Cargotec's interim report January–March 2020

POOR VISIBILITY IN THE CHALLENGING ENVIRONMENT

CARGOTEC

Cargotec's interim report January–March 2020: Poor visibility in the challenging environment

- Coronavirus pandemic, increased uncertainty and the pandemic-related governmental actions have negatively impacted Cargotec's business environment, orders, operations, supply chain, and deliveries. The pandemic's impact was evident on all business areas, especially in orders as well as in Hiab's sales and result
- Cargotec's liquidity is strong, measures to ensure profitability are underway
- Service and software business continued to develop favourably

January–March 2020 in brief: Orders received declined

- Orders received decreased by 24 percent and totalled EUR 781 (1,022) million.
- Order book amounted to EUR 1,938 (31 Dec 2019: 2,089) million at the end of the period.
- Sales totalled EUR 858 (856) million.
- Service sales increased by 5 percent and totalled EUR 260 (249) million.
- Service and software sales represented 35 (33) percent of consolidated sales.
- Operating profit was EUR 26 (51) million, representing 3.1 (6.0) percent of sales. Operating profit includes EUR 6 (6) million in restructuring costs.
- Comparable operating profit decreased by 31 percent and amounted to EUR 40 (57) million, representing 4.6 (6.7) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 23 (31) million.
- Net income for the period amounted to EUR 11 (31) million.
- Earnings per share was EUR 0.18 (0.48).

Outlook for 2020

On 27 March 2020, Cargotec updated its outlook for 2020 due to the coronavirus pandemic and related political decisions and administrative restrictions. In the current exceptional situation Cargotec estimated that it is not able to give a guidance for the year 2020. Cargotec publishes a new guidance at a later date.

Previous guidance (given on 6 February 2020): Cargotec expects its comparable operating profit for 2020 to improve from 2019 (EUR 264 million).

In the second quarter, there are significant challenges in relation to deliveries and demand. Cargotec estimates a significant decline in orders, sales, comparable operating profit and cash flow in the second quarter compared to the second quarter of 2019. During the first weeks of April 2020, Cargotec's orders received have significantly decreased from the comparison period. Due to the challenging operating environment, visibility towards the end of the year is currently weak.

Cargotec's key figures

MEUR	Q1/20	Q1/19	Change	2019
Orders received	781	1,022	-24%	3,714
Service orders received	270	261	3%	1,079
Order book, end of period	1,938	2,145	-10%	2,089
Sales	858	856	0%	3,683
Service sales	260	249	5%	1,062
Software sales*	40	38	7%	168
Service and software sales, % of Cargotec's sales	35%	33%		33%
Operating profit	26.5	51.0	-48%	180.0
Operating profit, %	3.1%	6.0%		4.9%
Comparable operating profit	39.5	57.4	-31%	264.4
Comparable operating profit, %	4.6%	6.7%		7.2%
Income before taxes	19.7	42.8	-54%	145.9
Cash flow from operations before financing items and taxes	22.8	31.0	-26%	361.1
Net income for the period	11.3	31.0	-63%	89.4
Earnings per share, EUR	0.18	0.48	-63%	1.39
Interest-bearing net debt, end of period	798	877	-9%	774
Gearing, %	57.4%	63.0%		54.2%
Interest-bearing net debt / EBITDA**	2.7	3.2		2.5
Return on capital employed (ROCE), last 12 months, %***	6.5%	8.3%		7.3%
Personnel, end of period	12,473	12,194	2%	12,587

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

Cargotec's CEO Mika Vehviläinen: Coronavirus pandemic has a significant effect on our business

The coronavirus pandemic defined the beginning of the year 2020 globally, and also in Cargotec's business. The pandemic slowed our 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 quarter. In January–February, the market situation in Europe and the Americas, our largest markets, appeared to be reasonable, but by the end of March, market visibility had essentially weakened. Since then, the increase in the market uncertainty and the government actions to contain the pandemic have slowed customers' decision-making and affected orders and deliveries negatively.

Orders received decreased by 24 percent compared to the comparison period. Due to uncertainty, customers have postponed their decision-making, especially in terms of large projects. At the beginning of the year our order book was strong, and, despite the challenging market environment, our sales remained at the comparison period's level during the first quarter.

Our comparable operating profit decreased by 31 percent from the comparison period. Operating profit decreased due to a less profitable business mix, which was caused by an increased MacGregor share in sales, as well as Kalmar's less profitable sales mix. Supply chain challenges in Kalmar's project business and Hiab's lower volumes also contributed to the decline.

Our service and software business continued to develop positively. Service sales increased by 5 percent and software sales by 7 percent, together constituting 35 percent of our sales. We are progressing according to our plan with the goal of increasing our service and software business.

To minimise the effects of the coronavirus pandemic, we have initiated measures to adjust our cost structure. The office workers (ca. 6,000 employees) have shifted to a four-day working week with a corresponding reduction in salaries, subject to local legislation. Until further notice and with their consent, the salaries of the company's management have been reduced by 20 percent as of 1 April. We have also reduced the use of external services and minimised travelling. We are closely monitoring the market and global situation and are well positioned to adjust our operations further if needed.

Our financial position is strong. As the coronavirus situation began to materialise, we prepared for the potential instability in the financing markets by drawing two-year bank loans in April from our correspondent banks with a total amount of 200 million euros.

During the crisis, it has become clear that our strategic direction and will to promote intelligent cargo handling is the right one. Our service business is advancing, with main focus in increased data usage, device connectivity and remote maintenance issues - all things where we have made clear progress. In recent weeks, the interest in increasing efficiency through automation has become evident, and robotics and remote working in connection with port and terminal operations, for example, have materialised.

We take the coronavirus pandemic seriously and health and security issues are the top priority in all of our actions. The exceptional situation has required adaptability and resilience from our stakeholders. Our common task is to keep the cargo flow moving, thereby helping globally to secure, for example, the deliveries of critical necessities. I would like to thank our employees, customers and partners for their efforts towards this important goal, even during these challenging circumstances.

Reporting segments' key figures

Orders received

MEUR	Q1/20	Q1/19	Change	2019
Kalmar	334	516	-35%	1,776
Hiab	296	341	-13%	1,310
MacGregor	151	165	-8%	630
Internal orders	0	0		-1
Total	**781**	**1,022**	**-24%**	**3,714**

Order book

MEUR	31 Mar 2020	31 Dec 2019	Change
Kalmar	952	1,049	-9%
Hiab	396	406	-3%
MacGregor	591	633	-7%
Internal orders	0	0	
Total	**1,938**	**2,089**	**-7%**

Sales

MEUR	Q1/20	Q1/19	Change	2019
Kalmar	404	401	1%	1,723
Hiab	302	316	-5%	1,350
MacGregor	153	139	10%	611
Internal sales	0	0		-1
Total	**858**	**856**	**0%**	**3,683**

Operating profit

MEUR	Q1/20	Q1/19	Change	2019
Kalmar	24.1	31.2	-23%	154,4
Hiab	28.4	33.4	-15%	159.3
MacGregor	-8.1	-0.7	< -100%	-83.3
Corporate administration and support functions	-17.9	-12.9	-39%	-50.4
Total	**26.5**	**51.0**	**-48%**	**180.0**

Comparable operating profit

MEUR	Q1/20	Q1/19	Change	2019
Kalmar	25.6	32.3	-21%	161.8
Hiab	30.1	33.7	-11%	170.2
MacGregor	-5.3	1.2	< -100%	-28.2
Corporate administration and support functions	-10.8	-9.8	-10%	-39.5
Total	**39.5**	**57.4**	**-31%**	**264.4**

Press 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 838954 by calling to one of the following numbers:

FI +358 (0) 9 7479 0360

SE +46 (0) 8 5033 6573

UK +44 (0) 330 336 9104

US +1 646-828-8199

The event can also be viewed as a live webcast at https://cargotec.videosync.fi/2020-q1-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 12,500 people. www.cargotec.com

Cargotec's January–March 2020 interim report

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

Operating environment

The pandemic slowed activities in China during the beginning of the year, as factories were faced with lower capacities, and the availability of components weakened. However, the situation improved towards the end of the 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, and the general market uncertainty, government actions and, for example, traveling and meeting restrictions have slowed or postponed the decision making among customers, orders, and the starting and finalisation of projects.

Economic growth forecasts have been sharply lowered over the past month. According to the International Monetary Fund's (IMF) world economic outlook, the world economy will contract by 3 percent in 2020, a much larger drop than during the financial crisis in 2008–2009. In what IMF calls an advanced economy group, which includes several key Cargotec markets, such as the United States, the United Kingdom and Germany, the decline would be 6.1 percent in 2020[1].

Kalmar's demand driver, the number of containers handled at ports globally, is estimated to decrease by 0.5 percent in 2020 compared to the previous year. During the first quarter it is forecasted to have declined by 3.8 percent[2], after which it is estimated to decline by 3.4 percent during the second and third quarter. During the last quarter of the year, the number of containers handled at ports globally is estimated to increase by 8.6 percent compared to the comparison period[3]. 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.

In its baseline forecast scenario from early March, Oxford Economics forecasts that one of Hiab's demand drivers – construction activity in the US and Europe – would grow by about two percent in 2020[4]. However, if the coronavirus would cause a global recession, growth in the US is projected to slow to 0.5 percent, while in the EU15 countries it would remain at the 2019 level[5]. An even larger economic contraction has also been anticipated. During the first quarter, the construction activity is prognosed to have increased by less than one percent compared to the previous year in both US and Europe. The demand for services increased compared to the first quarter 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 halved from the comparison period to 92 vessels. In the offshore sector, due to, for example, a sharp fall in oil

[1] International Monetary Fund: World Economic Outlook, April 2020
[2] Drewry Container Forecaster, March 2020
[3] Drewry, April 2020
[4] Oxford Economics, March 2020
[5] Oxford Economics, Construction, March 2020

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[6]. The demand for services improved from the comparison period.

Financial performance

Orders received and order book

Orders received and order book

MEUR	Q1/20	Q1/19	Change	2019
Orders received	781	1,022	-24%	3,714
Service orders received	270	261	3%	1,079
Order book, end of period	1,938	2,145	-10%	2,089

Orders received decreased during the first quarter by 24 percent from the comparison period and totalled EUR 781 (1,022) million. Orders received declined in all business areas with the steepest decline in Kalmar. Service orders received increased by 3 percent and totalled EUR 270 (261) million.

The order book declined by 7 percent from the end of 2019, and at the end of the first quarter it totalled EUR 1,938 (31 Dec 2019: 2,089) million. Kalmar's order book totalled EUR 952 (1,049) million, representing 49 (50) percent, Hiab's EUR 396 (406) million or 20 (20) percent and MacGregor's EUR 591 (633) million or 31 (30) percent of the consolidated order book.

In geographical terms, the share of orders received in the first quarter was 56 (49) percent in EMEA and 26 (33) percent in Americas. Asia-Pacific's share of orders received was 18 (18) percent.

[6] Clarkson, March 2020

Sales

Sales

MEUR	Q1/20	Q1/19	Change	2019
Sales	858	856	0%	3,683
Service sales	260	249	5%	1,062
Software sales	40	38	7%	168

First quarter 2020 sales was at the comparison period's level and amounted to EUR 858 (856) million. Sales increased in MacGregor and in Kalmar and declined in Hiab. Service sales increased by 5 percent from the comparison period and totalled EUR 260 (249) million, representing 30 (29) percent of consolidated sales. Software sales increased by 7 percent and amounted to EUR 40 (38) million. In total, service and software sales amounted to EUR 300 (287) million, representing 35 (33) percent of consolidated sales.

In geographical terms, sales increased in EMEA and decreased in the Americas and Asia-Pacific region during the first quarter. EMEA's share of consolidated sales was 50 (46) percent, Americas' 33 (36) percent and Asia-Pacific's 17 (18) percent.

Financial result

Operating profit and comparable operating profit

MEUR	Q1/20	Q1/19	Change	2019
Operating profit	26.5	51.0	-48%	180.0
Comparable operating profit	39.5	57.4	-31%	264.4

Operating profit for the first quarter totalled EUR 26 (51) million. The operating profit includes items affecting comparability worth EUR -13 (-6) million. EUR -1 (-1) million of the items were related to Kalmar, EUR -2 (-0) million to Hiab, EUR -3 (-2) million to MacGregor and EUR -7 (-3) 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 first quarter decreased by 31 percent and totalled EUR 40 (57) million, representing 4.6 (6.7) percent of sales. Operating profit decreased due to a less profitable business mix, which was caused by an increased MacGregor share in sales, as well as Kalmar's less profitable sales mix. Supply chain challenges in Kalmar's project business and Hiab's lower volumes also contributed to the decline.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the first quarter totalled EUR 6 (5) million. Net financing expenses totalled EUR 7 (8) million.

Net income for the first quarter totalled EUR 11 (31) million, and earnings per share was EUR 0.18 (0.48).

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 4,015 (31 Dec 2019: 4,227) million at the end of the first quarter. Equity attributable to the equity holders of the parent was EUR 1,388 (1,424) million, representing EUR 21.53 (22.12) per share. Property, plant and equipment on the balance sheet amounted to EUR 472 (490) million and intangible assets to EUR 1,304 (1,355) million.

Return on equity (ROE, last 12 months) was 5.0 (31 Mar 2019: 7.6) percent at the end of the first quarter, and return on capital employed (ROCE, last 12 months) was 6.5 (8.3) 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 23 (31) million during the first quarter. Cash flow was weakened by the increase in net working capital to EUR 191 million at the end of the first quarter from EUR 158 million at the end of 2019. Net working capital increased due to increase in inventories.

Cargotec's liquidity position is healthy. 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 and avoiding financial distress (liquidity risk).

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 581 million on 31 March 2020 (31 Dec 2019: 720). Repayments of interest-bearing liabilities due within the following 12 months totalled EUR 183 (31 Dec 2019: 271) million.

Liquidity

MEUR	31 Mar 2020	31 Dec 2019
Cash and cash equivalents	281.3	420.2
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-182.8	-271.0
Liquidity	**398.5**	449.2

In addition, Cargotec had access to a EUR 150 million commercial paper programme, of which undrawn EUR 75 million (31 Dec 2019: 150), as well as undrawn bank overdraft facilities, totalling EUR 127 (31 Dec 2019: 137) million.

After the reporting period, Cargotec prepared for the potential instability in the financing markets caused by the coronavirus by drawing two-year bank loans in April, totalling EUR 200 million. As the loans were drawn after the reporting period, they are not visible in the reported figures.

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 first quarter, 70 percent of Cargotec's loan portfolio were bonds and Schuldschein loans (31 Dec 2019: 77), 20 (22) percent bilateral bank loans, and 10 (1) percent commercial papers and drawn bank overdrafts.

Cargotec's maturity profile is balanced: debt maturities in April–December 2020 amount to EUR 144 million. During 2021–2026, the annual maturities are in the range of EUR 100–156 million. The revolving credit facility of EUR 300 million EUR matures in 2024.

At the end of the first quarter, interest-bearing net debt totalled EUR 798 (31 Dec 2019: 774) million. Interest-bearing net debt includes EUR 180 (188) million in lease liabilities. Interest-bearing debt amounted to EUR 1,108 (1,224) million, of which EUR 183 (271) million was current and EUR 925 (953) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 1.5 (1.8) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 310 (451) million.

At the end of the first quarter, Cargotec's total equity/total assets ratio was 37.2 (31 Dec 2019: 36.4) percent. Gearing was 57.4 (54.2) percent.

Corporate topics

Research and development

Research and product development expenditure January-March totalled EUR 29 (24) 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 collaboration with VTT, a Finnish state-owned research organisation, Hiab designed and implemented a steering system for a self-driving truck that is being tested by Stora Enso, a global provider of packaging, biomaterials, wooden constructions and paper, in Finland. The truck is being used to determine how much automated transport can reduce emissions and improve safety.

During the beginning of the year, MacGregor continued piloting Onwatch Scout, the condition-based management solution, with selected customers. The target was to validate the value of the solution as well as provide operational feedback. As of March, MacGregor's customers in the Americas have benefited from an extended service coverage, as MacGregor now has over 80 service personnel in place supporting the full product range across merchant, cruise, offshore, naval as well as fishery and research markets, based in six locations on the US East and West coasts, the Gulf of Mexico, and Brazil.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 14 (12) million in January–March. Investments in customer financing were EUR 8 (13) million. Of the capital expenditure, EUR 1 (1) million concerned intangible assets, such as global systems that in future will enable higher efficiency in operational activities as well as in support functions. Depreciation, amortisation and impairment amounted to EUR 32 (28) million.

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 8.2 million. The acquired businesses' results will be 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 44 million. Around EUR 3 million savings were achieved during the first quarter. The remaining part of the savings, around EUR 6 million, is expected to be achieved in 2020.

Restructuring costs in the first quarter amounted to EUR 6 (6) million. We estimate the restructuring costs of ongoing restructuring programmes to be approximately EUR 60 million in total in 2020. Additional reviews have been started which may increase the estimate.

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

Personnel

Cargotec employed 12,473 (31 Dec 2019: 12,587) people at the end of the first quarter. The average number of employees in the first quarter was 12,501 (1–12/2019: 12,470).

Sustainability

During the first quarter we continued our sustainability work by focusing our efforts on health and safety, supplier sustainability and an action programme for managing climate-related risks and opportunities.

The offering for eco-efficiency product portfolio constituted 21 percent of Cargotec's total sales in the first quarter (1–3 2019: 20%). Our industrial injury frequency rate (IIFR) improved to 6.2 (8.0) by the end of the first quarter. The IIFR in our assembly sites was 5.5 (6.0), while it was 6.6 (9.1) in our non-assembly operations. Our target for this year remains to achieve an IIFR rate of below 5.0 in our assembly operations.

Despite the exceptional situation with the outbreak of COVID-19 coronavirus pandemic, the reported health and safety data covers the majority of our operations. During these turbulent times, our focus is on ensuring globally the wellbeing of our employees. We are following the local authority recommendations as well as the instructions of the World Health Organization throughout all of our operations. Extra efforts and measures have been put in place in locations where the pandemic effects are estimated to be particularly severe. We are also deploying preventive measures, such as limiting visitor access, applying a work-from-home policy to comply with the physical distancing recommendations, providing personal protective equipment, increasing our cleaning and disinfection processes, sharing best practices between locations, as well as providing additional guidance for our employees. In our intranet, we have created a new coronavirus section which is providing updates and ensuring continuous flow of information to all of our employees during the crisis. Physical and mental safety and wellbeing of our employees has always been our top priority, and we are focusing our efforts on safeguarding them also during these difficult times.

Leadership Team

On 31 March 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	Q1/20	Q1/19	Change	2019
Orders received	334	516	-35%	1,776
Order book, end of period	952	1,127	-16%	1,049
Sales	404	401	1%	1,723
Service sales	107	110	-3%	464
% of sales	26%	27%		27%
Software sales	40	38	7%	169
% of sales	10%	9%		10%
Operating profit	24.1	31.2	-23%	154.4
% of sales	6.0%	7.8%		9.0%
Comparable operating profit	25.6	32.3	-21%	161.8
% of sales	6.3%	8.1%		9.4%
Personnel, end of period	5,614	5,709	-2%	5,625

In the first quarter, orders received by Kalmar decreased by 35 percent and totalled EUR 334 (516) million. Orders received was particularly affected by postponements in larger automation orders, caused by coronavirus-related increasing uncertainty.

Major orders received by Kalmar in January–March included:

- six Kalmar rubber-tyred gantry (RTG) cranes to Tanzania Ports Authority (TPA),
- three fully electric Kalmar AutoRTG (rubber-tyred gantry) cranes to Oslo Port Authority,
- 36 Kalmar Ottawa terminal tractors to SSA Marine in Panama and Mexico, and
- four Kalmar Eco Reachstackers with a comprehensive five-year service contract to Matrans Rotterdam Terminal.

Kalmar's order book decreased by 9 percent from the end of 2019, and at the end of the first quarter it totalled EUR 952 (31 Dec 2019: 1,049) million.

Kalmar's first quarter sales increased by one percent from the comparison period and totalled EUR 404 (401) million. Service sales decreased by 3 percent due to a decrease in modernisation projects and totalled EUR 107 (110) million, representing 26 (27) percent of sales. Software sales increased by 7 percent and amounted to EUR 40 (38) million.

Kalmar's first quarter operating profit decreased by 23 percent and totalled EUR 24 (31) million. The operating profit includes EUR -1 (-1) million in items affecting comparability. The comparable operating profit amounted to EUR 26 (32) million, representing 6.3 (8.1) percent of sales. Kalmar's comparable operating profit decreased due to a less profitable sales mix and due to supply chain challenges in project business. Kalmar's less profitable sales mix was the result of increased share of project deliveries in total 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	Q1/20	Q1/19	Change	2019
Orders received	296	341	-13%	1,310
Order book, end of period	396	483	-18%	406
Sales	302	316	-5%	1,350
Service sales	84	83	1%	343
% of sales	28%	26%		25%
Operating profit	28.4	33.4	-15%	159.3
% of sales	9.4%	10.6%		11.8%
Comparable operating profit	30.1	33.7	-11%	170.2
% of sales	10.0%	10.7%		12.6%
Personnel, end of period	4,031	4,101	-2%	4,028

Hiab’s orders received for the first quarter decreased by 13 percent from the comparison period and totalled EUR 296 (341) million. Orders received decreased in EMEA, in Americas and in Asia-Pacific. During the first quarter of the year, Hiab’s orders received were relatively small individual ones which is typical for Hiab’s business.

Hiab’s order book decreased by 3 percent from the end of 2019 and totalled EUR 396 (31 Dec 2019: 406) million at the end of the first quarter.

Hiab’s first quarter sales decreased by 5 percent and totalled EUR 302 (316) million. Sales declined in EMEA, in Americas and in Asia-Pacific. Sales decreased due to coronavirus pandemic-related regulatory restrictions and consequent factory closures and delivery challenges. Service sales grew by one percent from the comparison period to EUR 84 (83) million, representing 28 (26) percent of sales.

Hiab’s first quarter operating profit decreased from the comparison period by 15 percent and totalled EUR 28 (33) million. The operating profit includes EUR -2 (-0) million in items affecting comparability. The comparable operating profit amounted to EUR 30 (34) million, representing 10.0 (10.7) percent of sales. Hiab’s comparable operating profit decreased due to lower volumes.

MacGregor

MEUR	Q1/20	Q1/19	Change	2019
Orders received	151	165	-8%	630
Order book, end of period	591	536	10%	633
Sales	153	139	10%	611
Service sales	70	56	24%	255
% of sales	46%	41%		42%
Operating profit	-8.1	-0.7	< -100%	-83.3
% of sales	-5.3%	-0.5%		-13.6%
Comparable operating profit	-5.3	1.2	< -100%	-28.2
% of sales	-3.5%	0.9%		-4.6%
Personnel, end of period	2,241	1,850	21%	2,350

MacGregor’s orders received in the first quarter decreased by 8 percent from the comparison period to EUR 151 (165) million. Orders received increased in EMEA and decreased in Americas and in Asia-Pacific. Around three fifths of the orders received were related to merchant ships and two fifths to the offshore sector. MacGregor’s orders received included a number of growing renewable energy product orders to the offshore sector.

MacGregor’s order book decreased by 7 percent from the end of 2019, totalling EUR 591 (31 Dec 2019: 633) million at the end of the first quarter. Around three fourths of the order book is merchant ship-related and one fourth is offshore vessel-related.

MacGregor’s first quarter sales increased by 10 percent from the comparison period to EUR 153 (139) million. Service sales increased by 24 percent and totalled EUR 70 (56) million, representing 46 (41) percent of sales.

MacGregor’s operating profit for the first quarter totalled EUR -8 (-1) million. Operating profit includes EUR -3 (-2) million in items affecting comparability. The comparable operating profit totalled EUR -5 (1) million, representing -3.5 (0.9) percent of sales. MacGregor’s comparable operating profit declined due to low capacity utilisation in certain units and lower sales margins.

Excluding TTS, MacGregor’s orders received decreased by 32 percent from the comparison period to EUR 111 (165) million and sales decreased by 14 percent to EUR 119 (139) million. MacGregor’s operating profit excluding TTS was EUR -8 (-1) million.

Annual General Meeting and shares

On 6 February 2020, Cargotec published the Notice of Annual General Meeting 2020, announcing that the Annual General Meeting would be held in Helsinki, Finland, on 17 March 2020.

On 16 March 2020, the Finnish Government announced that, to contain the spreading of the coronavirus, public gatherings will be limited to a maximum of ten persons. Later on the same day, Cargotec announced that, based on the development of the coronavirus situation and the announcement by the Finnish Government, Cargotec's Board of Directors has decided to cancel the Annual General Meeting.

On 23 April 2020, Cargotec announced that the shareholders of Cargotec Corporation are invited to the Annual General Meeting to be held at Cargotec's headquarters, address Porkkalankatu 5, Helsinki, Finland on Wednesday, 27 May 2020 at 1 p.m. (EEST). More information is available from Cargotec's website at www.cargotec.com/agm.

Shares and trading

Share capital, own shares and share issue

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of March. 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 launched in 2019.

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 decision on the directed share issue is 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 March, Cargotec held a total of 231,261 own class B shares, accounting for 0.36 percent of the total number of shares and 0.15 percent of the total number of votes. At the end of March, the number of outstanding class B shares totalled 54,950,818.

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' earning 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.

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, additional 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 March, the total market value of class B shares was EUR 930 (1,803) 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 1,094 (2,116) million, excluding own shares held by the company.

The class B share closed at EUR 16.93 (32.86) on the last trading day of March on Nasdaq Helsinki. The volume-weighted average share price in March was EUR 24.79 (31.66), the highest quotation being EUR 35.50 (35.80) and the lowest EUR 15.15 (26.76). During the period, a total of 14 (9) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 354 (280) million. In addition, according to Fidessa, a total of 15 (11) million class B shares were traded in several alternative marketplaces, such as Cboe BXE and Cboe APA, corresponding to a turnover of EUR 393 (345) million.

Short-term risks and uncertainties

Developments in the global economy and cargo flows have a direct effect on Cargotec’s business 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 and country borders in accordance with government regulations limit Cargotec's business prerequisites, and movement restrictions make it difficult to sell, operate and deliver Cargotec's solutions. 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.

Events after the reporting period

On 23 April 2020, Cargotec announced that the shareholders of Cargotec Corporation are invited to the Annual General Meeting to be held at Cargotec's headquarters, address Porkkalankatu 5, Helsinki, Finland on Wednesday, 27 May 2020 at 1 p.m. (EEST). More information is available from Cargotec's website at www.cargotec.com/agm.

Updated Board of Directors' proposal on the distribution of profit

The following proposal of the Board of Directors supersedes the profit distribution proposal made in connection with the 2019 financial statements.

The parent company's distributable equity on 31 December 2019 was EUR 911,141,801.43 of which net income for the financial year was EUR -233,978,800.57. The Board of Directors proposes to the Annual General Meeting convening on 27 May 2020 that the distributable profit will be paid in two instalments. The first instalment shall be paid directly based on the decision of the Annual General Meeting and the second instalment based on the possible decision of the Board of Directors. The first instalment of the dividend distribution is EUR 0.59 for each of the 9,526,089 class A shares and EUR 0.60 for each of the 54,950,818 outstanding class B shares, totalling EUR 38,590,883.31. The dividend shall be paid to shareholders who are registered as shareholders in the company's shareholder register on the dividend record date 29 May 2020. The dividend shall be paid on 5 June 2020.

The Board of Directors also proposes that the Annual General Meeting authorises the Board of Directors to decide on the distribution of the second instalment of the dividend. The second instalment would be maximum EUR 0.60 per each of class A shares and EUR 0.60 per each of class B shares outstanding, totalling EUR 38,686,144.20.

Based on the authorisation, the Board of Directors would be entitled to decide on the amount of dividends within the limits of the above maximum amounts, on the dividend record date, on the dividend payment date as well as for the other measures required by the matter. The possible second instalment shall be paid according to the authorisation to shareholders who are registered as shareholders in the company's shareholder register on the dividend record date. Cargotec publishes separately the decision of the Board of Directors on the dividend distribution, as well as the record date and the dividend payment date of the second instalment. The authorisation is proposed to be valid until the beginning of the next Annual General Meeting.

If the Board of Directors utilises the proposed authorisation of the second instalment entirely, the dividend would be in total EUR 1.19 per each of class A shares and EUR 1.20 per each of class B shares outstanding. The remaining distributable equity after the first and second instalment, EUR 833,864,773.92, will be retained and carried forward.

After the end of the financial year 2019 and the reporting period 1–3/2020, no significant changes have occurred in Cargotec's financial position. Liquidity is at a healthy level and the proposed distribution of dividend poses no risk on the company's financial standing. However, since March 2020, the coronavirus pandemic has weakened Cargotec's operating environment, as described in the chapters Operating environment, and Short-term risks and uncertainties. The proposal of the Board of Directors to the Annual General Meeting provides an opportunity to react to the market situation if necessary.

Outlook for 2020

On 27 March 2020, Cargotec updated its outlook for 2020 due to the coronavirus pandemic and related political decisions and administrative restrictions. In the current exceptional situation Cargotec estimated that it is not able to give a guidance for the year 2020. Cargotec publishes a new guidance at a later date.

Previous guidance (given on 6 February 2020): Cargotec expects its comparable operating profit for 2020 to improve from 2019 (EUR 264 million).

In the second quarter, there are significant challenges in relation to deliveries and demand. Cargotec estimates a significant decline in orders, sales, comparable operating profit and cash flow in the second quarter compared to the second quarter of 2019. During the first weeks of April 2020, Cargotec's orders received have significantly decreased from the comparison period. Due to the challenging operating environment, visibility towards the end of the year is currently weak.

Financial calendar 2020

The Annual General Meeting will be held on Wednesday, 27 May 2020

Half-year financial report January–June 2020 on Friday, 17 July 2020

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

Helsinki, 23 April 2020
Cargotec Corporation
Board of Directors

This interim report is unaudited.

Consolidated statement of income

MEUR	Q1/20	Q1/19	2019
Sales	**858.3**	**855.9**	**3,683.4**
Cost of goods sold	-668.2	-649.5	-2,810.3
Gross profit	**190.1**	**206.3**	**873.1**
Gross profit, %	*22.1%*	*24.1%*	*23.7%*
Other operating income	10.6	8.7	33.5
Selling and marketing expenses	-57.2	-60.8	-238.4
Research and development expenses	-29.6	-25.0	-105.6
Administration expenses	-67.2	-63.9	-269.3
Restructuring costs	-6.4	-5.7	-80.1
Other operating expenses	-13.2	-7.8	-33.8
Costs and expenses	-163.2	-154.5	-693.7
Share of associated companies' and joint ventures' net income	-0.4	-0.8	0.6
Operating profit	**26.5**	**51.0**	**180.0**
Operating profit, %	*3.1%*	*6.0%*	*4.9%*
Financing income and expenses	-6.8	-8.3	-34.1
Income before taxes	**19.7**	**42.8**	**145.9**
Income before taxes, %	*2.3%*	*5.0%*	*4.0%*
Income taxes	-8.4	-11.8	-56.5
Net income for the period	**11.3**	**31.0**	**89.4**
Net income for the period, %	*1.3%*	*3.6%*	*2.4%*
Net income for the period attributable to:			
Equity holders of the parent	11.4	30.9	89.4
Non-controlling interest	-0.1	0.1	0.0
Total	**11.3**	**31.0**	**89.4**
Earnings per share for profit attributable to the equity holders of the parent:			
Earnings per share, EUR	0.18	0.48	1.39
Diluted earnings per share, EUR	0.18	0.48	1.39

The notes are an integral part of the interim report.

Consolidated statement of comprehensive income

MEUR	**Q1/20**	**Q1/19**	**2019**
Net income for the period	**11.3**	**31.0**	**89.4**
Other comprehensive income			
Items that cannot be reclassified to statement of income:			
Actuarial gains (+) / losses (-) from defined benefit plans	2.2	0.3	-13.9
Taxes relating to items that cannot be reclassified to statement of income	-0.5	-0.1	2.8
Items that can be reclassified to statement of income:			
Gains (+) / losses (-) on cash flow hedges	-18.4	-1.3	2.6
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	12.4	2.7	3.9
Translation differences	-44.3	25.1	11.1
Taxes relating to items that can be reclassified to statement of income	-0.5	0.1	-2.1
Other comprehensive income, net of tax	**-48.9**	**26.9**	**4.5**
Comprehensive income for the period	**-37.6**	**57.8**	**93.8**
Comprehensive income for the period attributable to:			
Equity holders of the parent	-37.5	57.6	93.7
Non-controlling interest	-0.1	0.2	0.2
Total	**-37.6**	**57.8**	**93.8**

The notes are an integral part of the interim report.

Consolidated balance sheet

ASSETS, MEUR	31 Mar 2020	31 Mar 2019	31 Dec 2019
Non-current assets			
Goodwill	1,019.5	1,004.0	1,058.5
Other intangible assets	284.8	267.9	296.1
Property, plant and equipment	471.5	474.3	489.7
Investments in associated companies and joint ventures	115.1	102.7	120.8
Share investments	0.3	0.3	0.3
Loans receivable and other interest-bearing assets*	27.1	35.7	29.1
Deferred tax assets	130.3	140.7	131.2
Derivative assets	0.0	-	-
Other non-interest-bearing assets	9.7	9.5	10.3
Total non-current assets	**2,058.3**	**2,035.1**	**2,136.0**
Current assets			
Inventories	760.7	737.9	713.0
Loans receivable and other interest-bearing assets*	1.6	1.3	1.3
Income tax receivables	23.4	43.7	24.1
Derivative assets	28.7	4.2	8.5
Accounts receivable and other non-interest-bearing assets	860.7	854.1	924.3
Cash and cash equivalents*	281.3	151.3	420.2
Total current assets	**1,956.4**	**1,792.5**	**2,091.4**
Total assets	**4,014.7**	**3,827.5**	**4,227.4**

EQUITY AND LIABILITIES, MEUR	31 Mar 2020	31 Mar 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	-77.4	-19.2	-33.2
Fair value reserves	-15.6	-12.0	-9.1
Reserve for invested non-restricted equity	57.4	57.4	57.4
Retained earnings	1,261.3	1,199.3	1,247.1
Total equity attributable to the equity holders of the parent	**1,388.0**	**1,387.8**	**1,424.5**
Non-controlling interest	2.7	3.2	2.8
Total equity	**1,390.7**	**1,391.0**	**1,427.3**
Non-current liabilities			
Interest-bearing liabilities*	924.9	703.6	953.3
Deferred tax liabilities	38.7	26.5	39.1
Pension obligations	106.5	93.0	110.4
Provisions	7.0	8.5	7.0
Derivative liabilities	0.8	-	-
Other non-interest-bearing liabilities	63.8	62.0	66.0
Total non-current liabilities	**1,141.8**	**893.6**	**1,175.8**
Current liabilities			
Current portion of interest-bearing liabilities*	70.5	280.9	233.0
Other interest-bearing liabilities*	112.3	80.6	38.1
Provisions	103.0	88.3	114.3
Advances received	280.5	204.7	306.3
Income tax payables	22.2	19.6	21.1
Derivative liabilities	23.6	7.5	11.8
Accounts payable and other non-interest-bearing liabilities	870.0	861.3	899.8
Total current liabilities	**1,482.2**	**1,542.9**	**1,624.3**
Total equity and liabilities	**4,014.7**	**3,827.5**	**4,227.4**

*Included in interest-bearing net debt.

The notes are an integral part of the interim report.

Consolidated statement of changes in equity

	Attributable to the equity holders of the parent							Non-controlling interest	Total equity
MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total		
Equity 1 Jan 2020	**64.3**	**98.0**	**-33.2**	**-9.1**	**57.4**	**1,247.1**	**1,424.5**	**2.8**	**1,427.3**
Net income for the period						11.4	11.4	-0.1	11.3
Cash flow hedges				-6.5			-6.5	0.0	-6.5
Translation differences			-44.2				-44.2	-0.1	-44.3
Actuarial gains (+) / losses (-) from defined benefit plans						1.8	1.8		1.8
Comprehensive income for the period*	**-**	**-**	**-44.2**	**-6.5**	**-**	**13.2**	**-37.5**	**-0.1**	**-37.6**
Profit distribution						-	-	-	-
Treasury shares acquired							-		-
Share-based payments*						1.0	1.0		1.0
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-**	**1.0**	**1.0**	**-**	**1.0**
Transactions with non-controlling interests							-		-
Equity 31 Mar 2020	**64.3**	**98.0**	**-77.4**	**-15.6**	**57.4**	**1,261.3**	**1,388.0**	**2.7**	**1,390.7**
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						30.9	30.9	0.1	31.0
Cash flow hedges				1.5			1.5	0.1	1.5
Translation differences			25.0				25.0	0.1	25.1
Actuarial gains (+) / losses (-) from defined benefit plans						0.3	0.3		0.3
Comprehensive income for the period*	**-**	**-**	**25.0**	**1.5**	**-**	**31.1**	**57.6**	**0.2**	**57.8**
Profit distribution						-70.6	-70.6		-70.6
Treasury shares acquired					-1.1		-1.1		-1.1
Share-based payments*						0.9	0.9		0.9
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-1.1**	**-69.7**	**-70.8**	**-**	**-70.8**
Transactions with non-controlling interests							-	-	-
Equity 31 Mar 2019	**64.3**	**98.0**	**-19.2**	**-12.0**	**57.4**	**1,199.3**	**1,387.8**	**3.2**	**1,391.0**

*Net of tax

The notes are an integral part of the interim report.

Consolidated condensed statement of cash flows

MEUR	Q1/20	Q1/19	2019
Net cash flow from operating activities			
Net income for the period	11.3	31.0	89.4
Depreciation, amortisation and impairment	31.7	28.0	133.8
Other adjustments	20.8	20.5	87.4
Change in net working capital	-41.0	-48.6	50.4
Cash flow from operations before financing items and taxes	**22.8**	**31.0**	**361.1**
Cash flow from financing items and taxes	-21.4	-28.9	-57.6
Net cash flow from operating activities	**1.4**	**2.0**	**303.5**
Net cash flow from investing activities			
Acquisitions of businesses, net of cash acquired	-7.7	-3.4	-109.5
Disposals of businesses, net of cash sold	-	-	0.3
Cash flow from investing activities, other items	-10.3	-17.1	-41.4
Net cash flow from investing activities	**-18.0**	**-20.5**	**-150.6**
Net cash flow from financing activities			
Treasury shares acquired	-	-2.2	-2.2
Repayments of lease liabilities	-10.4	-9.4	-45.5
Proceeds from long-term borrowings	-	-	298.1
Repayments of long-term borrowings	-183.0	-75.4	-168.3
Proceeds from short-term borrowings	75.5	40.0	271.6
Repayments of short-term borrowings	-10.4	-	-257.8
Profit distribution	-	-35.4	-71.0
Net cash flow from financing activities	**-128.4**	**-82.3**	**24.9**
Change in cash and cash equivalents	**-145.0**	**-100.8**	**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	-4.3	0.0	6.6
Cash and cash equivalents, and bank overdrafts at the end of period	**260.6**	**124.7**	**409.8**
Bank overdrafts at the end of period	20.7	26.6	10.4
Cash and cash equivalents at the end of period	**281.3**	**151.3**	**420.2**

The notes are an integral part of the interim report.

Key figures

		Q1/20	Q1/19	2019
Equity / share	EUR	21.53	21.55	22.12
Total equity / total assets	%	37.2%	38.4%	36.4%
Interest-bearing net debt	MEUR	797.7	876.7	773.6
Interest-bearing net debt / EBITDA, last 12 months		2.7	3.2	2.5
Gearing	%	57.4%	63.0%	54.2%
Return on equity (ROE), last 12 months	%	5.0%	7.6%	6.3%
Return on capital employed (ROCE), last 12 months*	%	6.5%	8.3%	7.3%

*Cargotec has refined the treatment of the interest rate component of currency forward contracts in the calculation of return on capital employed at the end of the financial year 2019. As a result, the return on capital employed increased by 0.4 percentage points in the first 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 interim report has been prepared according to IAS 34 Interim Financial Reporting. The accounting policies adopted are consistent with those of the annual financial statements for 2019 and comply with changes in IAS/IFRS standards effective from 1 January 2020. These changes had no material impact on the interim review. 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, and while having raged only for a couple of months, its pace, severity, and ubiquity have had a significant impact on societies, financial markets, and businesses all around the world. The pandemic together with its side-effects is also having a significant impact on Cargotec. However, while the pandemic is already widespread, the situation is new and evolving making it yet difficult to estimate the financial impacts of the crisis in the long-term, and there is also some delay before the short-term financial impacts become fully visible. In the current environment, Cargotec seeks to prepare for the identified and probable impacts of the crisis. These impacts are also reflected in the financial reporting as realised, or based on the estimates made, as described below. In the current situation, these estimates rely significantly on management estimates.

The crisis has already caused disruption of business such as factory closures, low capacity utilisation, shortage of components, and delayed orders. At the end of the review period, Cargotec's assembly plants in Spain, Ireland, Italy and Malaysia were closed in accordance with local governmental regulations. If continued, the crisis may also result in cancellations of orders, increase in credit losses related to customer and loan receivables, write-downs of inventories and write-downs of non-current assets. At the end of the reporting period, these risks have not yet materialised to a significant extent.

In the second quarter, there are significant challenges in relation to deliveries and demand. Cargotec estimates a significant decline in orders, sales, comparable operating profit and cash flow in the second quarter compared to the second quarter of 2019. During the first weeks of April 2020, Cargotec’s orders received have significantly decreased from the comparison period. Due to the challenging operating environment, visibility towards the end of the year is currently weak.

Cargotec has initiated adjustment measures to reduce the cost impact of the coronavirus pandemic. Measures include shifting to a four-day working week and reducing management salaries by 20 percent in April, reducing the use of external services and minimising travel. These temporary measures are estimated to result in monthly cost savings of around EUR 10 million for as long as the measures are continued.

After the review period, Cargotec prepared for the potential financial market imbalance caused by the coronavirus by raising a total of EUR 200 million in loans from its partner banks in April. The loans have a maturity of two years and have a financing condition limiting the company's capital structure, according to which Cargotec's gearing ratio 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.

After the review period, Cargotec's Board of Directors has made an updated proposal for the 2019 profit distribution to the Annual General Meeting to be held in May. The proposal allows the Board of Directors to react to the market situation, if necessary, by authorizing the Board of Directors to decide on the distribution of the second dividend instalment after the first dividend instalment that is proposed to be paid in June 2020.

As a result of the rapidly increased uncertainty in the economic environment, the following additional actions have been taken in preparing the first quarter 2020 financial reporting:

- Additional goodwill impairment test has been prepared for MacGregor segment due to the changed market outlook
- Additional credit risk assessment has been prepared for customer and loan receivables.

MacGregor goodwill impairment test

The recoverable amount of the MacGregor segment was determined based on the fair value less cost to sell model and the test indicated a decrease in the recoverable value of MacGregor compared to previous testing on 31 Dec 2019 due to three main reasons. First, the projected cash flows were updated based on the latest market forecast. The probability-weighted scenario-based average derived from these forecasts reduced MacGregor's sales by approximately 16 percent and operating profit by approximately 38 percent over the five-year forecast period compared to the impairment testing performed on 31 December 2019. Second, the estimate of the long-term growth rate, capped by the level of risk-free rate used in the calculations, decreased to 1.3 (31 Dec 2019:

1.6) percent. Third, the updated weighted average cost of capital (WACC) used in discounting the expected cash flows was higher than on 31 December 2019 mainly due to increases in the applied equity risk and credit risk premiums. The post-tax WACC applied was 8.0 (31 Dec 2019: 7.4) percent.

As a result of the impairment test performed, no impairment loss was recognised. However, the recoverable amount of MacGregor has significantly decreased during the first quarter.

Sensitivity analyses of the key assumptions have been prepared as part of the impairment testing process based on three scenarios. The tested change in the first scenario is an increase of 2 percentage points in the discount rate, in the second scenario a 10 percent decrease in sales together with a decrease of 2 percentage points in operating profit margin, and in the third scenario the combined effect of the previous scenarios. The results of the sensitivity analysis are presented in the table below.

MacGregor goodwill sensitivity analysis

		Sensitivity analysis scenarios and results		
		Scenario 1	Scenario 2	Scenario 3
	Recoverable amount in excess of book value, 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
31 Mar 2020	7.0	Impairment*	Impairment**	Impairment
31 Dec 2019	170.0	Impairment*	Impairment**	Impairment

*Threshold for impairment was WACC +0.1 percentage points (31 Dec 2019: WACC +1,2 percentage points).
**Threshold for impairment was sales -1.1 percent (31 Dec 2019: 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 142 (31 Dec 2019: 29) million in the first scenario, EUR 235 (31 Dec 2019: 133) million in the second, and EUR 337 (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 significantly increased in the current economic environment, and the results of the sensitivity analysis indicate that the amount of impairment may be significant if the crisis turns out to be longer or worse than currently estimated.

Credit risk related to customer and loan receivables

As part of the first quarter reporting, Cargotec has reviewed its customer and material loan receivables for credit risk. There has not yet been any significant change in payment delays related to Cargotec's customer receivables, but it is expected that credit risk will increase in the current situation. However, due to the early stage of the crisis, it is yet difficult to assess the impact of the economic crisis in different geographical areas and different customer groups, or measure the magnitude of the resulting effect. At the beginning of the review period, Cargotec has reduced the credit loss provision derived from historical credit loss data based on realized credit losses in previous years, but at the same time the provision for losses based on forward-looking risk assessment has been increased. As a whole, there has been no significant change in the amount of credit loss provisions in relation to the value of accounts receivable, and Cargotec estimates that the amount of the provision is sufficient at the end of the reporting period. Also, no additional credit loss provisions have been recognised for loan receivables based on the review.

4. Segment information

Sales, MEUR	**Q1/20**	**Q1/19**	**2019**
Kalmar	404	401	1,723
Hiab	302	316	1,350
MacGregor	153	139	611
Internal sales	0	0	-1
Total	**858**	**856**	**3,683**

Sales by geographical area, MEUR	**Q1/20**	**Q1/19**	**2019**
EMEA	430	396	1,764
Americas	283	306	1,243
Asia-Pacific	146	154	677
Total	**858**	**856**	**3,683**

Sales by geographical area, %	**Q1/20**	**Q1/19**	**2019**
EMEA	50%	46%	48%
Americas	33%	36%	34%
Asia-Pacific	17%	18%	18%
Total	**100%**	**100%**	**100%**

Operating profit and EBITDA, MEUR	**Q1/20**	**Q1/19**	**2019**
Kalmar	24.1	31.2	154.4
Hiab	28.4	33.4	159.3
MacGregor	-8.1	-0.7	-83.3
Corporate administration and support functions	-17.9	-12.9	-50.4
Operating profit	**26.5**	**51.0**	**180.0**
Depreciation and amortisation	31.7	28.0	133.8
EBITDA	**58.2**	**79.1**	**313.8**

Operating profit, %	**Q1/20**	**Q1/19**	**2019**
Kalmar	6.0%	7.8%	9.0%
Hiab	9.4%	10.6%	11.8%
MacGregor	-5.3%	-0.5%	-13.6%
Cargotec	3.1%	6.0%	4.9%

Items affecting comparability, MEUR	**Q1/20**	**Q1/19**	**2019**
Kalmar	-1.5	-1.1	-7.4
Hiab	-1.7	-0.3	-10.9
MacGregor	-2.8	-1.9	-55.1
Corporate administration and support functions	-7.1	-3.1	-10.9
Total	**-13.0**	**-6.3**	**-84.4**

Comparable operating profit, MEUR	**Q1/20**	**Q1/19**	**2019**
Kalmar	25.6	32.3	161.8
Hiab	30.1	33.7	170.2
MacGregor	-5.3	1.2	-28.2
Corporate administration and support functions	-10.8	-9.8	-39.5
Total	**39.5**	**57.4**	**264.4**

Comparable operating profit, %	**Q1/20**	**Q1/19**	**2019**
Kalmar	6.3%	8.1%	9.4%
Hiab	10.0%	10.7%	12.6%
MacGregor	-3.5%	0.9%	-4.6%
Cargotec	4.6%	6.7%	7.2%

Orders received, MEUR	**Q1/20**	**Q1/19**	**2019**
Kalmar	334	516	1,776
Hiab	296	341	1,310
MacGregor	151	165	630
Internal orders received	0	0	-1
Total	**781**	**1,022**	**3,714**

Orders received by geographical area, MEUR	**Q1/20**	**Q1/19**	**2019**
EMEA	434	501	1,818
Americas	204	335	1,250
Asia-Pacific	144	186	646
Total	**781**	**1,022**	**3,714**

Orders received by geographical area, %	**Q1/20**	**Q1/19**	**2019**
EMEA	56%	49%	49%
Americas	26%	33%	34%
Asia-Pacific	18%	18%	17%
Total	**100%**	**100%**	**100%**

Order book, MEUR	**31 Mar 2020**	**31 Mar 2019**	**31 Dec 2019**
Kalmar	952	1,127	1,049
Hiab	396	483	406
MacGregor	591	536	633
Internal order book	0	-1	0
Total	**1,938**	**2,145**	**2,089**

Number of employees at the end of period	**31 Mar 2020**	**31 Mar 2019**	**31 Dec 2019**
Kalmar	5,614	5,709	5,625
Hiab	4,031	4,101	4,028
MacGregor	2,241	1,850	2,350
Corporate administration and support functions	587	534	584
Total	**12,473**	**12,194**	**12,587**

Average number of employees	**Q1/20**	**Q1/19**	**2019**
Kalmar	5,616	5,697	5,723
Hiab	4,036	4,074	4,063
MacGregor	2,266	1,857	2,125
Corporate administration and support functions	583	525	559
Total	**12,501**	**12,153**	**12,470**

5. Revenue from contracts with customers

Cargotec, MEUR	**Q1/20**	**Q1/19**	**2019**
Equipment sales	558	569	2,453
Service sales	260	249	1,062
Software sales	40	38	168
Total sales	**858**	**856**	**3,683**
Recognised at a point in time	730	734	3,179
Recognised over time	128	122	505

Kalmar, MEUR	**Q1/20**	**Q1/19**	**2019**
Equipment sales	257	253	1,090
Service sales	107	110	464
Software sales	40	38	169
Total sales	**404**	**401**	**1,723**
Recognised at a point in time	325	329	1,405
Recognised over time	79	72	318

Hiab, MEUR	**Q1/20**	**Q1/19**	**2019**
Equipment sales	218	234	1,007
Service sales	84	83	343
Total sales	**302**	**316**	**1,350**
Recognised at a point in time	299	314	1,339
Recognised over time	3	3	11

MacGregor, MEUR	**Q1/20**	**Q1/19**	**2019**
Equipment sales	83	83	357
Service sales	70	56	255
Total sales	**153**	**139**	**611**
Recognised at a point in time	106	92	435
Recognised over time	46	47	176

6. Comparable operating profit

MEUR	Q1/20	Q1/19	2019
Operating profit	**26.5**	**51.0**	**180.0**
Restructuring costs			
Employment termination costs	3.4	1.6	22.7
Impairments of non-current assets	-	-	5.9
Impairments of inventories	-	-	20.1
Restructuring-related disposals of businesses*	0.0	0.0	0.4
Other restructuring costs**	3.0	4.0	31.0
Restructuring costs, total	**6.4**	**5.7**	**80.1**
Other items affecting comparability			
Expenses related to business acquisitions or disposals	1.2	0.7	4.3
Other costs***	5.4	-	-
Other items affecting comparability, total	**6.6**	**0.7**	**4.3**
Comparable operating profit	**39.5**	**57.4**	**264.4**

*Additional information regarding disposals of businesses is presented in note 13, Acquisitions and disposals.

**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.

In the first quarter of 2020, restructuring costs totalled EUR 6.4 (5.7) million. EUR 1.5 (1.1) million of the items were related to Kalmar, EUR 1.7 (0.3) million to Hiab, EUR 1.7 (1.2) million to MacGregor and EUR 1.5 (3.1) 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	Q1/20	Q1/19	2019
Owned assets			
Intangible assets	0.5	1.3	4.4
Land and buildings	0.4	0.3	2.5
Machinery and equipment	13.4	19.9	67.9
Right-of-use assets			
Land and buildings	5.5	2.0	12.9
Machinery and equipment	2.2	1.7	12.5
Total	**22.0**	**25.2**	**100.2**

Depreciation, amortisation and impairment, MEUR	Q1/20	Q1/19	2019
Owned assets			
Intangible assets	8.9	7.4	38.5
Land and buildings	1.6	1.4	6.8
Machinery and equipment	10.7	9.3	43.2
Right-of-use assets			
Land and buildings	6.9	6.1	30.0
Machinery and equipment	3.7	3.7	15.3
Total	**31.7**	**28.0**	**133.8**

8. Taxes in statement of income

MEUR	Q1/20	Q1/19	2019
Current year tax expense	10.4	11.5	45.4
Change in current year's deferred tax assets and liabilities	-2.4	0.2	8.9
Tax expense for previous years	0.4	0.1	2.2
Total	**8.4**	**11.8**	**56.5**

9. Net working capital

MEUR	31 Mar 2020	31 Mar 2019	31 Dec 2019
Inventories	760.7	737.9	713.0
Operative derivative assets	26.6	14.4	17.9
Accounts receivable	625.9	655.8	670.9
Other operative non-interest-bearing assets	241.0	205.6	260.0
Working capital receivables	**1,654.2**	**1,613.6**	**1,661.7**
Provisions	-110.0	-96.8	-121.3
Advances received	-280.5	-204.7	-306.3
Operative derivative liabilities	-44.5	-23.6	-18.5
Accounts payable	-427.0	-429.5	-438.7
Pension obligations	-106.5	-93.0	-110.4
Other operative non-interest-bearing liabilities	-494.6	-438.3	-508.1
Working capital liabilities	**-1,463.1**	**-1,285.9**	**-1,503.4**
Net working capital	**191.1**	**327.8**	**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	**31 Mar 2020**	**31 Mar 2019**	**31 Dec 2019**
Interest-bearing liabilities	1,107.8	1,065.1	1,224.3
Lease liabilities included in interest-bearing liabilities	180.0	191.7	187.8
Loans receivable and other interest-bearing assets	-28.7	-37.1	-30.5
Cash and cash equivalents	-281.3	-151.3	-420.2
Interest-bearing net debt	**797.7**	**876.7**	**773.6**
Equity	1,390.7	1,391.0	1,427.3
Gearing	**57.4%**	**63.0%**	**54.2%**

MEUR	**Q1/20**	**Q1/19**	**2019**
Operating profit, last 12 months	155.5	187.8	180.0
Depreciation, amortisation and impairment, last 12 months	137.5	87.0	133.8
EBITDA, last 12 months	**293.0**	**274.8**	**313.8**
Interest-bearing net debt / EBITDA, last 12 months	**2.7**	**3.2**	**2.5**

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

MEUR	**31 Mar 2020**	**31 Mar 2019**	**31 Dec 2019**
Cash and cash equivalents	281.3	151.3	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	-182.8	-361.5	-271.0
Liquidity	**398.5**	**89.8**	**449.2**

11. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 31 Mar 2020	Negative fair value 31 Mar 2020	Net fair value 31 Mar 2020	Net fair value 31 Mar 2019	Net fair value 31 Dec 2019
Non-current					
Currency forwards, cash flow hedge accounting	0.0	0.8	-0.8	-	-
Total non-current	**0.0**	**0.8**	**-0.8**	**-**	**-**
Current					
Currency forwards, cash flow hedge accounting	2.2	6.3	-4.1	-2.5	0.5
Currency forwards, other	26.4	17.3	9.1	-0.8	-3.8
Total current	**28.7**	**23.6**	**5.0**	**-3.3**	**-3.3**
Total derivatives	**28.7**	**24.4**	**4.2**	**-3.3**	**-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	31 Mar 2020	31 Mar 2019	31 Dec 2019
Currency forward contracts	2,349.6	2,442.5	2,649.5
Cash flow hedge accounting	1,421.7	1,528.8	1,618.7
Other	927.9	913.7	1,030.8
Total	**2,349.6**	**2,442.5**	**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	31 Mar 2020	31 Mar 2019	31 Dec 2019
Guarantees given on behalf of associated companies and joint ventures	42.0	43.4	41.8
Guarantees given on behalf of others	0.4	-	0.4
Customer financing	21.0	28.1	23.3
Off-balance sheet leases	1.3	4.1	2.4
Other contingent liabilities	4.6	0.5	4.9
Total	**69.3**	**76.0**	**72.8**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 31 Mar 2020 was EUR 487.8 (31 Mar 2019: 445.1 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 0.6 (1-3/2019: 1.1 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

Navis, part of Kalmar, acquired on 20 March 2020 the business assets of Biarri Rail based in Australia at a consideration of USD 8.2 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 on 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	3.9
Accounts payable and other non-interest-bearing liabilities	-0.2
Net assets	**3.7**
Purchase price, payable in cash	7.7
Total consideration	**7.7**
Goodwill	**3.9**
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 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 China, Germany, Norway and Sweden 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 has been 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 the 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	25.6
Cash and cash equivalents	24.8
Deferred tax assets	0.2
Accounts payable and other non-interest-bearing liabilities	-109.4
Interest-bearing liabilities	-78.4
Deferred tax liabilities	-11.3
Net assets	**-0.9**
Purchase price, payable in cash	57.9
Total consideration	**57.9**
Goodwill	**58.8**
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 a wide variety of cargo types beyond containers. The result of the acquired business is consolidated into the Kalmar segment from the 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 has been consolidated into the 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. Events after the reporting period

On 23 April 2020, Cargotec announced that the shareholders of Cargotec Corporation are invited to the Annual General Meeting to be held at Cargotec's headquarters, address Porkkalankatu 5, Helsinki, Finland on Wednesday, 27 May 2020 at 1 p.m. (EEST). More information is available from Cargotec's website at www.cargotec.com/agm.

Key exchange rates for the euro

Closing rates	31 Mar 2020	31 Mar 2019	31 Dec 2019
SEK	11.061	10.398	10.447
USD	1.096	1.124	1.123

Average rates	Q1/20	Q1/19	2019
SEK	10.715	10.378	10.557
USD	1.105	1.140	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	=	Interest-bearing net debt / 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		**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**	**Q1/19**
Orders received	MEUR	781	962	858	872	1,022
Service orders received	MEUR	270	277	262	279	261
Order book	MEUR	1,938	2,089	2,251	2,072	2,145
Sales	MEUR	858	1,015	901	911	856
Service sales	MEUR	260	285	269	259	249
Software sales	MEUR	40	46	44	41	38
Service and software sales, % of sales	%	35%	33%	35%	33%	33%
Operating profit	MEUR	26.5	18.0	57.9	53.0	51.0
Operating profit	%	3.1%	1.8%	6.4%	5.8%	6.0%
Comparable operating profit	MEUR	39.5	74.3	68.3	64.3	57.4
Comparable operating profit	%	4.6%	7.3%	7.6%	7.1%	6.7%
Earnings per share	EUR	0.18	-0.00	0.46	0.45	0.48

Kalmar		**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**	**Q1/19**
Orders received	MEUR	334	446	396	417	516
Order book	MEUR	952	1,049	1,083	1,101	1,127
Sales	MEUR	404	471	424	427	401
Service sales	MEUR	107	124	116	114	110
Software sales	MEUR	40	46	44	41	38
Comparable operating profit	MEUR	25.6	44.1	47.8	37.7	32.3
Comparable operating profit	%	6.3%	9.4%	11.3%	8.8%	8.1%

Hiab		**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**	**Q1/19**
Orders received	MEUR	296	322	307	340	341
Order book	MEUR	396	406	458	453	483
Sales	MEUR	302	368	307	358	316
Service sales	MEUR	84	87	86	88	83
Comparable operating profit	MEUR	30.1	51.8	34.1	50.6	33.7
Comparable operating profit	%	10.0%	14.1%	11.1%	14.1%	10.7%

MacGregor		**Q1/20**	**Q4/19**	**Q3/19**	**Q2/19**	**Q1/19**
Orders received	MEUR	151	193	156	116	165
Order book	MEUR	591	633	712	519	536
Sales	MEUR	153	176	170	127	139
Service sales	MEUR	70	74	67	58	56
Comparable operating profit	MEUR	-5.3	-12.5	-5.8	-11.0	1.2
Comparable operating profit	%	-3.5%	-7.1%	-3.4%	-8.7%	0.9%