Cargotec’s half year financial report January–June 2020

SOLID PERFORMANCE IN AN EXCEPTIONAL ENVIRONMENT

CARGOTEC

Cargotec's half year financial report January–June 2020: Solid performance in an exceptional environment

- Demand and our delivery capability improved during the course of the quarter
- Service and software business resilient
- Rapid reaction to the COVID-19 crisis visible in comparable operating profit
- Strong financial position, total liquidity at EUR 970 million
- We introduced our climate ambition to be a 1.5 degree company

April–June 2020 in brief: Demand and our delivery capability improved towards the end of the quarter

- Orders received decreased by 27 percent and totalled EUR 637 (872) million.
- Order book amounted to EUR 1,822 (31 Dec 2019: 2,089) million at the end of the period.
- Sales decreased by 17 percent and totalled EUR 756 (911) million.
- Service sales decreased by 8 percent and totalled EUR 239 (259) million.
- Service and software sales represented 37 (33) percent of consolidated sales.
- Operating profit was EUR -20 (53) million, representing -2.6 (5.8) percent of sales. Operating profit includes items affecting comparability worth EUR -63 (-11) million.
- Comparable operating profit decreased by 33 percent and amounted to EUR 43 (64) million, representing 5.7 (7.1) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 4 (41) million.
- Net income for the period amounted to EUR -36 (29) million.
- Earnings per share was EUR -0.56 (0.45).

January–June 2020 in brief: Service and software sales at comparison period's level

- Orders received decreased by 25 percent and totalled EUR 1,417 (1,894) million.
- Sales decreased by 9 percent and totalled EUR 1,614 (1,767) million.
- Service sales decreased by 2 percent and totalled EUR 499 (508) million.
- Service and software sales represented 36 (33) percent of consolidated sales.
- Operating profit was EUR 7 (104) million, representing 0.4 (5.9) percent of sales. Operating profit includes items affecting comparability worth EUR -76 (-18) million.
- Comparable operating profit decreased by 32 percent and amounted to EUR 83 (122) million, representing 5.1 (6.9) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 26 (72) million.
- Net income for the period amounted to EUR -25 (60) million.
- Earnings per share was EUR -0.39 (0.93).

Outlook for 2020

Visibility towards the end of the year is still weak. In the current exceptional situation Cargotec estimates that it is not able to give guidance for the year 2020. During the second half of the year, Cargotec estimates its business and operating environment to develop as follows:

- The recovery of market activity continues
- The delivery capability of Cargotec and its supply chain continues to improve
- Productivity improvements support profitability in the future as well

Cargotec's key figures

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Orders received	637	872	-27%	1,417	1,894	-25%	3,714
Service orders received	224	279	-20%	493	540	-9%	1,079
Order book, end of period	1,822	2,072	-12%	1,822	2,072	-12%	2,089
Sales	756	911	-17%	1,614	1,767	-9%	3,683
Service sales	239	259	-8%	499	508	-2%	1,062
Software sales*	43	41	5%	83	79	6%	168
Service and software sales, % of Cargotec's sales	37%	33%		36%	33%		33%
Operating profit	-19.5	53.0	< -100%	7.0	104.1	-93%	180.0
Operating profit, %	-2.6%	5.8%		0.4%	5.9%		4.9%
Comparable operating profit	43.4	64.3	-33%	82.9	121.7	-32%	264.4
Comparable operating profit, %	5.7%	7.1%		5.1%	6.9%		7.2%
Income before taxes	-28.1	44.9	< -100%	-8.4	87.7	< -100%	145.9
Cash flow from operations before financing items and taxes	3.6	41.4	-91%	26.4	72.3	-63%	361.1
Net income for the period	-36.5	29.0	< -100%	-25.1	60.0	< -100%	89.4
Earnings per share, EUR	-0.56	0.45	< -100%	-0.39	0.93	< -100%	1.39
Interest-bearing net debt, end of period	846	876	-3%	846	876	-3%	774
Gearing, %	63.8%	62.2%		63.8%	62.2%		54.2%
Interest-bearing net debt / EBITDA**	3.6	2.8		3.6	2.8		2.5
Return on capital employed (ROCE), last 12 months, %***	3.4%	9.6%		3.4%	9.6%		7.3%
Personnel, end of period	12,158	12,335	-1%	12,158	12,335	-1%	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 0.5 percentage points in the second quarter of 2019.

Cargotec's CEO Mika Vehviläinen: Solid performance in an exceptional environment, we continue executing our strategy

The second quarter began in a very exceptional situation with the rapid spread of the coronavirus in our main market areas. The virus, and in particular the resulting regulatory restrictions, had a strong impact on our business in the beginning of the second quarter. However, the operating environment improved as the quarter progressed. The operating hours we collect from our connected equipment also show that customers' activity levels have been clearly rising since the drop in the beginning of the quarter.

Increased uncertainty and restrictions caused by the pandemic affected orders received, which decreased by 27 percent from the comparison period. Especially larger automation orders have been postponed. However, the orders received improved month-by-month after a weak April, which provides reason to believe that the bottom was reached in the second quarter for orders received.

Our ability to deliver products to customers was impacted by closures of our assembly units and lower utilisation rates of the assembly lines caused by the safety regulations as well as production downtime at our suppliers. However, the situation in our supply chain is normalising and all our assembly sites were back in operation by June. Our service and software sales were resilient despite the market circumstances. The COVID-19 crisis has also further increased customer interest in remote maintenance services.

Our determined investments in asset-light operating model and developing the service and software business enabled us to keep comparable operating profit margins in Kalmar and Hiab at a reasonable level despite lower volumes. MacGregor's comparable operating profit improved from the comparison period, but is still negative. I am confident that ongoing actions in MacGregor will improve the business area's result also going forward. In these exceptional circumstances, our prompt response to the crisis, combined with our temporary savings measures, helped to keep our comparable operating profit reasonable at EUR 43 million.

Despite the crisis, we systematically continued to execute our strategy. We increased our investments in digitalisation and projects to improve the cost and eco-efficiency of our products. During the quarter, we also continued to develop our supply chain and organisation with the divestment of our share in the RCI joint venture in China, and closing down our assembly unit in India.

In May, we introduced our climate ambition to be a 1.5 degree company. According to the commitment, we aim to reduce the CO2 emissions of raw material sourcing and product use phase by at least 50 percent from the 2019 levels by 2030. In addition, we aim to be carbon neutral in our own operations by 2030. In terms of electrically powered equipment, we are the forerunners, which gives us great business opportunities. Sales of our eco-efficiency portfolio increased slightly in the first half of the year compared to the previous year and accounted for 23 percent of our total sales.

Our strategic direction is correct, which is also reflected in our results. Our investments in the services and software business paid off also in the second quarter. Our software sales increased from the comparison period. The service and software sales share of our consolidated sales increased to 37 percent.

We start the second half of the year in a stable position. Our financial position is strong and at the end of the quarter, Cargotec's total liquidity was EUR 970 million. In addition, our order book is still at a good level.

I would like to thank our employees, customers and partners for their excellent work in these exceptional circumstances.

Reporting segments' key figures

Orders received

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Kalmar	293	417	-30%	627	934	-33%	1,776
Hiab	223	340	-34%	519	681	-24%	1,310
MacGregor	120	116	4%	271	281	-3%	630
Internal orders	0	-1		0	-1		-1
Total	**637**	**872**	**-27%**	**1,417**	**1,894**	**-25%**	**3,714**

Order book

MEUR	30 Jun 2020	31 Dec 2019	Change
Kalmar	885	1,049	-16%
Hiab	373	406	-8%
MacGregor	565	633	-11%
Internal orders	-1	0	
Total	**1,822**	**2,089**	**-13%**

Sales

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Kalmar	350	427	-18%	754	828	-9%	1,723
Hiab	243	358	-32%	544	674	-19%	1,350
MacGregor	163	127	28%	315	266	19%	611
Internal sales	0	0		0	0		-1
Total	**756**	**911**	**-17%**	**1,614**	**1,767**	**-9%**	**3,683**

Operating profit

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Kalmar	-13.1	34.6	< -100%	11.0	65.8	-83%	154,4
Hiab	18.0	47.3	-62%	46.4	80.7	-42%	159.3
MacGregor	-26.8	-12.9	< -100%	-34.9	-13.6	< -100%	-83.3
Corporate administration and support functions	2.4	-15.9	> 100%	-15.5	-28.8	46%	-50.4
Total	**-19.5**	**53.0**	**< -100%**	**7.0**	**104.1**	**-93%**	**180.0**

Comparable operating profit

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Kalmar	30.3	37.7	-20%	55.9	70.0	-20%	161.8
Hiab	24.3	50.6	-52%	54.4	84.3	-35%	170.2
MacGregor	-3.6	-11.0	68%	-8.9	-9.8	9%	-28.2
Corporate administration and support functions	-7.7	-13.0	41%	-18.5	-22.8	19%	-39.5
Total	**43.4**	**64.3**	**-33%**	**82.9**	**121.7**	**-32%**	**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 3:00 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 529921 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 +1 323-794-2095

The event can also be viewed as a live webcast at https://cargotec.videosync.fi/2020-q2-results. 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–June 2020 half year financial 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.

Economic growth forecasts have been sharply lowered over the past months. According to the International Monetary Fund's (IMF) world economic outlook update published in June, the world economy will contract by 4.9 percent in 2020, a 1.9 percentage points lower estimate compared to IMF's previous estimate from April. In 2020, the decline would be 8.0 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].

Kalmar's demand driver, the number of containers handled at ports globally, is estimated to decrease by 7.3 percent in 2020 compared to the previous year and increase by 10.0 percent in 2021. During the first half of 2020 it is forecasted to have declined by 9.6 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 nine percent in Europe and by approximately six percent in the US in 2020. During the first half of the year, the construction activity is prognosed to have decreased by almost ten percent in Europe and approximately six percent in the US compared to the previous year. The demand for services decreased slightly compared to the first half 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 quarter of 2020, the amount of new vessel contracting declined by a third

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[1] International Monetary Fund: World Economic Outlook Update, June 2020

[2] Drewry Container Forecaster, June 2020

[3] Oxford Economics, Construction, June 2020

from the comparison period to 228 vessels[4]. In the offshore sector, due to, for example, a sharp 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 vessels is expected to grow[5]. During the first half of the year, 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.

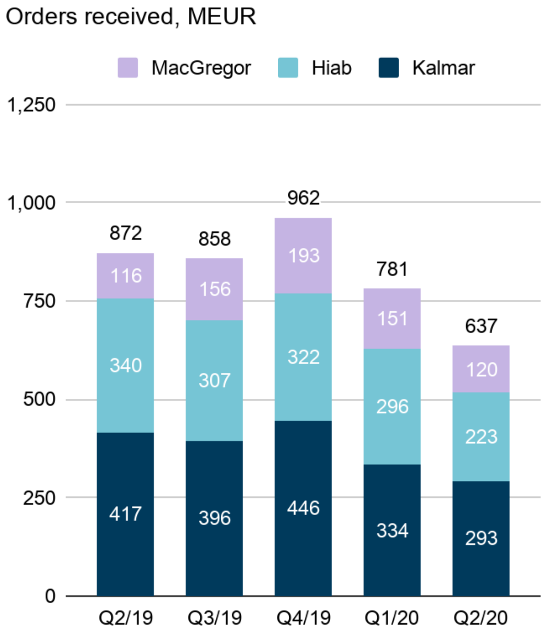
[4] Clarkson, July 2020
[5] Clarkson, March 2020
[6] Clarkson, July 2020

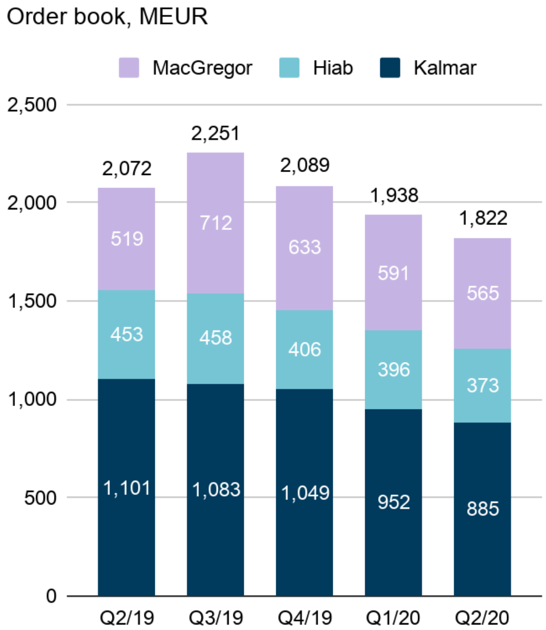
Financial performance

Orders received and order book

Orders received and order book

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Orders received	637	872	-27%	1,417	1,894	-25%	3,714
Service orders received	224	279	-20%	493	540	-9%	1,079
Order book, end of period	1,822	2,072	-12%	1,822	2,072	-12%	2,089





Orders received decreased during the second quarter by 27 percent from the comparison period and totalled EUR 637 (872) million. Orders received declined in Kalmar and Hiab and increased in MacGregor. Service orders received decreased by 20 percent and totalled EUR 224 (279) million.

Orders received decreased during January–June by 25 percent from the comparison period and totalled EUR 1,417 (1,894) million. Orders received declined in all business areas. Service orders received decreased by 9 percent and totalled EUR 493 (540) million.

The order book declined by 13 percent from the end of 2019, and at the end of the second quarter it totalled EUR 1,822 (31 Dec 2019: 2,089) million. Kalmar's order book totalled EUR 885 (1,049) million, representing 49 (50) percent, Hiab's EUR 373 (406) million or 20 (20) percent and MacGregor's EUR 565 (633) million or 31 (30) percent of the consolidated order book.

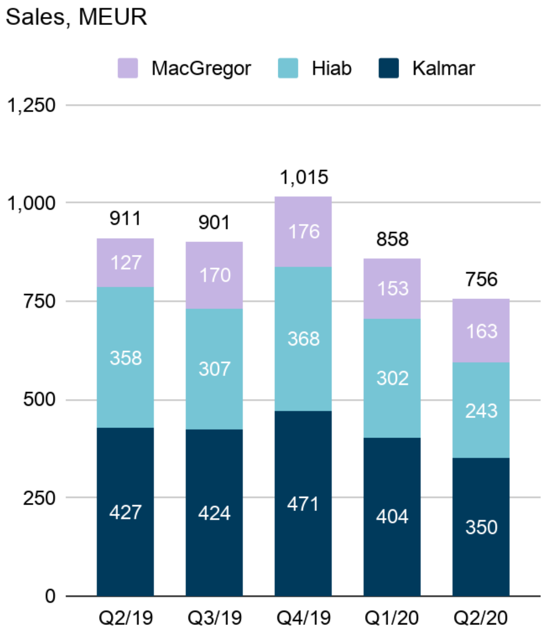
In geographical terms, the share of orders received in the second quarter was 52 (50) percent in EMEA and 27 (32) percent in Americas. Asia-Pacific's share of orders received was 21 (18) percent.

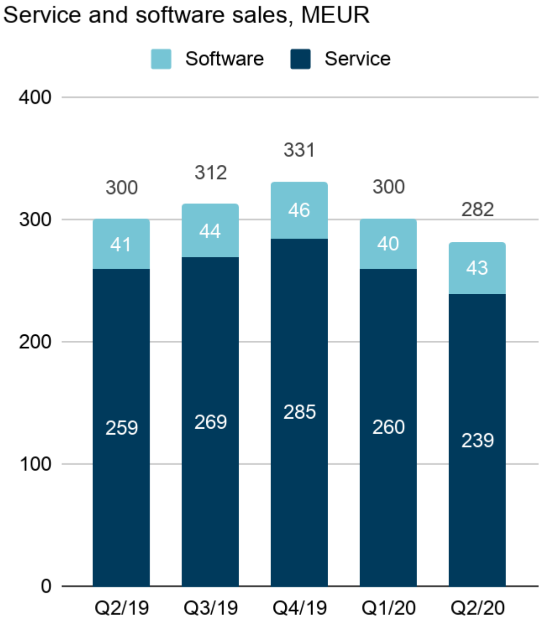
In January–June, the share of orders received was 54 (49) percent in EMEA and 26 (33) percent in Americas. Asia-Pacific's share of orders received was 20 (18) percent.

Sales

Sales

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Sales	756	911	-17%	1,614	1,767	-9%	3,683
Service sales	239	259	-8%	499	508	-2%	1,062
Software sales	43	41	5%	83	79	6%	168





Second quarter 2020 sales declined from the comparison period's level and amounted to EUR 756 (911) million. Kalmar's and Hiab's sales declined significantly whereas MacGregor's sales increased. Service sales decreased by 8 percent from the comparison period and totalled EUR 239 (259) million, representing 32 (28) percent of consolidated sales. Software sales increased by 5 percent and amounted to EUR 43 (41) million. In total, service and software sales amounted to EUR 282 (300) million, representing 37 (33) percent of consolidated sales.

January–June sales declined by 9 percent from the comparison period to EUR 1,614 (1,767) million. Kalmar's and Hiab's sales declined significantly whereas MacGregor's sales increased. Service sales decreased by 2 percent from the comparison period and totalled EUR 499 (508) million, representing 31 (29) percent of consolidated sales. Software sales increased by 6 percent and amounted to EUR 83 (79) million. Service and software sales amounted to EUR 583 (587) million, representing 36 (33) percent of consolidated sales.

In geographical terms, sales decreased in EMEA and in Americas and increased in Asia-Pacific region during the second quarter. EMEA's share of consolidated sales was 47 (49) percent, Americas' 31 (34) percent and Asia-Pacific's 22 (17) percent.

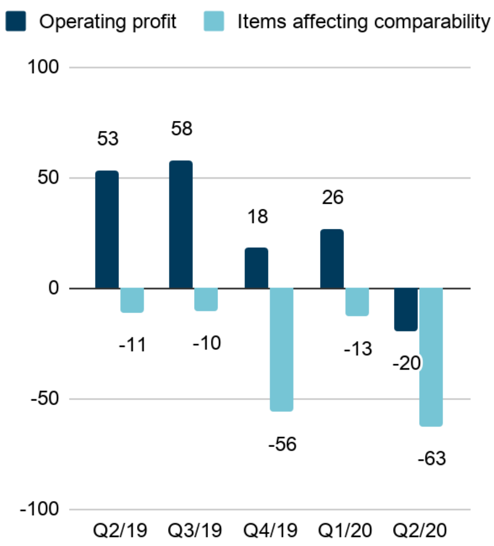
January–June EMEA's share of consolidated sales was 49 (48) percent, Americas' 32 (35) percent and Asia-Pacific's 19 (17) percent.

Financial result

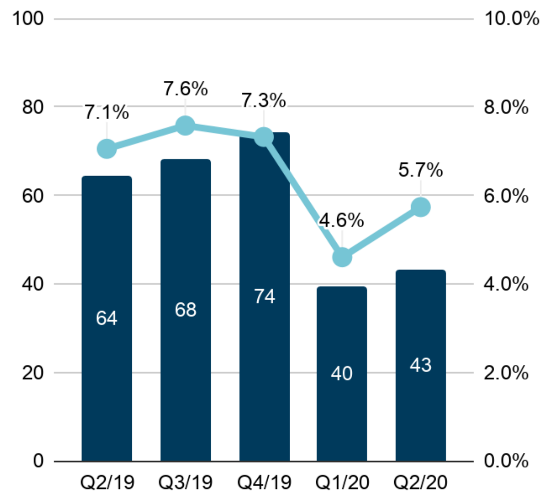
Operating profit and comparable operating profit

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Operating profit	-19.5	53.0	< -100%	7.0	104.1	-93%	180.0
Operating profit, %	-2.6%	5.8%		0.4%	5.9%		4.9%
Comparable operating profit	43.4	64.3	-33%	82.9	121.7	-32%	264.4
Comparable operating profit, %	5.7%	7.1%		5.1%	6.9%		7.2%

Operating profit and items affecting comparability
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



Operating profit for the second quarter totalled EUR -20 (53) million. The operating profit includes items affecting comparability worth EUR -63 (-11) million. EUR -43 (-3) million of the items were related to Kalmar, EUR -6 (-3) million to Hiab, EUR -23 (-2) million to MacGregor and EUR 10 (-3) million to corporate administration and support functions.

January-June operating profit totalled EUR 7 (104) million. The operating profit includes items affecting comparability worth EUR -76 (-18) million. EUR -45 (-4) million of the items were related to Kalmar, EUR -8 (-4) million to Hiab, EUR -26 (-4) million to MacGregor and EUR 3 (-6) million to corporate administration and support functions. More information regarding items affecting comparability is available in Note 6, Comparable operating profit.

Comparable operating profit for the second quarter decreased by 33 percent and totalled EUR 43 (64) million, representing 5.7 (7.1) percent of sales. Comparable operating profit decreased due to the decline in sales, partly offset by increased share of services in the sales mix, productivity improvements and temporary cost savings.

January–June comparable operating profit decreased by 32 percent and totalled EUR 83 (122) million, representing 5.1 (6.9) percent of sales.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the second quarter totalled EUR 5 (5) million. Net financing expenses totalled EUR 9 (8) million. January–June net interest expenses for interest-bearing debt and assets totalled EUR 11 (10) million. Net financing expenses totalled EUR 15 (16) million.

Net income for the second quarter totalled EUR -36 (29) million, and earnings per share was EUR -0.56 (0.45). January–June net income totalled EUR -25 (60) million, and earnings per share EUR -0.39 (0.93).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 4,043 (31 Dec 2019: 4,227) million at the end of the second quarter. Equity attributable to the equity holders of the parent was EUR 1,323 (1,424) million, representing EUR 20.52 (22.12) per share. Property, plant and equipment on the balance sheet amounted to EUR 455 (490) million and intangible assets to EUR 1,313 (1,355) million.

Return on equity (ROE, last 12 months) was 0.3 (30 Jun 2019: 9.5) percent at the end of the second quarter, and return on capital employed (ROCE, last 12 months) was 3.4 (9.6) 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 26 (72) million during January–June. Cash flow was weakened by the increase in net working capital to EUR 240 million at the end of the second quarter from EUR 158 million at the end of 2019. Net working capital increased due to decrease in accounts payable and increase in inventories, 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 745 million on 30 June 2020 (31 Dec 2019: 720). Repayments of interest-bearing liabilities due within the following 12 months totalled EUR 165 (31 Dec 2019: 271) million.

Liquidity

MEUR	30 Jun 2020	31 Dec 2019
Cash and cash equivalents	445.3	420.2
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-164.9	-271.0
Liquidity	**580.5**	**449.2**

In addition, Cargotec had access to a EUR 150 million commercial paper programme, of which undrawn EUR 95 million (31 Dec 2019: 150), as well as undrawn bank overdraft facilities, totalling EUR 130 (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 second quarter of 2020, 57 percent of Cargotec's loan portfolio were bonds and Schuldschein loans (31 Dec 2019: 77), 37 (22) percent bilateral bank loans, and 6 (1) percent commercial papers and drawn bank overdrafts.

Cargotec's maturity profile is balanced: debt maturities in July–December 2020 amount to EUR 110 million. During 2021–2026, the annual maturities are in the range of EUR 100–355 million. During the second quarter, Cargotec prepared for the potential instability in the financial markets by drawing EUR 250 million of bank loans which mature in 2022 and 2023. The revolving credit facility of EUR 300 million matures in 2024.

Interest-bearing net debt totalled EUR 846 (31 Dec 2019: 774) million at the end of the second quarter. Interest-bearing net debt includes EUR 177 (188) million in lease liabilities. Interest-bearing debt amounted to EUR 1,320 (1,224) million, of which EUR 165 (271) million was current and EUR 1,155 (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 474 (451) million.

At the end of the second quarter, Cargotec's total equity/total assets ratio was 35.3 (31 Dec 2019: 36.4) percent. Gearing was 63.8 (54.2) percent.

Corporate topics

Research and development

Research and product development expenditure January–June totalled EUR 55 (50) million, representing 3.4 (2.8) 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 second quarter, R&D activities included for example following projects:

Kalmar and MacGregor announced their joint participation in AEGIS (Advanced, Efficient and Green Intermodal Systems), a three-year project funded by the EU's Horizon 2020 Research and Innovation programme. The focus of the project is on integrating smaller ships, inland transport and short-sea shipping with larger terminals to create a completely new European transport system. Kalmar and MacGregor will be the technology providers for the project.

Navis announced it will leverage the solutions offered by two startups, i4sea and Teqplay, as part of the Navis Smart Suite offering. Both solutions provide complementary features for the Navis Berth Window Management, a cloud-based product that enables terminal operators to better plan and optimise their berth utilisation in an intuitive and easy manner.

Hiab announced a free version of the connected service HiConnect™, a web portal that lets Hiab customers with connected equipment receive insights to improve safety and utilisation as well as keeping track of service needs based on actual usage. The free version provides access to core features, such as a live map of the fleet, upcoming maintenance dates based on actual usage, equipment operation times and used capacity. The full subscription version, now rebranded as HiConnect Premium, provides access to even more extensive data including fleet trends and operational insights, which gives the customer better control and visibility of their operations.

Hiab also launched MULTILIFT Optima 15S and MULTILIFT Optima 25S hooklifts for two and four axle trucks. Optima hooklifts have a light, yet robust construction to provide better fuel efficiency and reduce CO2 emissions. They offer customers great value and deliver quality, safety and reliability.

Digital technologies such as CCTV feed from the crane's Augmented Reality Operator Station were utilised as MacGregor's test engineers based in Norway together with remotely located shipowner (France), their client (Denmark), the shipbuilder (Turkey) overcome Covid-19 restrictions and completed a significant key project milestone.

A digital technology also enabled Factory Acceptance Test (FAT) that was successfully completed in April on a MacGregor 3D-compensated crane to be installed on an offshore wind energy service operation vessel.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 23 (27) million in January–June. Investments in customer financing were EUR 13 (23) million. Depreciation, amortisation and impairment amounted to EUR 75 (58) million. The amount includes impairments worth EUR 11 (1) million, of which EUR 11 (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 13, 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 47 million. Around EUR 4 million savings were achieved during the second quarter. The remaining part of the savings, around EUR 3 million, is expected to be achieved in 2020.

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 14, 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 second quarter amounted to EUR 72 (11) million and to EUR 79 (17) million in January-June. 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.

Although the COVID-19 situation has been improving in many countries where Cargotec operates, it is difficult to estimate how the 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. Planned cost saving measures include for example temporary lay-offs, development of the organisation structure and other cost adjustments.

More information regarding restructuring costs and other items affecting comparability is available in Note 6, Comparable operating profit.

Personnel

Cargotec employed 12,158 (31 Dec 2019: 12,587) people at the end of the second quarter. The average number of employees in the second quarter was 12,377 (1–12/2019: 12,470).

Sustainability

During the second quarter we continued to progress in our sustainability work. We focused our efforts on ensuring the health, safety and wellbeing of our employees during the exceptional situation caused by the COVID-19 pandemic. We also introduced our climate ambition to be a 1.5 degree company.

Our employees’ health and safety remains our top priority and we are committed to ensure a safe work environment for everyone at Cargotec. As the COVID-19 situation started to spread, we organised action groups to monitor the situation, make quick decisions, and to ensure a regular flow of communication. We comply with local regulatory recommendations as well as the World Health Organisation guidelines. We also apply extra measures in our locations to avoid the spread of the virus. The Cargotec-level guidance is always applied in accordance with the guidelines of the local health authorities, as there have been great variations in how the situation is dealt with in different countries. We continue to apply the physical distancing policy, working-from-home policy for our office personnel, while also applying special procedures at our assembly units to ensure continuity in the production processes.

Despite the difficult situation, we also moved forward with our climate ambition work. We believe that now, more than ever, companies should strive to mitigate their negative environmental impact. Cargotec has committed to the United Nations Global Compact’s Business Ambition for 1.5°C, joining leading companies in a promise to pursue science-based measures to limit global temperature rise to 1.5 degrees centigrade. By making this commitment, Cargotec strives to mitigate climate change through making the logistics industry more efficient and in developing solutions to enable a low-carbon economy. We are currently in the process of validating our target with the Science Based Targets initiative. Cargotec has made the commitment to reduce the CO2 emissions of raw material sourcing and product use phase (Scope 3 emissions) by at least 50 percent from the 2019 levels by 2030. In addition, we aim to be carbon neutral in our own operations by 2030.

Cargotec is also showing commitment to climate actions by signing the UN Global Compact’s "Uniting Business and Governments to Recover Better" statement in May as part of the Science Based Targets initiative and its Business Ambition for 1.5°C campaign. The target of the statement, signed by more than 150 companies, is to urge governments to prioritise a faster and fairer transition from a grey to a green economy by aligning policies and recovery plans with the latest climate science.

Our business has been affected by the COVID-19 pandemic and, even though we have seen a drop in our total sales, the demand for our eco-efficiency products has remained at the same level, leading to increase in the percentage of these sales to 23 (22) percent in the first half. Our industrial injury frequency rate (IIFR) improved to 5.8 (7.4) at the end of the second quarter. The IIFR in our assembly sites was 4.9 (6.2), 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.

Leadership Team

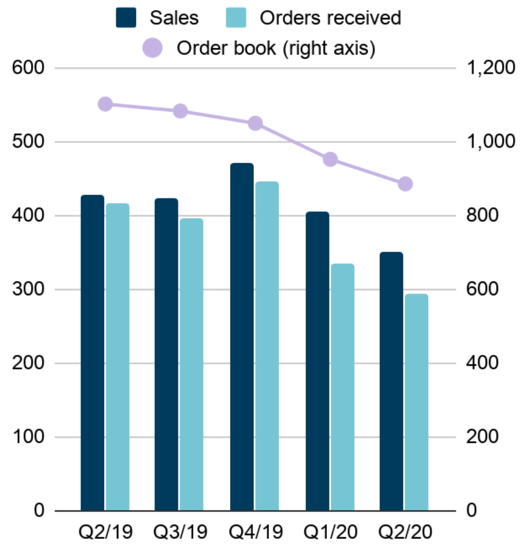
On 30 June 2020, Cargotec's Leadership Team consisted of Mika Vehviläinen, CEO; Mikko Puolakka, Executive Vice President, CFO; Mikko Pelkonen, Senior Vice President, Human Resources; Mikael Laine, Senior Vice President, Strategy; Soili Mäkinen, CIO; Outi Aaltonen, General Counsel; Carina Geber-Teir, 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

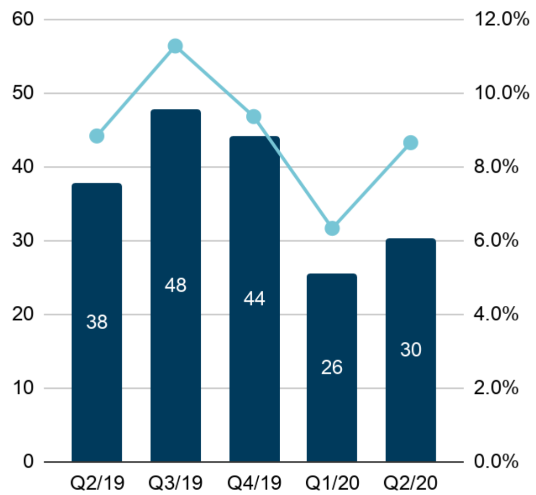
Kalmar

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Orders received	293	417	-30%	627	934	-33%	1,776
Order book, end of period	885	1,101	-20%	885	1,101	-20%	1,049
Sales	350	427	-18%	754	828	-9%	1,723
Service sales	106	114	-7%	213	224	-5%	464
% of sales	30%	27%		28%	27%		27%
Software sales	43	41	5%	83	79	6%	169
% of sales	12%	10%		11%	10%		10%
Operating profit	-13.1	34.6	< -100%	11.0	65.8	-83%	154.4
% of sales	-3.7%	8.1%		1.5%	8.0%		9.0%
Comparable operating profit	30.3	37.7	-20%	55.9	70.0	-20%	161.8
% of sales	8.6%	8.8%		7.4%	8.5%		9.4%
Personnel, end of period	5,647	5,783	-2%	5,647	5,783	-2%	5,625

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



In the second quarter, orders received by Kalmar decreased by 30 percent and totalled EUR 293 (417) million. Orders received decreased particularly in mobile equipment and in automation and projects.

Major orders received by Kalmar in the second quarter included:

- 10 Kalmar Eco reachstackers, five empty container handlers, one medium forklift and a 4-year Kalmar Care service agreement with ACFS in Australia,
- four fully electric forklifts and two hybrid straddle carriers to Port of Bridgetown, Barbados,
- three Kalmar Zero Emission rubber-tyred gantry cranes (RTGs) to Klabin in Brazil,
- 10-year Kalmar Care service agreement with Lineas Intermodal in Belgium,
- seven Gloria reachstackers to Contargo Rhein-Main GmbH in Germany,
- nine empty container handlers and one Kalmar Gloria reachstacker to DR Depots in the Netherlands, and
- 16 Kalmar Ottawa terminal tractors to SAAM's terminals in Chile and Ecuador.

Kalmar's orders received in January–June decreased by 33 percent and totalled EUR 627 (934) million.

Kalmar's order book decreased by 16 percent from the end of 2019, and at the end of the second quarter it totalled EUR 885 (31 Dec 2019: 1,049) million.

Kalmar's second quarter sales decreased by 18 percent from the comparison period and totalled EUR 350 (427) million. Service sales decreased by 7 percent and totalled EUR 106 (114) million, representing 30 (27) percent of sales. Software sales increased by 5 percent and amounted to EUR 43 (41) million.

January–June sales decreased by 9 percent and totalled EUR 754 (828) million. Service sales decreased by 5 percent and totalled EUR 213 (224) million, representing 28 (27) percent of sales. Software sales increased by 6 percent and amounted to EUR 83 (79) million.

Kalmar's second quarter operating profit decreased more than 100 percent and totalled EUR -13 (35) million. The operating profit includes EUR -43 (-3) million in items affecting comparability, of which EUR 36 million are related to the restructuring of RCI business. The comparable operating profit amounted to EUR 30 (38) million, representing 8.6 (8.8) percent of sales. Kalmar's comparable operating profit decreased due to decline in sales. However, Kalmar's comparable operating margin remained at the comparison period's level due to increased share of services in the sales mix, productivity improvements and temporary cost savings.

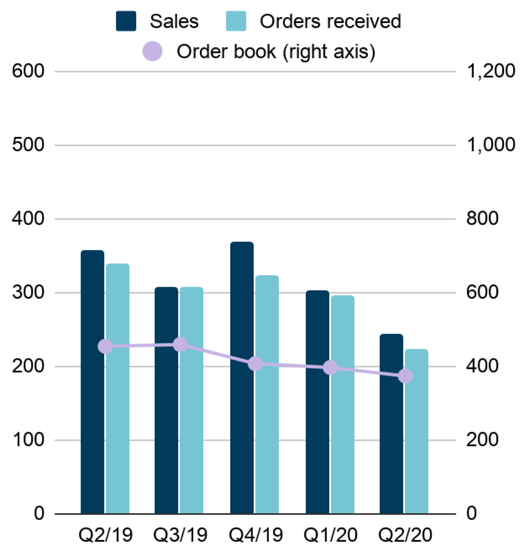
Kalmar's January–June operating profit totalled EUR 11 (66) million. Operating profit includes EUR -45 (-4) million in items affecting comparability. Comparable operating profit amounted to EUR 56 (70) million, representing 7.4 (8.5) percent of sales.

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. Due to the coronavirus pandemic, the evaluation has been paused at the moment and we return to it at a later date.

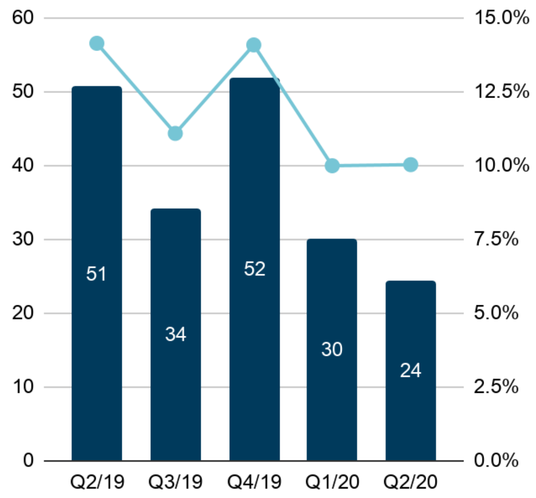
Hiab

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Orders received	223	340	-34%	519	681	-24%	1,310
Order book, end of period	373	453	-18%	373	453	-18%	406
Sales	243	358	-32%	544	674	-19%	1,350
Service sales	72	88	-18%	156	171	-9%	343
% of sales	30%	24%		29%	25%		25%
Operating profit	18.0	47.3	-62%	46.4	80.7	-42%	159.3
% of sales	7.4%	13.2%		8.5%	12.0%		11.8%
Comparable operating profit	24.3	50.6	-52%	54.4	84.3	-35%	170.2
% of sales	10.0%	14.1%		10.0%	12.5%		12.6%
Personnel, end of period	3,774	4,103	-8%	3,774	4,103	-8%	4,028

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



Hiab's orders received for the second quarter decreased by 34 percent from the comparison period and totalled EUR 223 (340) million. Orders received decreased in EMEA, in Americas and in Asia-Pacific. During the second quarter of the year, Hiab's orders received were relatively small individual ones which is typical for Hiab's business.

Hiab's orders received in January–June decreased by 24 percent and totalled EUR 519 (681) million.

Hiab's order book decreased by 8 percent from the end of 2019 and totalled EUR 373 (31 Dec 2019: 406) million at the end of the second quarter.

Hiab's second quarter sales decreased by 32 percent and totalled EUR 243 (358) million. Sales declined in EMEA, in Americas and in Asia-Pacific. Service sales decreased by 18 percent from the comparison period to EUR 72 (88) million, representing 30 (24) percent of sales. In January–June, Hiab's sales decreased by 19 percent and totalled EUR 544 (674) million. Service sales decreased by 9 percent to EUR 156 (171) million, representing 29 (25) percent of sales.

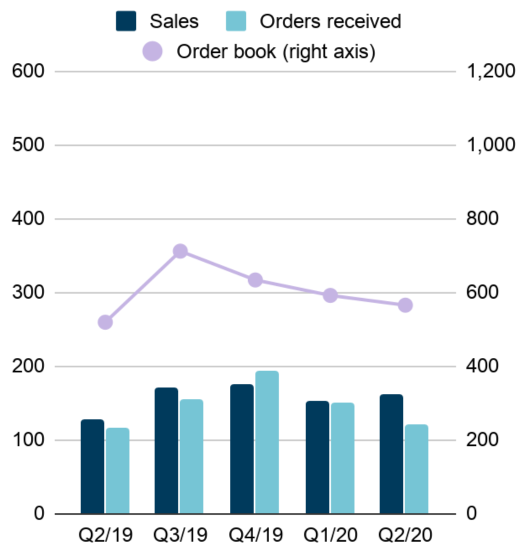
Hiab’s second quarter operating profit decreased from the comparison period by 62 percent and totalled EUR 18 (47) million. The operating profit includes EUR -6 (-3) million in items affecting comparability. The comparable operating profit amounted to EUR 24 (51) million, representing 10.0 (14.1) percent of sales. Hiab’s comparable operating profit decreased due to the decline in sales. Hiab’s comparable operating margin remained at a good level due to increased share of services in the sales mix, productivity improvements and temporary cost savings.

Hiab’s operating profit in January–June decreased from the comparison period and totalled EUR 46 (81) million. Operating profit includes EUR -8 (-4) million in items affecting comparability. Comparable operating profit amounted to EUR 54 (84) million, representing 10.0 (12.5) percent of sales.

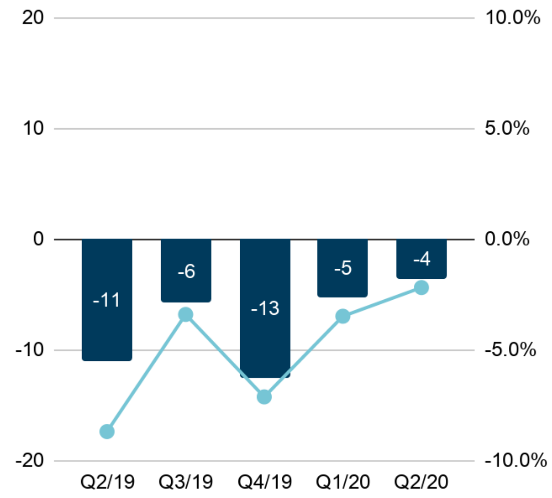
MacGregor

MEUR	Q2/20	Q2/19	Change	Q1-Q2/20	Q1-Q2/19	Change	2019
Orders received	120	116	4%	271	281	-3%	630
Order book, end of period	565	519	9%	565	519	9%	633
Sales	163	127	28%	315	266	19%	611
Service sales	61	58	7%	131	114	15%	255
% of sales	38%	45%		42%	43%		42%
Operating profit	-26.8	-12.9	< -100%	-34.9	-13.6	< -100%	-83.3
% of sales	-16.5%	-10.2%		-11.1%	-5.1%		-13.6%
Comparable operating profit	-3.6	-11.0	68%	-8.9	-9.8	9%	-28.2
% of sales	-2.2%	-8.7%		-2.8%	-3.7%		-4.6%
Personnel, end of period	2,143	1,880	14%	2,143	1,880	14%	2,350

Sales, orders received and order book
MEUR



Comparable operating profit, MEUR
Comparable operating profit margin, %



MacGregor’s orders received in the second quarter increased by 4 percent from the comparison period to EUR 120 (116) million. Orders received increased in EMEA and decreased in Americas and in Asia-Pacific. Slightly over half of the orders received were related to merchant ships and slightly less than half to the offshore sector. MacGregor’s orders received in the second quarter included an order to provide cargo handling cranes for four 62,000 dwt general cargo ships including installation of the MacGregor OnWatch Scout condition and predictive monitoring system.

MacGregor’s orders received in January–June decreased by 3 percent from the comparison period to EUR 271 (281) million.

MacGregor’s order book decreased by 11 percent from the end of 2019, totalling EUR 565 (31 Dec 2019: 633) million at the end of the second quarter. Around 70 percent of the order book is merchant ship-related and around 30 percent is offshore vessel-related.

MacGregor’s second quarter sales increased by 28 percent from the comparison period to EUR 163 (127) million. Service sales increased by 7 percent and totalled EUR 61 (58) million, representing 38 (45) percent of sales. MacGregor's January–June sales increased by 19 percent from the comparison period to EUR 315 (266) million. Service sales grew by 15 percent to EUR 131 (114) million, representing 42 (43) percent of sales.

MacGregor's operating profit for the second quarter totalled EUR -27 (-13) million. Operating profit includes EUR -23 (-2) million in items affecting comparability, the majority of which is related to the integration of TTS business. The comparable operating profit totalled EUR -4 (-11) million, representing -2.2 (-8.7) percent of sales. MacGregor's comparable operating profit increased driven by cost savings achieved by restructurings and higher merchant ship-related volumes.

MacGregor's January–June operating profit totalled EUR -35 (-14) million. Operating profit includes EUR -26 (-4) million in items affecting comparability. Comparable operating profit totalled EUR -9 (-10) million, representing -2.8 (-3.7) percent of sales.

Excluding TTS, MacGregor's orders received decreased by 8 percent from the comparison period to EUR 107 (116) million and sales increased by 3 percent to EUR 130 (127) million. MacGregor's operating profit excluding TTS was EUR -26 (-13) million.

Annual General Meeting and shares

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting was held 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 possible 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 dividend payment day was 5 June 2020.

Possible second instalment of the dividend will be paid on the basis of a decision of the Board of Directors, in accordance with the authorisation given by the Annual General Meeting. The second instalment may not exceed EUR 0.60 for each class A share and EUR 0.60 for each class B share outstanding. Based on the authorisation, the Board of Directors is allowed to decide on the amount of the second instalment of dividend distribution within the above-mentioned maximum amounts, the record and the payment date of dividend distribution and other measures required by the matter. On the basis of the authorisation, the second instalment of the dividend distribution that may be paid will be paid to shareholders who are registered in the company's shareholder register on the record date of the dividend payment. The authorisation is valid until the beginning of the next Annual General Meeting.

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 June. 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 June, 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 June, 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 June, the total market value of class B shares was EUR 1,135 (1,832) 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 1,336 (2,149) million, excluding own shares held by the company.

The class B share closed at EUR 20.66 (33.38) on the last trading day of June on Nasdaq Helsinki. The volume-weighted average share price in January–June was EUR 21.80 (32.46), the highest quotation being EUR 35.50 (38.48) and the lowest EUR 15.15 (26.60). During the period, a total of 32 (15) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 709 (485) million. In addition, according to Fidessa, a total of 29 (22) million class B shares were traded in several alternative marketplaces, such as Cboe BXE and Cboe APA, corresponding to a turnover of EUR 676 (717) 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 may limit new investments in the short term. The uncertainty regarding oil price development has 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 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.

Outlook for 2020

Visibility towards the end of the year is still weak. In the current exceptional situation Cargotec estimates that it is not able to give a guidance for the year 2020. During the second half of the year, Cargotec estimates its business and operating environment to develop as follows:

- The recovery of market activity continues
- The delivery capability of Cargotec and its supply chain continues to improve
- Productivity improvements support profitability in the future as well

Financial calendar 2020

Interim report January–September 2020 on Thursday, 22 October 2020

Helsinki, 17 July 2020
Cargotec Corporation
Board of Directors

This half year financial report is unaudited.

Consolidated statement of income

MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Sales	**755.8**	**911.4**	**1,614.0**	**1,767.3**	**3,683.4**
Cost of goods sold	-592.9	-694.5	-1,261.1	-1,344.1	-2,810.3
Gross profit	**162.9**	**216.9**	**353.0**	**423.2**	**873.1**
Gross profit, %	*21.6%*	*23.8%*	*21.9%*	*23.9%*	*23.7%*
Other operating income	15.9	7.6	26.4	16.4	33.5
Selling and marketing expenses	-46.2	-58.5	-103.4	-119.3	-238.4
Research and development expenses	-26.8	-26.5	-56.4	-51.5	-105.6
Administration expenses	-52.2	-67.5	-119.4	-131.4	-269.3
Restructuring costs	-72.1	-11.0	-78.5	-16.7	-80.1
Other operating expenses	-3.9	-7.8	-17.1	-15.6	-33.8
Costs and expenses	-185.3	-163.6	-348.5	-318.1	-693.7
Share of associated companies' and joint ventures' net income	2.9	-0.2	2.4	-1.1	0.6
Operating profit	**-19.5**	**53.0**	**7.0**	**104.1**	**180.0**
Operating profit, %	*-2.6%*	*5.8%*	*0.4%*	*5.9%*	*4.9%*
Financing income and expenses	-8.5	-8.2	-15.3	-16.4	-34.1
Income before taxes	**-28.1**	**44.9**	**-8.4**	**87.7**	**145.9**
Income before taxes, %	*-3.7%*	*4.9%*	*-0.5%*	*5.0%*	*4.0%*
Income taxes	-8.4	-15.9	-16.8	-27.7	-56.5
Net income for the period	**-36.5**	**29.0**	**-25.1**	**60,0**	**89.4**
Net income for the period, %	*-4.8%*	*3.2%*	*-1.6%*	*3.4%*	*2.4%*
Net income for the period attributable to:					
Equity holders of the parent	-36.3	29.0	-25.0	59.9	89.4
Non-controlling interest	-0.1	0.0	-0.2	0.1	0.0
Total	**-36.5**	**29.0**	**-25.1**	**60.0**	**89.4**
Earnings per share for profit attributable to the equity holders of the parent:					
Earnings per share, EUR	-0.56	0.45	-0.39	0.93	1.39
Diluted earnings per share, EUR	-0.56	0.45	-0.39	0.93	1.39

The notes are an integral part of the half year financial report.

Consolidated statement of comprehensive income

MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Net income for the period	**-36.5**	**29.0**	**-25.1**	**60.0**	**89.4**
Other comprehensive income					
Items that cannot be reclassified to statement of income:					
Actuarial gains (+) / losses (-) from defined benefit plans	-1.9	0.7	0.3	1.0	-13.9
Gains (+) / losses (-) on designated share investments measured at fair value	-2.0	-	-2.0	-	-
Taxes relating to items that cannot be reclassified to statement of income	0.4	-0.1	-0.1	-0.2	2.8
Items that can be reclassified to statement of income:					
Gains (+) / losses (-) on cash flow hedges	25.1	7.0	6.8	5.8	2.6
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	-17.8	-3.0	-5.5	-0.2	3.9
Translation differences	7.0	-13.6	-37.3	11.4	11.1
Taxes relating to items that can be reclassified to statement of income	-0.5	-1.2	-1.0	-1.1	-2.1
Other comprehensive income, net of tax	**10.3**	**-10.2**	**-38.7**	**16.7**	**4.5**
Comprehensive income for the period	**-26.2**	**18.8**	**-63.8**	**76.7**	**93.8**
Comprehensive income for the period attributable to:					
Equity holders of the parent	-26.1	18.9	-63.5	76.5	93.7
Non-controlling interest	-0.2	-0.1	-0.3	0.1	0.2
Total	**-26.2**	**18.8**	**-63.8**	**76.7**	**93.8**

The notes are an integral part of the half year financial report.

Consolidated balance sheet

ASSETS, MEUR	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Non-current assets			
Goodwill	1,036.7	994.7	1,058.5
Other intangible assets	276.3	257.2	296.1
Property, plant and equipment	454.6	465.7	489.7
Investments in associated companies and joint ventures	53.7	100.4	120.8
Share investments	30.0	0.3	0.3
Loans receivable and other interest-bearing assets*	27.2	34.8	29.1
Deferred tax assets	128.1	137.7	131.2
Derivative assets	0.0	-	-
Other non-interest-bearing assets	13.3	8.0	10.3
Total non-current assets	**2,019.9**	**1,998.7**	**2,136.0**
Current assets			
Inventories	763.8	752.1	713.0
Loans receivable and other interest-bearing assets*	1.5	1.4	1.3
Income tax receivables	22.3	39.5	24.1
Derivative assets	7.9	10.2	8.5
Accounts receivable and other non-interest-bearing assets	782.7	888.7	924.3
Cash and cash equivalents*	445.3	156.0	420.2
Total current assets	**2,023.6**	**1,847.8**	**2,091.4**
Total assets	**4,043.5**	**3,846.5**	**4,227.4**

EQUITY AND LIABILITIES, MEUR	**30 Jun 2020**	**30 Jun 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	-70.3	-32.8	-33.2
Fair value reserves	-8.8	-9.1	-9.1
Reserve for invested non-restricted equity	57.4	57.4	57.4
Retained earnings	1,182.7	1,228.1	1,247.1
Total equity attributable to the equity holders of the parent	**1,323.3**	**1,406.0**	**1,424.5**
Non-controlling interest	2.5	2.8	2.8
Total equity	**1,325.8**	**1,408.8**	**1,427.3**
Non-current liabilities			
Interest-bearing liabilities*	1,155.4	724.5	953.3
Deferred tax liabilities	37.0	26.9	39.1
Pension obligations	110.4	92.2	110.4
Provisions	5.9	8.0	7.0
Derivative liabilities	0.3	-	-
Other non-interest-bearing liabilities	61.0	62.6	66.0
Total non-current liabilities	**1,370.0**	**914.2**	**1,175.8**
Current liabilities			
Current portion of interest-bearing liabilities*	71.0	230.4	233.0
Other interest-bearing liabilities*	93.9	113.2	38.1
Provisions	105.9	87.3	114.3
Advances received	283.0	216.4	306.3
Income tax payables	23.8	13.8	21.1
Derivative liabilities	9.0	5.9	11.8
Accounts payable and other non-interest-bearing liabilities	761.1	856.6	899.8
Total current liabilities	**1,347.7**	**1,523.5**	**1,624.3**
Total equity and liabilities	**4,043.5**	**3,846.5**	**4,227.4**

*Included in interest-bearing net debt.

The notes are an integral part of the half year financial 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						-25.0	-25.0	-0.2	-25.1
Cash flow hedges				0.3			0.3	0.0	0.3
Translation differences			-37.2				-37.2	-0.1	-37.3
Actuarial gains and losses from defined benefit plans						0.3	0.3		0.3
Gains and losses on designated share investments measured at fair value						-2.0	-2.0		-2.0
Comprehensive income for the period*	**-**	**-**	**-37.2**	**0.3**	**-**	**-26.7**	**-63.5**	**-0.3**	**-63.8**
Profit distribution						-38.6	-38.6	-	-38.6
Treasury shares acquired							-		-
Share-based payments*						0.9	0.9		0.9
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**-37.7**	**-37.7**	**-**	**-37.7**
Transactions with non-controlling interests							-		-
Equity 30 Jun 2020	**64.3**	**98.0**	**-70.3**	**-8.8**	**57.4**	**1,182.7**	**1,323.3**	**2.5**	**1,325.8**
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						59.9	59.9	0.1	60.0
Cash flow hedges				4.4			4.4	0.0	4.4
Translation differences			11.4				11.4	0.0	11.4
Actuarial gains and losses from defined benefit plans						0.8	0.8		0.8
Comprehensive income for the period*	**-**	**-**	**11.4**	**4.4**	**-**	**60.7**	**76.5**	**0.1**	**76.7**
Profit distribution						-70.6	-70.6	-0.3	-70.9
Treasury shares acquired					-1.1		-1.1		-1.1
Share-based payments*						0.2	0.2		0.2
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-1.1**	**-70.5**	**-71.6**	**-0.3**	**-71.9**
Transactions with non-controlling interests							-	0.0	0.0
Equity 30 Jun 2019	**64.3**	**98.0**	**-32.8**	**-9.1**	**57.4**	**1,228.1**	**1,406.0**	**2.8**	**1,408.8**

*Net of tax

The notes are an integral part of the half year financial report.

Consolidated condensed statement of cash flows

MEUR	Q1-Q2/20	Q1-Q2/19	2019
Net cash flow from operating activities			
Net income for the period	-25.1	60.0	89.4
Depreciation, amortisation and impairment	74.8	58.1	133.8
Other adjustments	61.8	44.7	87.4
Change in net working capital	-85.1	-90.4	50.4
Cash flow from operations before financing items and taxes	**26.4**	**72.3**	**361.1**
Cash flow from financing items and taxes	-30.2	-56.0	-57.6
Net cash flow from operating activities	**-3.8**	**16.3**	**303.5**
Net cash flow from investing activities			
Acquisitions of businesses, net of cash acquired	-11.6	-3.9	-109.5
Disposals of businesses, net of cash sold	1.4	-	0.3
Cash flow from investing activities, other items	-10.2	-24.4	-41.4
Net cash flow from investing activities	**-20.4**	**-28.3**	**-150.6**
Net cash flow from financing activities			
Treasury shares acquired	-	-2.2	-2.2
Repayments of lease liabilities	-22.0	-20.7	-45.5
Proceeds from long-term borrowings	249.5	50.0	298.1
Repayments of long-term borrowings	-198.6	-151.8	-168.3
Proceeds from short-term borrowings	82.0	115.0	271.6
Repayments of short-term borrowings	-30.7	-40.0	-257.8
Profit distribution	-35.2	-35.6	-71.0
Net cash flow from financing activities	**45.2**	**-85.3**	**24.9**
Change in cash and cash equivalents	**20.9**	**-97.3**	**177.8**
Cash and cash equivalents, and bank overdrafts at the beginning of period	409.8	225.5	225.5
Effect of exchange rate changes	-1.8	3.3	6.6
Cash and cash equivalents, and bank overdrafts at the end of period	**429.0**	**131.4**	**409.8**
Bank overdrafts at the end of period	16.4	24.5	10.4
Cash and cash equivalents at the end of period	**445.3**	**156.0**	**420.2**

The notes are an integral part of the half year financial report.

Key figures

		Q1-Q2/20	Q1-Q2/19	2019
Equity / share	EUR	20.52	21.83	22.12
Total equity / total assets	%	35.3%	38.8%	36.4%
Interest-bearing net debt	MEUR	846.2	876.0	773.6
Interest-bearing net debt / EBITDA, last 12 months		3.6	2.8	2.5
Gearing	%	63.8%	62.2%	54.2%
Return on equity (ROE), last 12 months	%	0.3%	9.5%	6.3%
Return on capital employed (ROCE), last 12 months*	%	3.4%	9.6%	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 0.5 percentage points in the second quarter of 2019.

Additional information regarding interest-bearing net debt and gearing is disclosed in note 10, Interest-bearing net debt and liquidity.

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 financial statements review 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 review. Additionally, Cargotec has, according to its new accounting policy, measured at fair value through other comprehensive income, the share investment described in note 14, 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 has treated different countries and industries very differently. The economic crisis caused by the pandemic has also had a significant impact on Cargotec and it is expected that in many respects 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 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 effects were not yet significantly reflected in the reported figures.

In the second quarter, the effects of the pandemic were reflected in both demand and Cargotec's delivery capability. Orders improved every month after a weak April. Cargotec's assembly units could be restarted by June, and they were all operational at the time of writing. Challenges related to supply chains have also decreased. With the decrease in sales, the amount of customer receivables decreased, but due to the economic situation, the relative share of overdue trade receivables increased. The credit loss provision related to trade receivables was EUR 21.5 (31 Dec 2019: 19.0) million on reporting date. Credit risk is estimated to have increased, but realized credit losses have not increased significantly. Customers have not significantly canceled their orders, but restrictions related to pandemic management as well as general financial uncertainty had a significant impact on order intake in the second quarter. Due to the weakening demand, obsolescence provision for inventories increased to EUR 112 (31 Dec 2019: 98) million by the end of June.

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 10, Interest-bearing net debt and liquidity.

For the rest of the year, the immediate financial impact of the crisis on Cargotec's business will depend above all on the success of pandemic management in the various countries. If the situation persists, the indirect economic effects of the crisis will also be reflected in business.

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 economic environment, the following additional measures have been taken in connection with the financial reporting for the second quarter of 2020:

- Additional goodwill impairment testing has been performed for the MacGregor segment
- Additional credit risk review has been performed on customer and loan receivables.

MacGregor goodwill impairment testing

The MacGregor segment's recoverable amount was determined based on fair value less costs to sell, and the test showed a slight improvement compared to the first quarter testing. The improvement was mainly due to changes in MacGregor's balance sheet and the impact of market variables on the weighted average cost of capital (WACC) used as the discount rate. The after-tax WACC used was 7.5% (31 Mar 2020: 8.0%, 31 Dec 2019: 7.4%). There was no significant change in MacGregor's revenue and profitability forecasts compared to the impairment testing performed on 31 March 2020.

Based on the performed impairment tests, no impairment loss has been recognized. MacGregor's recoverable amount is still low relative to the assets being tested.

As part of MacGregor's impairment testing, sensitivity analyses have been made for key assumptions based on three different scenarios. The changes tested in the calculations are a 2 percentage point increase in the discount rate in the first scenario, a 10 percent decrease in turnover and a 2 percentage point decrease in operating profit margin throughout the estimation period in the second scenario, and a combined effect of the previous scenarios in the third scenario. The results of the sensitivity analysis are shown 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, 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 Jun 2020	37.0	Impairment*	Impairment**	Impairment
31 Mar 2020	7.0	Impairment*	Impairment**	Impairment
31 Dec 2019	170.0	Impairment*	Impairment**	Impairment

*Threshold for impairment was WACC +0.4 percentage points (31 Mar 2020: +0.1 percentage points, and 31 Dec 2019: WACC +1.2 percentage points).
**Threshold for impairment was estimation period sales -5.4 percent (31 Mar 2020: -1.1 percent, and 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 the goodwill, the amount to be written off would be significant if the scenarios considered in the sensitivity analysis realize; EUR 124 (31 Mar 2020: 142, and 31 Dec 2019: 29) million in the first scenario, EUR 222 (31 Mar 2020: 235, and 31 Dec 2019: 133) million in the second, and EUR 330 (31 Mar 2020: 337, and 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.

4. Segment information

Sales, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	350	427	754	828	1,723
Hiab	243	358	544	674	1,350
MacGregor	163	127	315	266	611
Internal sales	0	0	0	0	-1
Total	**756**	**911**	**1,614**	**1,767**	**3,683**

Sales by geographical area, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
EMEA	354	450	784	846	1,764
Americas	233	310	516	616	1,243
Asia-Pacific	168	151	314	306	677
Total	**756**	**911**	**1,614**	**1,767**	**3,683**

Sales by geographical area, %	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
EMEA	47%	49%	49%	48%	48%
Americas	31%	34%	32%	35%	34%
Asia-Pacific	22%	17%	19%	17%	18%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Operating profit and EBITDA, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	-13.1	34.6	11.0	65.8	154.4
Hiab	18.0	47.3	46.4	80.7	159.3
MacGregor	-26.8	-12.9	-34.9	-13.6	-83.3
Corporate administration and support functions	2.4	-15.9	-15.5	-28.8	-50.4
Operating profit	**-19.5**	**53.0**	**7.0**	**104.1**	**180.0**
Depreciation, amortisation and impairment	43.1	30.0	74.8	58.1	133.8
EBITDA	**23.5**	**83.1**	**81.8**	**162.2**	**313.8**

Operating profit, %	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	-3.7%	8.1%	1.5%	8.0%	9.0%
Hiab	7.4%	13.2%	8.5%	12.0%	11.8%
MacGregor	-16.5%	-10.2%	-11.1%	-5.1%	-13.6%
Cargotec	-2.6%	5.8%	0.4%	5.9%	4.9%

Items affecting comparability, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	-43.4	-3.1	-44.9	-4.1	-7.4
Hiab	-6.4	-3.3	-8.0	-3.7	-10.9
MacGregor	-23.2	-1.9	-26.0	-3.7	-55.1
Corporate administration and support functions	10.1	-3.0	3.0	-6.1	-10.9
Total	**-62.9**	**-11.3**	**-75.9**	**-17.6**	**-84.4**

Comparable operating profit, MEUR	Q2/2	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	30.3	37.7	55.9	70.0	161.8
Hiab	24.3	50.6	54.4	84.3	170.2
MacGregor	-3.6	-11.0	-8.9	-9.8	-28.2
Corporate administration and support functions	-7.7	-13.0	-18.5	-22.8	-39.5
Total	**43.4**	**64.3**	**82.9**	**121.7**	**264.4**

Comparable operating profit, %	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	8.6%	8.8%	7.4%	8.5%	9.4%
Hiab	10.0%	14.1%	10.0%	12.5%	12.6%
MacGregor	-2.2%	-8.7%	-2.8%	-3.7%	-4.6%
Cargotec	5.7%	7.1%	5.1%	6.9%	7.2%

Orders received, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	293	417	627	934	1,776
Hiab	223	340	519	681	1,310
MacGregor	120	116	271	281	630
Internal orders received	0	-1	0	-1	-1
Total	**637**	**872**	**1,417**	**1,894**	**3,714**

Orders received by geographical area, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
EMEA	331	435	764	936	1,818
Americas	171	282	375	617	1,250
Asia-Pacific	134	155	278	341	646
Total	**637**	**872**	**1,417**	**1,894**	**3,714**

Orders received by geographical area, %	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
EMEA	52%	50%	54%	49%	49%
Americas	27%	32%	26%	33%	34%
Asia-Pacific	21%	18%	20%	18%	17%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Order book, MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
Kalmar	885	1,101	1,049
Hiab	373	453	406
MacGregor	565	519	633
Internal order book	-1	-2	0
Total	**1,822**	**2,072**	**2,089**

Number of employees at the end of period	30 Jun 2020	30 Jun 2019	31 Dec 2019
Kalmar	5,647	5,783	5,625
Hiab	3,774	4,103	4,028
MacGregor	2,143	1,880	2,350
Corporate administration and support functions	594	569	584
Total	**12,158**	**12,335**	**12,587**

Average number of employees	Q1-Q2/20	Q1-Q2/19	2019
Kalmar	5,643	5,720	5,723
Hiab	3,925	4,083	4,063
MacGregor	2,222	1,869	2,125
Corporate administration and support functions	587	540	559
Total	**12,377**	**12,212**	**12,470**

5. Revenue from contracts with customers

Cargotec, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Equipment sales	474	611	1,031	1,180	2,453
Service sales	239	259	499	508	1,062
Software sales	43	41	83	79	168
Total sales	**756**	**911**	**1,614**	**1,767**	**3,683**
Recognised at a point in time	591	798	1,321	1,532	3,179
Recognised over time	165	113	293	235	505

Kalmar, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Equipment sales	201	272	458	525	1,090
Service sales	106	114	213	224	464
Software sales	43	41	83	79	169
Total sales	**350**	**427**	**754**	**828**	**1,723**
Recognised at a point in time	274	349	599	678	1,405
Recognised over time	76	78	155	150	318

Hiab, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Equipment sales	171	270	389	504	1,007
Service sales	72	88	156	171	343
Total sales	**243**	**358**	**544**	**674**	**1,350**
Recognised at a point in time	240	356	538	669	1,339
Recognised over time	3	3	6	5	11

MacGregor, MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Equipment sales	101	69	184	152	357
Service sales	61	58	131	114	255
Total sales	**163**	**127**	**315**	**266**	**611**
Recognised at a point in time	78	94	184	185	435
Recognised over time	85	33	131	80	176

6. Comparable operating profit

MEUR	Q2/20	Q2/19	Q1-Q2/20	Q1-Q2/19	2019
Operating profit	**-19.5**	**53.0**	**7.0**	**104.1**	**180.0**
Restructuring costs					
Employment termination costs	13.6	5.3	17.1	7.0	22.7
Impairments of non-current assets	14.5	0.1	14.5	0.1	5.9
Impairments of inventories	1.6	0.3	1.6	0.3	20.1
Restructuring-related disposals of businesses*	36.9	0.0	36.9	0.0	0.4
Other restructuring costs**	5.4	5.3	8.4	9.3	31.0
Restructuring costs, total	**72.1**	**11.0**	**78.5**	**16.7**	**80.1**
Other items affecting comparability					
Expenses related to business acquisitions or disposals	2.3	0.3	3.4	1.0	4.3
Other costs***	-11.4	-	-6.0	-	-
Other items affecting comparability, total	**-9.2**	**0.3**	**-2.6**	**1.0**	**4.3**
Comparable operating profit	**43.4**	**64.3**	**82.9**	**121.7**	**264.4**

* Additional information regarding disposals of businesses is presented in note 13, 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 14, 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-June 2020, restructuring costs totalled EUR 78.5 (16.7) million. EUR 44.9 (4.1) million of the items were related to Kalmar, EUR 8.0 (3.7) million to Hiab, EUR 23.3 (2.8) million to MacGregor and EUR 2.3 (6.1) 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 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.

7. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	**Q1-Q2/20**	**Q1-Q2/19**	**2019**
Owned assets			
Intangible assets	0.8	2.1	4.4
Land and buildings	0.8	0.6	2.5
Machinery and equipment	20.6	34.1	67.9
Right-of-use assets			
Land and buildings	8.4	8.3	12.9
Machinery and equipment	4.9	4.4	12.5
Total	**35.5**	**49.7**	**100.2**

Depreciation, amortisation and impairment, MEUR	**Q1-Q2/20**	**Q1-Q2/19**	**2019**
Owned assets			
Intangible assets	21.7	15.3	38.5
Land and buildings	10.2	3.3	6.8
Machinery and equipment	21.6	18.9	43.2
Right-of-use assets			
Land and buildings	14.0	13.6	30.0
Machinery and equipment	7.3	7.0	15.3
Total	**74.8**	**58.1**	**133.8**

8. Taxes in statement of income

MEUR	**Q1-Q2/20**	**Q1-Q2/19**	**2019**
Current year tax expense	15.0	24.3	45.4
Change in current year's deferred tax assets and liabilities	-2.8	0.8	8.9
Tax expense for previous years	4.6	2.6	2.2
Total	**16.8**	**27.7**	**56.5**

9. Net working capital

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
Inventories	763.8	752.1	713.0
Operative derivative assets	15.4	13.3	17.9
Accounts receivable	536.8	670.2	670.9
Other operative non-interest-bearing assets	250.7	223.8	260.0
Working capital receivables	**1,566.7**	**1,659.3**	**1,661.7**
Provisions	-111.8	-95.3	-121.3
Advances received	-283.0	-216.4	-306.3
Operative derivative liabilities	-18.5	-17.6	-18.5
Accounts payable	-342.1	-438.7	-438.7
Pension obligations	-110.4	-92.2	-110.4
Other operative non-interest-bearing liabilities	-461.2	-431.9	-508.1
Working capital liabilities	**-1,327.1**	**-1,292.2**	**-1,503.4**
Net working capital	**239.5**	**367.1**	**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.

10. Interest-bearing net debt and liquidity

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
Interest-bearing liabilities	1,320.3	1,068.1	1,224.3
Lease liabilities included in interest-bearing liabilities	176.8	188.5	187.8
Loans receivable and other interest-bearing assets	-28.7	-36.2	-30.5
Cash and cash equivalents	-445.3	-156.0	-420.2
Interest-bearing net debt	**846.2**	**876.0**	**773.6**
Equity	1,325.8	1,408.8	1,427.3
Gearing	**63.8%**	**62.2%**	**54.2%**

MEUR	Q2/20	Q2/19	2019
Operating profit, last 12 months	82.9	219.5	180.0
Depreciation, amortisation and impairment, last 12 months	150.6	97.1	133.8
EBITDA, last 12 months	**233.5**	**316.6**	**313.8**
Interest-bearing net debt / EBITDA, last 12 months	**3.6**	**2.8**	**2.5**

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

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
Cash and cash equivalents	445.3	156.0	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	-164.9	-343.6	-271.0
Liquidity	**580.5**	**112.3**	**449.2**

11. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 30 Jun 2020	Negative fair value 30 Jun 2020	Net fair value 30 Jun 2020	Net fair value 30 Jun 2019	Net fair value 31 Dec 2019
Non-current					
Currency forwards, cash flow hedge accounting	0.0	0.3	-0.3	-	-
Total non-current	**0.0**	**0.3**	**-0.3**	**-**	**-**
Current					
Currency forwards, cash flow hedge accounting	1.2	0.1	1.1	2.8	0.5
Currency forwards, other	6.7	8.9	-2.2	1.5	-3.8
Total current	**7.9**	**9.0**	**-1.1**	**4.3**	**-3.3**
Total derivatives	**7.9**	**9.3**	**-1.4**	**4.3**	**-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 Jun 2020	30 Jun 2019	31 Dec 2019
Currency forward contracts	2,308.8	2,613.9	2,649.5
Cash flow hedge accounting	1,357.7	1,429.7	1,618.7
Other	951,1	1,184.2	1,030.8
Total	**2,308.8**	**2,613.9**	**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.

12. Commitments

MEUR	30 Jun 2020	30 Jun 2019	31 Dec 2019
Guarantees given on behalf of associated companies and joint ventures	3.8	41.8	41.8
Guarantees given on behalf of others	0.4	-	0.4
Customer financing	21.1	26.6	23.3
Off-balance sheet leases	0.7	3.0	2.4
Other contingent liabilities	4.6	0.5	4.9
Total	**30.6**	**71.9**	**72.8**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 30 Jun 2020 was EUR 456.9 (30 Jun 2019: 390.4 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 0.9 (1-6/2019: 1.6 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. The opponent has appealed to the Supreme Court of Texas. Cargotec has not booked a provision for this item.

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.

13. 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 is EUR 1.0 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 14, Joint ventures and associated companies.

Acquired net assets and goodwill, RCI, MEUR	
Intangible assets	0.5
Accounts payable and other non-interest-bearing liabilities	0.5
Net assets	**1.0**
Purchase price, payable in cash	4.8
Total consideration	**4.8**
Goodwill	**3.9**
Purchase price, paid in cash	3.9
Cash flow impact	**3.9**

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, is used 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 and measurement of intangible assets and goodwill recognised in the acquisition are provisional as of reporting date as the related valuations are ongoing. Fair value measurement of the acquired assets and liabilities is preliminary and subject to adjustments until the valuation is finalised. In the preliminary valuation, customer relationships, trademarks and technology have been identified as the acquired intangible assets. According to the preliminary valuation, the acquisition will generate goodwill, which will not be tax-deductible. Goodwill is primarily based on expected synergy benefits and personnel.

Acquired net assets and goodwill, TTS, MEUR	
Intangible assets	50.3
Property, plant and equipment	15.5
Investments in associated companies and joint ventures	21.7
Inventories	60.4
Accounts receivable and other non-interest-bearing assets	26.8
Cash and cash equivalents	24.8
Deferred tax assets	0.2
Accounts payable and other non-interest-bearing liabilities	-106.6
Interest-bearing liabilities	-78.4
Deferred tax liabilities	-11.3
Net assets	**3.2**
Purchase price, payable in cash	57.9
Total consideration	**57.9**
Goodwill	**54.7**
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 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.

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 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 personnel and expected synergy benefits, and is not tax-deductible.

Acquired net assets and goodwill, Jade Logistics and Cetus Labs, MEUR	
Intangible assets	7.7
Tangible assets	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	-0.4
Interest-bearing liabilities	-0.9
Deferred tax liabilities	-2.0
Net assets	**5.0**
Purchase price, payable in cash	15.1
Total consideration	**15.1**
Goodwill	**10.1**
Purchase price, paid in cash	7.9
Cash and cash equivalents acquired, including overdrafts	-0.2
Cash flow impact	**7.7**

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.

14. Joint ventures and associated companies

On 26 May 2020 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 the 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 13, 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, Cargotec has elected to apply the possibility to recognise the subsequent fair value changes related to RHI ownership 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.

Key exchange rates for the euro

Closing rates	30 Jun 2020	30 Jun 2019	31 Dec 2019
SEK	10.495	10.563	10.447
USD	1.120	1.138	1.123

Average rates	Q1-Q2/20	Q1-Q2/19	2019
SEK	10.643	10.478	10.557
USD	1.106	1.133	1.121

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 6, 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 6, 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	=	$\frac{\text{Interest-bearing net debt}}{\text{EBITDA}}$	Used to measure corporate capital structure and financial capacity.	Note 10, 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 10, Interest-bearing net debt and liquidity
EBITDA (MEUR)	=	Operating profit + depreciation, amortisation and impairment	Factor used to calculate Interest-bearing net debt / EBITDA.	Note 10, 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 9, 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 7, Capital expenditure, depreciation and amortisation
Return on equity (ROE) (%)	=	100 x	Net income for the financial year / Total equity (average for the financial year)	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) (%)	=	100 x	Income before taxes + financing expenses / Total assets - non-interest-bearing debt (average for the financial year)	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 10, Interest-bearing net debt and liquidity

Quarterly key figures

Cargotec		**Q2/20**	**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**
Orders received	MEUR	637	781	962	858	872
Service orders received	MEUR	224	270	277	262	279
Order book	MEUR	1,822	1,938	2,089	2,251	2,072
Sales	MEUR	756	858	1,015	901	911
Service sales	MEUR	239	260	285	269	259
Software sales	MEUR	43	40	46	44	41
Service and software sales, % of sales	%	37%	35%	33%	35%	33%
Operating profit	MEUR	-19.5	26.5	18.0	57.9	53.0
Operating profit	%	-2.6%	3.1%	1.8%	6.4%	5.8%
Comparable operating profit	MEUR	43.4	39.5	74.3	68.3	64.3
Comparable operating profit	%	5.7%	4.6%	7.3%	7.6%	7.1%
Earnings per share	EUR	-0.56	0.18	-0.00	0.46	0.45

Kalmar		**Q2/20**	**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**
Orders received	MEUR	293	334	446	396	417
Order book	MEUR	885	952	1,049	1,083	1,101
Sales	MEUR	350	404	471	424	427
Service sales	MEUR	106	107	124	116	114
Software sales	MEUR	43	40	46	44	41
Comparable operating profit	MEUR	30.3	25.6	44.1	47.8	37.7
Comparable operating profit	%	8.6%	6.3%	9.4%	11.3%	8.8%

Hiab		**Q2/20**	**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**
Orders received	MEUR	223	296	322	307	340
Order book	MEUR	373	396	406	458	453
Sales	MEUR	243	302	368	307	358
Service sales	MEUR	72	84	87	86	88
Comparable operating profit	MEUR	24.3	30.1	51.8	34.1	50.6
Comparable operating profit	%	10.0%	10.0%	14.1%	11.1%	14.1%

MacGregor		**Q2/20**	**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**
Orders received	MEUR	120	151	193	156	116
Order book	MEUR	565	591	633	712	519
Sales	MEUR	163	153	176	170	127
Service sales	MEUR	61	70	74	67	58
Comparable operating profit	MEUR	-3.6	-5.3	-12.5	-5.8	-11.0
Comparable operating profit	%	-2.2%	-3.5%	-7.1%	-3.4%	-8.7%