	**1,237.9**	**1,401.0**	**3.0**	**1,404.0**
Net income for the period						89.6	89.6	0.1	89.7
Cash flow hedges				-6.9			-6.9	0.0	-6.9
Translation differences			19.8				19.8	0.0	19.8
Actuarial gains and losses from defined benefit plans						1.0	1.0		1.0
Comprehensive income for the period*	**-**	**-**	**19.8**	**-6.9**	**-**	**90.7**	**103.5**	**0.1**	**103.6**
Profit distribution						-70.6	-70.6	-0.3	-70.9
Treasury shares acquired					-1.1	-	-1.1		-1.1
Share-based payments*						0.9	0.9		0.9
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-1.1**	**-69.7**	**-70.8**	**-0.3**	**-71.1**
Transactions with non-controlling interests							-	0,0	0,0
Equity 30 Sep 2019	**64.3**	**98.0**	**-24.4**	**-20.4**	**57.4**	**1,258.8**	**1,433.6**	**2.8**	**1,436.5**

*Net of tax

The notes are an integral part of the interim report.

Consolidated condensed statement of cash flows

MEUR	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Net cash flow from operating activities					
Net income for the period	26.6	29.7	1.4	89.7	89.4
Depreciation, amortisation and impairment	33.4	32.1	108.2	90.2	133.8
Financing items	7.5	7.9	22.8	24.3	34.1
Taxes	11.7	20.3	28.5	48.0	56.5
Change in net working capital	-2.9	-10.3	-88.0	-100.7	50.4
Other adjustments	-2.2	1.0	27.5	1.6	-3.2
Cash flow from operations before financing items and taxes	**74.1**	**80.8**	**100.5**	**153.1**	**361.1**
Cash flow from financing items and taxes	-20.6	-13.2	-50.8	-69.2	-57.6
Net cash flow from operating activities	**53.5**	**67.5**	**49.7**	**83.8**	**303.5**
Net cash flow from investing activities					
Acquisitions of businesses, net of cash acquired	-0.2	-103.0	-11.8	-107.0	-109.5
Disposals of businesses, net of cash sold	0.7	-	2.0	-	0.3
Cash flow from investing activities, other items	-4.9	-6.2	-15.1	-30.6	-41.4
Net cash flow from investing activities	**-4.5**	**-109.2**	**-24.9**	**-137.5**	**-150.6**
Net cash flow from financing activities					
Treasury shares acquired	-	-	-	-2.2	-2.2
Repayments of lease liabilities	-11.0	-11.3	-32.9	-32.0	-45.5
Proceeds from long-term borrowings	-	248.2	249.5	298.2	298.1
Repayments of long-term borrowings	-0.0	-0.0	-198.6	-151.8	-168.3
Proceeds from short-term borrowings	17.6	155.1	99.6	270.1	271.6
Repayments of short-term borrowings	-70.2	-105.0	-100.9	-145.0	-257.8
Profit distribution	-39.0	-	-74.2	-35.6	-71.0
Net cash flow from financing activities	**-102.6**	**286.9**	**-57.4**	**201.6**	**24.9**
Change in cash and cash equivalents	**-53.6**	**245.2**	**-32.6**	**147.9**	**177.8**
Cash and cash equivalents, and bank overdrafts at the beginning of period	429.0	131.4	409.8	225.5	225.5
Effect of exchange rate changes	-5.6	3.7	-7.5	7.0	6.6
Cash and cash equivalents, and bank overdrafts at the end of period	**369.8**	**380.3**	**369.8**	**380,3**	**409.8**
Bank overdrafts at the end of period	8.3	7.8	8.3	7.8	10.4
Cash and cash equivalents at the end of period	**378.0**	**388.2**	**378.0**	**388.2**	**420.2**

The notes are an integral part of the interim report.

Notes to the interim report

1. General information

Cargotec Corporation (1927402-8) is a limited liability company domiciled in Helsinki, Finland. The registered address is Porkkalankatu 5, 00180 Helsinki, Finland. Cargotec Corporation and its subsidiaries form the Cargotec Group (later referred to as Cargotec or company). Cargotec Corporation's class B shares are quoted on Nasdaq Helsinki since 1 June 2005.

2. Accounting principles

The interim report has been prepared according to IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2019 and comply with changes in IAS/IFRS standards effective from 1 January 2020 that had no material impact on the interim report. Additionally, Cargotec has, according to its new accounting policy, measured at fair value through other comprehensive income, the share investment described in note 16, Joint ventures and associated companies. In accordance with the applied accounting policy, all subsequent changes in the value of the asset are recognised directly in other comprehensive income save for the received dividends.

All figures presented have been rounded which may cause, for example, the sum of individual figures to deviate from the presented sum total.

3. Information about the impact of COVID-19 in the financial reporting

The outbreak of COVID-19 was declared as a pandemic by the World Health Organisation on 11 March 2020. The pandemic has had a huge impact on societies, financial markets and businesses around the world and it has treated countries and industries very differently. The economic crisis caused by the pandemic has had a significant impact on Cargotec also and it is expected that in many aspects the effects of the crisis will only become apparent with a delay. As the full impact of the crisis is not yet visible and there are several possible development paths from the current situation, it is still difficult to assess the overall impact of the crisis.

During the first quarter of 2020, the pandemic situation led to the closure of Cargotec's assembly units in Spain, Ireland, Italy and Malaysia. The crisis had similar effects on Cargotec's subcontractors and suppliers. During the first quarter, Cargotec initiated adjustment measures to reduce the negative impact of the pandemic on earnings, which resulted in monthly cost savings of approximately EUR 10 million. Travel restrictions and delivery difficulties hampered business in the first quarter, but the impacts did not yet significantly affect the reported figures.

In the second quarter, the effects of the pandemic were reflected in both demand and Cargotec's delivery capability. Orders received improved every month after a weak April. Cargotec's assembly units could be restarted by June, and also challenges related to supply chains decreased. With the decrease in sales, the amount of customer receivables decreased, and at the same time the relative share of overdue trade receivables increased due to the economic situation.

In the third quarter, the situation has not changed significantly. The pandemic has shown signs of acceleration in many countries since the summer, but so far this has not had the same negative impact on business as in the spring. However, business volumes have remained lower, reflecting the prevailing economic uncertainty, the slowdown in global economic growth and other indirect effects. At the same time, Cargotec has shifted the focus of cost savings from temporary to more permanent savings.

The credit loss provision related to trade receivables was EUR 23 (31 Dec 2019: 19) million on reporting date. The share of overdue trade receivables has increased and credit risk overall is estimated to have increased, but realized credit losses have not increased significantly for the time being. There has neither been a significant increase in the number of canceled orders, but restrictions related to pandemic management as well as general financial uncertainty had an impact on order intake during the third quarter. Due to the weakening demand, obsolescence provision for inventories increased to EUR 110 (31 Dec 2019: 98) million by the end of September.

Cargotec prepared for a possible financial market imbalance by raising a total of EUR 250 million in loans from its partner banks during the second quarter. The loans have a term of two to three years and include a financing condition limiting the company's capital structure, according to which Cargotec's gearing in accordance with IFRS 16 may not exceed 125 percent. Additional information on the liquidity position is presented in Note 11, Interest-bearing net debt and liquidity.

For the near future, the immediate financial impact of the crisis on Cargotec's business will depend above all on the success of pandemic management in different countries. If the current situation persists, the indirect economic effects of the crisis are expected to intensify.

In the prevailing operating environment, Cargotec seeks to prepare for the identified and probable effects of the crisis. These effects have also been taken into account in the reported figures based on actual or forecasts, and the forecasts used in the current situation are significantly based on management's estimates.

Due to the current uncertainty related to the financial operating environment, Cargotec is reporting the key results of its annual goodwill impairment testing in connection with the financial reporting for the third quarter of 2020.

MacGregor goodwill impairment testing

The MacGregor segment’s recoverable amount was determined based on the fair value less costs to sell, and the test indicated a slight improvement compared to the second quarter testing. The improvement was primarily technical due to the current difficult year for MacGregor transferring from the forecast period to history. The after-tax WACC used was 7.5% (31 Dec 2019: 7.4%). MacGregor's longer-term revenue and profitability forecasts decreased compared to the impairment testing performed on June 30, 2020.

Based on the performed impairment tests, no impairment loss has been recognised. MacGregor's recoverable amount is still on a low level in comparison to the assets being tested. MacGregor segment’s goodwill on the reporting date was EUR 466.9 (31 Dec 2019: 493.6) million.

As part of MacGregor's impairment testing, sensitivity analyses have been performed for the key assumptions based on three different scenarios. The changes tested in the analyses are a 2 percentage point increase in the discount rate in the first scenario, 10 percent decrease in turnover and 2 percentage point decrease in operating profit margin throughout the estimation period in the second scenario, and the combined effect of the previous scenarios in the third scenario. The results of the sensitivity analysis are presented in the table below.

MacGregor goodwill sensitivity analysis

		Sensitivity analysis scenarios and results		
		Scenario 1	Scenario 2	Scenario 3
	Recoverable amount in excess of book value of assets, MEUR	WACC +2 percentage points	Sales -10 percent and operating profit -2 percentage points	Sales -10 percent, operating profit -2 percentage points and WACC +2 percentage points
30 Sep 2020	59.0	Impairment*	Impairment**	Impairment
31 Dec 2019	170.0	Impairment*	Impairment**	Impairment

*Threshold for impairment was WACC +0.5 percentage points (31 Dec 2019: WACC +1.2 percentage points).
**Threshold for impairment was estimation period sales -8 percent (31 Dec 2019: estimation period sales -10 percent and operating profit -0.8 percentage points).

Due to the current minor excess value of MacGregor's recoverable amount compared to the book value of assets, the amount to be written off would be significant if the scenarios considered in the sensitivity analysis realize; EUR 102 (31 Dec 2019: 29) million in the first scenario, EUR 209 (31 Dec 2019: 133) million in the second, and EUR 316 (31 Dec 2019: 274) million in the third. Although MacGregor's recoverable amount to some extent already incorporates sensitivities based on the scenario analysis applied, the risk of impairment is significant in the current economic environment.

Goodwill impairment testing of Kalmar and Hiab

As part of the annual goodwill impairment testing, the recoverable amounts of the Kalmar and Hiab segments were determined based on value in use. The pre-tax WACC used in the testing was 9.9% (2019: 10.4%) for Kalmar and 9.3% (2019: 9.6%) for Hiab. Based on the testing, no impairment was recorded in the goodwill of either segment, nor did any of the sensitivity analyses indicate an impairment. Sensitivity analyses were performed based on the same principles as the sensitivity analyses performed for MacGregor described above.

4. Segment information

Sales, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Kalmar	364	424	1,119	1,252	1,723
Hiab	254	307	799	982	1,350
MacGregor	158	170	474	436	611
Internal sales	0	0	-1	0	-1
Total	**777**	**901**	**2,391**	**2,669**	**3,683**

Sales by geographical area, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
EMEA	396	407	1,180	1,253	1,764
Americas	223	305	739	921	1,243
Asia-Pacific	158	189	472	495	677
Total	**777**	**901**	**2,391**	**2,669**	**3,683**

Sales by geographical area, %	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
EMEA	51%	45%	49%	47%	48%
Americas	29%	34%	31%	34%	34%
Asia-Pacific	20%	21%	20%	19%	18%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Operating profit and EBITDA, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Kalmar	31.4	47.5	42.4	113.3	154.4
Hiab	25.9	30.3	72.3	111.0	159.3
MacGregor	-0.7	-9.8	-35.6	-23.4	-83.3
Corporate administration and support functions	-10.9	-10.1	-26.4	-38.9	-50.4
Operating profit	**45.8**	**57.9**	**52.8**	**162.0**	**180.0**
Depreciation, amortisation and impairment	33.4	32.1	108.2	90.2	133.8
EBITDA	**79.2**	**90.0**	**161.0**	**252.2**	**313.8**

Operating profit, %	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Kalmar	8.6%	11.2%	3.8%	9.0%	9.0%
Hiab	10.2%	9.9%	9.1%	11.3%	11.8%
MacGregor	-0.4%	-5.8%	-7.5%	-5.4%	-13.6%
Cargotec	5.9%	6.4%	2.2%	6.1%	4.9%

Items affecting comparability, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Kalmar	-0.9	-0.3	-45.8	-4.5	-7.4
Hiab	-5.0	-3.7	-13.0	-7.4	-10.9
MacGregor	-2.2	-4.0	-28.2	-7.8	-55.1
Corporate administration and support functions	-2.7	-2.3	0.3	-8.4	-10.9
Total	**-10.8**	**-10.5**	**-86.8**	**-28.1**	**-84.4**

Comparable operating profit, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Kalmar	32.3	47.8	88.2	117.8	161.8
Hiab	30.9	34.1	85.4	118.4	170.2
MacGregor	1.6	-5.8	-7.3	-15.6	-28.2
Corporate administration and support functions	-8.2	-7.7	-26.7	-30.5	-39.5
Total	**56.6**	**68.3**	**139.5**	**190.0**	**264.4**

Comparable operating profit, %	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Kalmar	8.9%	11.3%	7.9%	9.4%	9.4%
Hiab	12.2%	11.1%	10.7%	12.1%	12.6%
MacGregor	1.0%	-3.4%	-1.5%	-3.6%	-4.6%
Cargotec	7.3%	7.6%	5.8%	7.1%	7.2%

Orders received, MEUR	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Kalmar	328	396	955	1,329	1,776
Hiab	274	307	793	988	1,310
MacGregor	139	156	410	437	630
Internal orders received	-1	0	-1	-1	-1
Total	**740**	**858**	**2,158**	**2,752**	**3,714**

Orders received by geographical area, MEUR	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
EMEA	335	400	1,100	1,337	1,818
Americas	246	315	621	932	1,250
Asia-Pacific	159	143	437	483	646
Total	**740**	**858**	**2,158**	**2,752**	**3,714**

Orders received by geographical area, %	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
EMEA	45%	47%	51%	49%	49%
Americas	33%	37%	29%	34%	34%
Asia-Pacific	21%	16%	20%	17%	17%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Order book, MEUR	30 Sep 2020	30 Sep 2019	31 Dec 2019
Kalmar	834	1,083	1,049
Hiab	386	458	406
MacGregor	532	712	633
Internal order book	-1	-1	0
Total	**1,751**	**2,251**	**2,089**

Number of employees at the end of period	30 Sep 2020	30 Sep 2019	31 Dec 2019
Kalmar	5,542	5,762	5,625
Hiab	3,549	4,033	4,028
MacGregor	2,038	2,377	2,350
Corporate administration and support functions	629	570	584
Total	**11,758**	**12,742**	**12,587**

Average number of employees	Q1-Q3/20	Q1-Q3/19	2019
Kalmar	5,618	5,743	5,723
Hiab	3,822	4,071	4,063
MacGregor	2,172	2,051	2,125
Corporate administration and support functions	602	552	559
Total	**12,214**	**12,417**	**12,470**

5. Revenue from contracts with customers

Cargotec, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Equipment sales	495	589	1,526	1,769	2,453
Service sales	244	269	743	777	1,062
Software sales	38	44	122	122	168
Total sales	**777**	**901**	**2,391**	**2,669**	**3,683**
Recognised at a point in time	625	775	1,946	2,307	3,179
Recognised over time	152	127	444	362	505

Kalmar, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Equipment sales	220	265	679	790	1,090
Service sales	106	116	318	340	464
Software sales	38	44	122	122	169
Total sales	**364**	**424**	**1,119**	**1,252**	**1,723**
Recognised at a point in time	283	343	882	1,020	1,405
Recognised over time	81	81	237	231	318

Hiab, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Equipment sales	174	221	563	725	1,007
Service sales	80	86	236	256	343
Total sales	**254**	**307**	**799**	**982**	**1,350**
Recognised at a point in time	251	305	790	974	1,339
Recognised over time	3	3	9	8	11

MacGregor, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Equipment sales	100	103	284	254	357
Service sales	58	67	190	181	255
Total sales	**158**	**170**	**474**	**436**	**611**
Recognised at a point in time	91	128	275	313	435
Recognised over time	67	43	199	123	176

6. Share-based payments

Share-based incentive programme 2020-2022

Cargotec granted in April a new incentive programme to the members of the executive board and other key persons. The program consists of three annually granted incentive programme periods in which the rewards are conditional on the fulfillment of a three-year service condition and performance conditions tied to financial targets and separately set for each year. The reward is granted and settled in Cargotec class B shares on top of which Cargotec pays taxes and tax-related expenses. Expected total cost of the programme is EUR 7.5 million, and rewards have been granted to approximately 150 persons.

7. Comparable operating profit

MEUR	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Operating profit	**45.8**	**57.9**	**52.8**	**162.0**	**180.0**
Restructuring costs					
Employment termination costs	4.9	7.2	22.0	14.2	22.7
Impairments of non-current assets	0.1	0.0	14.6	0.1	5.9
Impairments of inventories	1.6	0.0	3.3	0.3	20.1
Restructuring-related disposals of businesses*	0.5	0.0	37.5	0.0	0.4
Other restructuring costs**	5.5	2.7	13.9	12.0	31.0
Restructuring costs, total	**12.6**	**10.0**	**91.1**	**26.6**	**80.1**
Other items affecting comparability					
Insurance benefits	-5.0	-	-5.0	-	-
Expenses related to business acquisitions or disposals	1.4	0.5	4.5	1.4	4.3
Merger plan with Konecranes Oyj	1.8	-	2.1	-	-
Other costs***	-	-	-6.0	-	-
Other items affecting comparability, total	**-1.8**	**0.5**	**-4.3**	**1.4**	**4.3**
Comparable operating profit	**56.6**	**68.3**	**139.5**	**190.0**	**264.4**

* Additional information regarding disposals of businesses is presented in note 15, Acquisitions and disposals. Additional information on the disposal of the joint venture ownership in Rainbow-Cargotec Industries Co., Ltd (RCI) concluded during the second quarter of 2020 is presented in note 16, Joint ventures and associated companies.

** Other restructuring costs includes contract termination costs (other than employment contracts), costs arising from outsourcing or transferring operations to new locations, maintenance costs of vacant and in the future redundant premises for Cargotec, gains and losses on sale of intangible assets and property, plant and equipment that relate to sold or discontinued operations as well as costs for the on-going group wide reorganisation of support functions.

*** Dilution of Cargotec's ownership from 7.9 percent to 5.6 percent in Jiangsu Rainbow Heavy Industries Co., Ltd (RHI) due to company's share issue and reclassification of the RHI ownership from associated company to share investment recognised at fair value.

In January-September 2020, restructuring costs totalled EUR 91.1 (26.6) million. EUR 45.8 (4.5) million of the items were related to Kalmar, EUR 13.0 (7.4) million to Hiab, EUR 29.1 (6.3) million to MacGregor and EUR 3.2 (8.4) million to corporate administration and support functions.

In 2019, restructuring costs totalled EUR 80.1 million. EUR 7.4 million of the items were related to Kalmar, EUR 10.9 million to Hiab, EUR 52.1 million to MacGregor and EUR 9.7 million to corporate administration and support functions. EUR 45.8 million of MacGregor's restructuring costs were booked to the last quarter of 2019 and they relate mainly to the integration of the marine- ja offshore businesses of TTS Group ASA acquired in the end of July and winding down certain products in MacGregor's offshore product portfolio due to offshore markets fundamental transition from the traditional oil and gas centric business towards more renewable energy sources. From 2019 restructuring costs booked in MacGregor, EUR 9.3 million were booked to employment termination costs, EUR 5.9 million to impairments of non-current assets, EUR 20.7 million to impairment of inventories and EUR 16.3 million to other restructuring costs.

8. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Owned assets					
Intangible assets	0.4	1.5	1.2	3.7	4.4
Land and buildings	3.3	1.3	4.1	1.9	2.5
Machinery and equipment	8.3	15.5	28.9	49.7	67.9
Right-of-use assets					
Land and buildings	11.9	2.0	20.3	10.3	12.9
Machinery and equipment	3.5	2.4	8.4	6.9	12.5
Total	**27.5**	**22.8**	**63.0**	**72.5**	**100.2**

Depreciation, amortisation and impairment, MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Owned assets					
Intangible assets	8.2	8.2	29.9	23.5	38.5
Land and buildings	1.6	1.9	11.8	5.2	6.8
Machinery and equipment	11.0	11.4	32.7	30.3	43.2
Right-of-use assets					
Land and buildings	8.9	6.8	22.9	20.4	30.0
Machinery and equipment	3.6	3.7	11.0	10.7	15.3
Total	**33.4**	**32.1**	**108.2**	**90.2**	**133.8**

9. Taxes in statement of income

MEUR	**Q3/20**	**Q3/19**	**Q1-Q3/20**	**Q1-Q3/19**	**2019**
Current year tax expense	7.4	12.8	22.4	37.1	45.4
Change in current year's deferred tax assets and liabilities	5.8	7.5	3.0	8.2	8.9
Tax expense for previous years	-1.5	0.1	3.1	2.7	2.2
Total	**11.7**	**20.3**	**28.5**	**48.0**	**56.5**

10. Net working capital

MEUR	30 Sep 2020	30 Sep 2019	31 Dec 2019
Inventories	704.2	834.0	713.0
Operative derivative assets	19.2	16.8	17.9
Accounts receivable	547.0	628.6	670.9
Other operative non-interest-bearing assets	258.4	257.2	260.0
Working capital assets	**1,528.8**	**1,736.6**	**1,661.7**
Provisions	-105.4	-100.4	-121.3
Advances received	-242.5	-258.4	-306.3
Operative derivative liabilities	-17.3	-39.1	-18.5
Accounts payable	-332.6	-421.9	-438.7
Pension obligations	-110.8	-93.5	-110.4
Other operative non-interest-bearing liabilities	-482.6	-463.3	-508.1
Working capital liabilities	**-1,291.2**	**-1,376.7**	**-1,503.4**
Net working capital	**237.6**	**359.9**	**158.3**

Assets and liabilities that are not allocated to business operations are not included in net working capital. Unallocated assets comprise loans and other interest-bearing receivables, cash and cash equivalents, income tax receivables, deferred tax assets, deferred interests, deferred considerations on disposals, and derivatives designated as hedges of future treasury transactions. Unallocated liabilities comprise loans and other interest-bearing liabilities, income tax payables, deferred tax liabilities, accrued interests, deferred considerations on acquisitions, dividend liabilities, and derivatives designated as hedges of future treasury transactions.

11. Interest-bearing net debt and liquidity

MEUR	30 Sep 2020	30 Sep 2019	31 Dec 2019
Interest-bearing liabilities	1,257.4	1,344.6	1,224.3
Lease liabilities included in interest-bearing liabilities	174.8	183.1	187.8
Loans receivable and other interest-bearing assets	-28.1	-29.4	-30.5
Cash and cash equivalents	-378.0	-388.2	-420.2
Interest-bearing net debt	**851.4**	**927.0**	**773.6**
Equity	1,294.2	1,436.5	1,427.3
Gearing	**65.8%**	**64.5%**	**54.2%**

MEUR	Q3/20	Q3/19	2019
Operating profit, last 12 months	70.8	222.9	180.0
Depreciation, amortisation and impairment, last 12 months	151.9	109.8	133.8
EBITDA, last 12 months	**222.7**	**332.8**	**313.8**
Interest-bearing net debt / EBITDA, last 12 months	**3.8**	**2.8**	**2.5**

The fair values of interest-bearing assets and liabilities are not significantly different from their carrying amounts.

MEUR	30 Sep 2020	30 Sep 2019	31 Dec 2019
Cash and cash equivalents	378.0	388.2	420.2
Committed long-term undrawn revolving credit facilities	300.0	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-174.5	-377.0	-271.0
Liquidity	**503.5**	**311.1**	**449.2**

12. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 30 Sep 2020	Negative fair value 30 Sep 2020	Net fair value 30 Sep 2020	Net fair value 30 Sep 2019	Net fair value 31 Dec 2019
Non-current					
Currency forwards, cash flow hedge accounting	0.0	0.0	0.0	-	-
Currency forwards, other	-	-	-	-	-
Total non-current	**0.0**	**0.0**	**0.0**	**-**	**-**
Current					
Currency forwards, cash flow hedge accounting	2.2	1.2	1.0	-12.7	0.5
Currency forwards, other	11.5	7.6	3.9	1.0	-3.8
Total current	**13.7**	**8.9**	**4.9**	**-11.7**	**-3.3**
Total derivatives	**13.7**	**8.9**	**4.8**	**-11.7**	**-3.3**

Financial assets and liabilities recognised at fair value through profit and loss comprise mainly currency derivatives. The recurring measurement of these instruments at fair value is based on commonly applied valuation methods and uses observable market-based variables. Therefore, these measurements are categorised in the fair value hierarchy as level 2 fair values.

Nominal values of derivative financial instruments

MEUR	30 Sep 2020	30 Sep 2019	31 Dec 2019
Currency forward contracts	2,398.5	2,928.4	2,649.5
Cash flow hedge accounting	1,342.7	1,580.5	1,618.7
Other	1,055.8	1,347.9	1,030.8
Total	**2,398.5**	**2,928.4**	**2,649.5**

The derivatives have been recognised at gross fair values on the balance sheet, as the netting agreements related to derivatives allow unconditional netting only in the occurrence of credit events, but not in a normal situation. The group has not given or received collateral related to derivatives from the counterparties.

13. Commitments

MEUR	30 Sep 2020	30 Sep 2019	31 Dec 2019
Guarantees given on behalf of associated companies and joint ventures	3.8	42.0	41.8
Guarantees given on behalf of others	0.4	-	0.4
Customer financing	19.0	26.0	23.3
Off-balance sheet leases	0.6	3.3	2.4
Other contingent liabilities	0.9	4.7	4.9
Total	**24.7**	**76.0**	**72.8**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 30 Sep 2020 was EUR 431.7 (30 Sep 2019: 417.8 and 31 Dec 2019: 512.5) million.

Certain products are sold under customer finance arrangements in which some level of risk is typically retained by Cargotec. When the level of retained risk is low and, therefore, not reflected on the balance sheet, it is reported in full as a contingent liability under commitments. No significant liabilities are expected to arise from the commitments related to customer financing.

Off-balance sheet leases include from 1 Jan 2019 the lease commitments related to short-term leases, low-value leases, and leases that have not yet commenced. The aggregate off-balance sheet lease expenses totalled EUR 1.4 (1-9/2019: 2.4 and 1–12/2019: 2.9) million.

Cargotec received in October 2016 a USD 13 million verdict in a local jury trial in Hempstead, USA. The verdict was related to business acquisition negotiations Cargotec USA had in 2010 and 2011. The negotiations were closed without results. The claim was based on Cargotec having breached confidentiality obligations related to the negotiations. In December 2018, Cargotec won its appeal to dispute the verdict of damages, which the opponent appealed to the Supreme Court of Texas. On 9 October 2020, Cargotec announced that on 2 October, the Supreme Court of Texas denied Cargotec’s opponent’s Petition for Review, hence the judicial process has been completed. The decision has no impact on Cargotec’s financials.

There are also certain other legal claims and disputes based on various grounds pending against Cargotec around the world. Management believes that the outcome of these disputes will not have a material effect on Cargotec's financial position.

14. Related party transactions

Cargotec's related parties include the parent company Cargotec Corporation and its subsidiaries, associated companies and joint ventures. Related parties include also the members of the Board of Directors, the CEO and other members of the Leadership Team, their close family members and entities controlled directly or indirectly by them. In addition, major shareholders with more than 20 percent ownership of shares or of the total voting rights in the company, are included in related parties.

Transactions with associated companies and joint ventures

MEUR	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Sale of products and services					
Associated companies	0.2	0.0	0.6	0.1	0.1
Joint ventures	0.5	3.8	4.1	6.8	9.0
Total	**0.7**	**3.8**	**4.8**	**6.8**	**9.1**
Purchase of products and services					
Associated companies	1.3	5.7	8.1	18.9	25.2
Joint ventures	2.8	12.5	34.5	40.2	47.5
Total	**4.1**	**18.2**	**42.6**	**59.1**	**72.7**

Transactions with associated companies and joint ventures are carried out at market prices.

Balances with associated companies and joint ventures

MEUR	30 Sep 2020	30 Sep 2019	31 Dec 2019
Loans receivable			
Associated companies	26.2	26.6	27.4
Joint ventures	-	-	-
Total	**26.2**	**26.6**	**27.4**
Accounts receivable			
Associated companies	0.0	0.6	0.0
Joint ventures	1.0	7.1	8.0
Total	**1.0**	**7.6**	**8.0**
Accounts payable			
Associated companies	-	0.6	0.7
Joint ventures	1.5	7.0	6.3
Total	**1.5**	**7.6**	**6.9**

Dividends received from associated companies and joint ventures

MEUR	Q3/20	Q3/19	Q1-Q3/20	Q1-Q3/19	2019
Dividends received					
Joint ventures	0.1	-	0.1	-	-
Yhteensä	**0.1**	**-**	**0.1**	**-**	**-**

During the second quarter of 2020 Cargotec granted a new share-based incentive programme to the members of the executive board and other key persons, which is described in detail in note 6, Share-based payments.

Acquisitions and disposals with related parties are presented in note 15, Acquisitions and disposals.

Cargotec did not have other material business transactions with its related parties than those presented above.

15. Acquisitions and disposals

Acquisitions in 2020

On 26th of May Cargotec sold its 49% joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Simultaneously, certain operations and assets were acquired from the disposed joint venture, and approximately 160 RCI employees transferred from RCI to Kalmar. Via restructuring, Cargotec aims to simplify its operations related to global supply chains. Acquired operations and assets together with the transferring employees meet the definition of business and are accounted for as a business combination. The acquisition price paid on closing was EUR 3.9 million and an additional EUR 0.9 million will fall due within the next two years. The preliminary balance sheet value of the acquired assets and deferred tax asset is EUR 1.8 million and, according to the preliminary estimate, the difference is recorded as goodwill, which is not tax deductible. Additional information about the sold ownership in RCI is disclosed in note 16, Joint ventures and associated companies.

Acquired net assets and goodwill, RCI, MEUR	
Property, plant and equipment	0.5
Inventories	0.5
Deferred tax assets	0.8
Net assets	**1.8**
Purchase price, payable in cash	4.8
Total consideration	**4.8**
Goodwill	**3.1**
Purchase price, paid in cash	4.2
Cash flow impact	**4.2**

Navis, part of Kalmar, acquired on 20 March 2020 the business assets of Biarri Rail based in Australia at a consideration of EUR 7.7 million in a transaction that is accounted for as a business combination. The main asset acquired, Biarri Rail software, for planning and scheduling freight railroads. The acquired business supports Navis in expanding to inland terminals. The acquired business is consolidated into Kalmar segment's result from 1 April 2020. Consolidation of the acquired business is provisional on reporting date and the fair value measurements are preliminary. In the preliminary valuation, intangible assets related to technologies have been identified, and the acquisition is expected to generate goodwill that is not tax-deductible.

Acquired net assets and goodwill, Biarri Rail, MEUR	
Intangible assets	4.3
Accounts payable and other non-interest-bearing liabilities	-0.9
Net assets	**3.4**
Purchase price, payable in cash	7.7
Total consideration	**7.7**
Goodwill	**4.3**
Purchase price, paid in cash	7.7
Cash flow impact	**7.7**

Acquisitions in 2019

MacGregor acquired on 31 July 2019 the marine and offshore businesses of the Norwegian listed company TTS Group ASA ("TTS") at a consideration of EUR 57.9 million. The preliminary purchase price was paid to the seller on acquisition date, but the final purchase price is still being specified in accordance with the purchase price mechanism agreed in the purchase contract. At the time of reporting, there is a difference of opinion between the parties regarding the final purchase price. The final purchase price will be solved via arbitration process during 2021. The acquisition strengthens MacGregor's product portfolio and market position in the main cargo and load handling markets, and related services. Additionally, significant synergy benefits are expected to be obtained from the transaction. The acquired entities are operating in more than 10 countries from which Sweden, Norway, China and Germany are the most significant ones. The acquired businesses consist of 19 fully owned subsidiaries and three 50% owned joint ventures in China. The integration of the joint ventures is subject to temporary restrictions set by the competition authorities. As a result of the acquisition, approximately 580 employees transferred to Cargotec. The result of TTS is consolidated into MacGregor segment from the beginning of August 2019 after which TTS contributed EUR 49.9 million and EUR -1.3 million to Cargotec's 2019 sales and operating profit respectively. Had TTS been acquired on 1 January 2019, it would have increased in 2019 Cargotec's sales by approximately EUR 119.8 million and decreased operating profit by approximately EUR 3.2 million. In total EUR 2.9 million of costs related to TTS acquisition have been included in the operating profit of MacGregor segment and in other operating expenses on Cargotec's statement of income in 2019. These costs are not included in MacGregor's comparable operating profit.

Consolidation of the acquired businesses is presented as final on reporting date. In the final valuation, customer relationships, trademarks and technology were identified as the acquired intangible assets. The goodwill recognised in the acquisition is primarily based on expected synergy benefits and personnel, and is not tax-deductible.

Acquired net assets and goodwill, TTS, MEUR	
Intangible assets	44.1
Property, plant and equipment	15.5
Investments in associated companies and joint ventures	21.7
Inventories	60.3
Accounts receivable and other non-interest-bearing assets	26.8
Cash and cash equivalents	24.8
Deferred tax assets	0.3
Accounts payable and other non-interest-bearing liabilities	-106.6
Interest-bearing liabilities	-78.4
Deferred tax liabilities	-9.5
Net assets	**-1.2**
Purchase price, payable in cash	57.9
Total consideration	**57.9**
Goodwill	**59.1**
Purchase price, paid in cash	56.6
Cash and cash equivalents acquired, including bank overdrafts	44.7
Cash flow impact	**101.3**

Navis, part of Kalmar, acquired on 19 December 2019 the assets of Jade Logistics based in New Zealand at a consideration of EUR 4.3 million in a transaction that is accounted for as a business combination. The main asset acquired, Master Terminal, is a terminal operating system (TOS) that can be used in managing various types of cargo. With the acquired software Navis is better positioned to support terminals managing wide variety of cargo types beyond containers. The result of acquired business is consolidated into Kalmar segment from beginning of January 2020. Consolidation of the acquired business and fair values of the acquired assets and liabilities are presented as final on reporting date. In the final valuation, intangible assets related to technologies were identified, and the recognised goodwill is not tax deductible.

Navis acquired on 7 March 2019 the share capital of the US-based privately owned company Cetus Labs, Inc. ("Cetus") at the price of EUR 10.8 million of which EUR 3.5 million was paid on the date of acquisition. The remaining amount, which is conditional, is expected to be paid over the next three years. The main product of Cetus is a SaaS- and cloud-based terminal operating system (TOS), Octopi, designed for small container and mixed cargo terminals. The result of Cetus is consolidated into Kalmar segment from the beginning of March. Cetus had no material impact on Cargotec's sales during 2019. Consolidation of the acquired business and fair values of the acquired assets and liabilities are presented as final on reporting date. In the final valuation, customer relationships, trademarks and technology were identified as the acquired intangible assets. The goodwill recognised in the acquisition is primarily based on personnel and expected synergy benefits, and is not tax-deductible.

Acquired net assets and goodwill, Jade Logistics and Cetus Labs, MEUR	
Intangible assets	9.6
Property, plant and equipment	0.4
Accounts receivable and other non-interest-bearing assets	0.0
Cash and cash equivalents	0.2
Accounts payable and other non-interest-bearing liabilities	-0.5
Interest-bearing liabilities	-0.9
Deferred tax liabilities	-2.0
Net assets	**6.9**
Purchase price, payable in cash	15.1
Total consideration	**15.1**
Goodwill	**8.2**
Purchase price, paid in cash	7.7
Cash and cash equivalents acquired, including overdrafts	-0.2
Cash flow impact	**7.5**

Hiab acquired the sales and service business of ATS Aufbau und Transportsysteme GmbH in Germany on 2 May 2019 for a consideration of EUR 0.8 million. The acquisition had no material impact on the reported figures.

16. Joint ventures and associated companies

On 26th of May Cargotec sold its 49% joint venture ownership in the Rainbow-Cargotec Industries Co., Ltd (RCI) to the joint venture counterparty Rainbow Heavy Industries Co.,Ltd (RHI). Cargotec recognized a loss of EUR 35.6 million on disposal of the joint venture by derecognizing the joint venture ownership and recognizing a non-interest-bearing receivable of EUR 6.5 million as a consideration that is due after two years from the closing date. The gross value of the receivable is EUR 11.9 million and its net value on balance sheet includes an adjustment for both interest and expected credit loss. Simultaneously, certain operations and assets were acquired from the disposed business and approximately 160 RCI employees transferred from RCI to Kalmar. Additional information about the acquired assets is presented in note 15, Acquisitions and disposals. Via restructuring, Cargotec aims to simplify its operations related to global supply chains.

In connection with the RCI restructuring, Cargotec also reassessed the classification of its ownership in RHI and concluded that the preconditions for the associated company classification were no longer met. As a result, the RHI ownership was reclassified as a share investment accounted for as a financial asset. On reclassification, the associated company ownership on the balance sheet was derecognised and the new financial asset was recognised at fair value resulting in a profit of EUR 6.7 million. Due to the value of the RHI ownership and market volatility of the RHI share listed in China at the Shenzhen stock exchange, Cargotec has elected to apply the possibility to recognise the subsequent fair value changes based on quoted market price directly in other comprehensive income.

Hiab has assessed its ownership in the joint venture Sinotruk Hiab (Shandong) Equipment Co., Ltd for impairment. As a result of its business outlook and financial situation, the joint venture ownership was impaired in full resulting in a loss of EUR 4.0 million. Hiab is evaluating options for discontinuing the joint venture.

17. Events after the reporting period

On 1 October, Cargotec Corporation and Konecranes Plc announced that their respective Boards of Directors have signed a combination agreement and a merger plan to combine the two companies through a merger. The combination is subject to, among other items, approval by a majority of two-thirds of votes cast and shares represented at the respective EGMs of Cargotec and Konecranes, and the obtaining of merger control approvals. Completion is expected in the fourth quarter of 2021, subject to all conditions for completion being fulfilled. Until the completion of the merger, Cargotec and Konecranes will carry out their respective businesses as separate and independent companies.

Key exchange rates for the euro

Closing rates	30 Sep 2020	30 Sep 2019	31 Dec 2019
SEK	10.571	10.696	10.447
USD	1.171	1.089	1.123

Average rates	Q1-Q3/20	Q1-Q3/19	2019
SEK	10.565	10.555	10.557
USD	1.129	1.124	1.121

Key figures

		Q1-Q3/20	Q1-Q3/19	2019
Equity / share	EUR	20.04	22.26	22.12
Total equity / total assets	%	35.3%	36.0%	36.4%
Interest-bearing net debt	MEUR	851.4	927.0	773.6
Interest-bearing net debt / EBITDA, last 12 months		3.8	2.8	2.5
Gearing	%	65.8%	64.5%	54.2%
Return on equity (ROE), last 12 months	%	0.1%	8.7%	6.3%
Return on capital employed (ROCE), last 12 months*	%	2.8%	9.0%	7.3%

*Cargotec has refined the treatment of the interest rate component of currency forward contracts in the calculation of return on capital employed at the end of the financial year 2019. As a result, the return on capital employed increased by 0.4 percentage points in the third quarter of 2019.

Additional information regarding interest-bearing net debt and gearing is disclosed in note 11, Interest-bearing net debt and liquidity.

Calculation of key figures

IFRS key figures

Earnings per share (EUR)	=	Net income attributable to the equity holders of the parent / Average number of outstanding shares during financial year
Diluted earnings per share (EUR)	=	Net income attributable to the equity holders of the parent / Average number of diluted outstanding shares during financial year

Alternative performance measures

According to the ESMA Guidelines on Alternative Performance Measures, an Alternative Performance Measure (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. In addition to IFRS key figures, Cargotec uses the following alternative performance measures:

Key figure		Definition	Reason for use	Reconciliation
Operating profit (MEUR and % of sales)	=	Sales - cost of goods sold + other operating income - selling and marketing expenses - research and development expenses - administration expenses - restructuring costs - other operating expenses + share of associated companies' and joint ventures' net income	Operating profit is used to measure business profitability. It describes the profitability of the business before taking into account financial items and taxes.	Statement of income
Comparable operating profit (MEUR and % of sales)	=	Operating profit excluding items significantly affecting comparability	Comparable operating profit is used to monitor and forecast profit development and set related targets. It is calculated by excluding items significantly affecting comparability from operating profit, which makes it easier to compare the profitability of the business at different time periods.	Note 7, Comparable operating profit

Items significantly affecting comparability (MEUR)		Items significantly affecting comparability include, in addition to restructuring costs, mainly capital gains and losses, gains and losses related to acquisitions and disposals, impairments and reversals of impairments of assets, insurance benefits, and expenses related to legal proceedings.	Factor used to calculate Comparable operating profit.	Note 7, Comparable operating profit
Cash flow from operations before financing items and taxes	=	Net income for the financial year + depreciation, amortisation and impairment + financing items + taxes + other adjustments + changes in net working capital	Represents cash flow from operations after income from sales less operating expenses. Measures the company's ability to meet its financial commitments, including interest payments, taxes, investments, and equity and debt payments. Used to monitor and forecast business performance.	Statement of cash flows
Interest-bearing net debt/EBITDA, last 12 months	=	$\frac{\text{Interest-bearing net debt}}{\text{EBITDA, last 12 months}}$	Used to measure corporate capital structure and financial capacity.	Note 11, Interest-bearing net debt and liquidity
Interest-bearing net debt (MEUR)	=	Non-current interest-bearing liabilities + current portion of interest-bearing liabilities + current other interest-bearing liabilities - non-current and current loans receivable and other interest-bearing assets - cash and cash equivalents +/- foreign currency hedge of corporate bonds	Interest-bearing net debt represents Cargotec's indebtedness. Used to monitor capital structure and as a factor to calculate Interest-bearing net debt / EBITDA and Gearing.	Note 11, Interest-bearing net debt and liquidity
EBITDA (MEUR), last 12 months	=	Operating profit + depreciation, amortisation and impairment, last 12 months	Factor used to calculate Interest-bearing net debt / EBITDA.	Note 11, Interest-bearing net debt and liquidity

Net working capital (MEUR)	=	Inventories + operative derivative assets + accounts receivable + other operative non-interest-bearing assets - provisions - advances received - operative derivative liabilities - accounts payable - pension obligations - other operative non-interest-bearing liabilities	Net working capital is used to follow the amount of capital needed for the business to operate. It does not include financing items, taxes nor non-current assets. Used also as a factor to calculate Operative capital employed.	Note 10, Net working capital
Investments	=	Additions to intangible assets and property, plant and equipment including owned assets and right-of-use assets, excluding assets acquired through business combinations	Investments refer to money used to acquire long-term assets. Used as a factor in cash flow calculation.	Note 8, Capital expenditure, depreciation and amortisation
Return on equity (ROE) (%), last 12 months	= 100 x	Net income for the financial year, last 12 months / Total equity (average for the last 12 months)	Represents the rate of return that shareholders receive on their investments.	Net income for financial year: Income statement; Total equity: Balance sheet
Return on capital employed (ROCE) (%), last 12 months	= 100 x	Income before taxes + financing expenses, last 12 months / Total assets - non-interest-bearing debt (average for the last 12 months)	Represents relative profitability or the rate of return that has been received on capital employed requiring interest or other return.	Income before taxes and financing expenses: Income statement; Total assets and non-interest-bearing debt: Balance sheet
Non-interest-bearing debt	=	Total assets - total equity - non-current interest-bearing liabilities - current portion of interest-bearing liabilities - current other interest-bearing liabilities	Used as a factor to calculate Return on capital employed (ROCE).	Balance sheet
Total equity / total assets (%)	= 100 x	Total equity / Total assets - advances received	Used to measure solvency and describe the share of the company's assets financed by equity.	Balance sheet

Gearing (%)	$= 100 \times \dfrac{\text{Interest-bearing net debt}}{\text{Total equity}}$	Represents the company's indebtedness by measuring the amount of interest-bearing debt in proportion to equity capital. Some of Cargotec's loan agreements include a covenant restricting the corporate capital structure, measured by gearing.	Note 11, Interest-bearing net debt and liquidity

Quarterly key figures

Cargotec		Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Orders received	MEUR	740	637	781	962	858
Service orders received	MEUR	229	224	270	277	262
Order book	MEUR	1,751	1,822	1,938	2,089	2,251
Sales	MEUR	777	756	858	1,015	901
Service sales	MEUR	244	239	260	285	269
Software sales	MEUR	38	43	40	46	44
Service and software sales, % of sales	%	36%	37%	35%	33%	35%
Operating profit	MEUR	45.8	-19.5	26.5	18.0	57.9
Operating profit	%	5.9%	-2.6%	3.1%	1.8%	6.4%
Comparable operating profit	MEUR	56.6	43.4	39.5	74.3	68.3
Comparable operating profit	%	7.3%	5.7%	4.6%	7.3%	7.6%
Earnings per share	EUR	0.41	-0.56	0.18	-0.00	0.46

Kalmar		Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Orders received	MEUR	328	293	334	446	396
Order book	MEUR	834	885	952	1,049	1,083
Sales	MEUR	364	350	404	471	424
Service sales	MEUR	106	106	107	124	116
Software sales	MEUR	38	43	40	46	44
Comparable operating profit	MEUR	32.3	30.3	25.6	44.1	47.8
Comparable operating profit	%	8.9%	8.6%	6.3%	9.4%	11.3%

Hiab		Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Orders received	MEUR	274	223	296	322	307
Order book	MEUR	386	373	396	406	458
Sales	MEUR	254	243	302	368	307
Service sales	MEUR	80	72	84	87	86
Comparable operating profit	MEUR	30.9	24.3	30.1	51.8	34.1
Comparable operating profit	%	12.2%	10.0%	10.0%	14.1%	11.1%

MacGregor		Q3/20	Q2/20	Q1/20	Q4/19	Q3/19
Orders received	MEUR	139	120	151	193	156
Order book	MEUR	532	565	591	633	712
Sales	MEUR	158	163	153	176	170
Service sales	MEUR	58	61	70	74	67
Comparable operating profit	MEUR	1.6	-3.6	-5.3	-12.5	-5.8
Comparable operating profit	%	1.0%	-2.2%	-3.5%	-7.1%	-3.4%