Cargotec's financial statements review 2019

CASH FLOW INCREASED SIGNIFICANTLY

CARGOTEC

Cargotec's financial statements review 2019: Cash flow increased significantly

- Kalmar's orders received decreased, but order book and operating profit increased
- Hiab's orders received and operating profit increased
- MacGregor was loss making, TTS Group acquisition completed

The figures in this financial statements review are based on Cargotec Corporation's audited 2019 financial statements.

October–December 2019 in brief: Order book strengthened

- Orders received decreased by 3 percent and totalled EUR 962 (991) million.
- Order book amounted to EUR 2,089 (31 Dec 2018: 1,995) million at the end of the period.
- Sales increased by 12 percent and totalled EUR 1,015 (910) million.
- Service sales increased by 11 percent and totalled EUR 285 (257) million.
- Service and software sales represented 33 (33) percent of consolidated sales.
- Operating profit was EUR 18.0 (60.9) million, representing 1.8 (6.7) percent of sales. Operating profit includes EUR 53.5 (12.5) million in restructuring costs.
- Comparable operating profit increased by 7 percent and amounted to EUR 74.3 (69.6) million, representing 7.3 (7.7) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 208.0 (86.0) million.
- Net income for the period amounted to EUR -0.3 (34.1) million.
- Earnings per share was EUR -0.00 (0.53).

January–December 2019 in brief: Service sales increased

- Orders received totalled EUR 3,714 (3,756) million.
- Sales increased by 11 percent and totalled EUR 3,683 (3,304) million.
- Service sales increased by 8 percent and totalled EUR 1,062 (980) million.
- Service and software sales represented 33 (34) percent of consolidated sales.
- Operating profit was EUR 180.0 (190.0) million, representing 4.9 (5.8) percent of sales.
- Comparable operating profit increased by 9 percent and amounted to EUR 264.4 (242.1) million, representing 7.2 (7.3) percent of sales.
- Cash flow from operations before financial items and taxes totalled EUR 361.1 (125.8) million.
- Net income for the financial year amounted to EUR 89.4 (108.0) million.
- Earnings per share was EUR 1.39 (1.66). Net income and earnings per share decreased due to significant restructuring costs especially in MacGregor, as well as higher than average tax expense due to MacGregor's negative business result as recognition criteria for deferred tax assets was not fulfilled mainly in Germany and Norway.
- The Board of Directors proposes to the Annual General Meeting convening on 17 March 2020 a dividend of EUR 1.19 per class A share and EUR 1.20 per outstanding class B share be paid. The Board also proposes that the dividend shall be paid in two instalments,

in March and October 2020. The dividend for class A shares would be paid in EUR 0.60 and EUR 0.59 instalments. The dividend for outstanding class B shares would be paid in two EUR 0.60 instalments.

Outlook for 2020

Cargotec expects its comparable operating profit for 2020 to improve from 2019 (EUR 264 million).

Cargotec's key figures

Cargotec applies the accounting standard IFRS 16, Leases, and the interpretation IFRIC 23, Uncertainty over Income Tax Treatments, starting from 1 January 2019. More information on the standards is available in Note 2, Accounting principles and new accounting standards. Cargotec has also refined the definition of service business for Hiab and MacGregor from the beginning of 2019. The figures related to service business have been restated for the comparison period 2018 accordingly. Cargotec has published a stock exchange release on 4 April 2019 regarding the changes.

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Orders received	962	991	-3%	3,714	3,756	-1%
Service orders received	277	265	4%	1,079	1,031	5%
Order book, end of period	2,089	1,995	5%	2,089	1,995	5%
Sales	1,015	910	12%	3,683	3,304	11%
Service sales	285	257	11%	1,062	980	8%
Software sales*	46	47	-1%	168	147	15%
Service and software sales, % of Cargotec's sales	33%	33%		33%	34%	
Operating profit	18.0	60.9	-70%	180.0	190.0	-5%
Operating profit, %	1.8%	6.7%		4.9%	5.8%	
Comparable operating profit	74.3	69.6	7%	264.4	242.1	9%
Comparable operating profit, %	7.3%	7.7%		7.2%	7.3%	
Income before taxes	8.2	52.2	-84%	145.9	161.1	-9%
Cash flow from operations before financing items and taxes	208.0	86.0	> 100%	361.1	125.8	> 100%
Net income for the period	-0.3	34.1	<- 100%	89.4	108.0	-17%
Earnings per share, EUR	-0.00	0.53	<- 100%	1.39	1.66	-16%
Interest-bearing net debt, end of period	774	625	24%	774	625	24%
Gearing, %	54.2%	43.8%		54.2%	43.8%	
Interest-bearing net debt / EBITDA**	2.5	2.3		2.5	2.3	
Return on capital employed (ROCE), last 12 months, %***	7.3%	8.4%		7.3%	8.4%	
Personnel, end of period	12,587	11,987	5%	12,587	11,987	5%

*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. As a result, the return on capital employed increased by 0.4 percentage points in 2018.

Cargotec's CEO Mika Vehviläinen: Record high operating profits in Kalmar and Hiab

Similar to the previous year, the year 2019 was twofold in Cargotec. Kalmar and Hiab achieved record high operating profits while MacGregor was loss making. Our comparable operating profit increased by 9 percent, but mainly due to restructuring costs in MacGregor, the group's operating profit decreased by 5 percent.

Our order book at the end of 2019 was higher than in the previous year. Kalmar's order book was positively affected by increased demand of port automation solutions. Customers are now taking concrete steps towards automation investments and consider how and when they could automate their sites. Demand of mobile equipment trended downwards at the end of the year. Nevertheless, Kalmar managed to improve its comparable operating profit by 13 percent.

Hiab's result was particularly good. The business area's order intake increased by 4 percent and comparable operating profit by 27 percent compared to the previous year. The result improved due to higher sales. We managed to solve the supply chain related challenges that started in 2018. This was also visible in Hiab's order backlog that returned to a normalised level.

MacGregor's situation remained challenging. Order intake excluding TTS acquisition remained at the previous year's level. The business area's sales and comparable operating profit decreased further in the subdued market environment. During the year, we conducted significant restructuring actions in MacGregor and we expect the results to be visible in our result this year. In 2019, we also completed the acquisition of the marine and offshore businesses of TTS Group ASA. The integration has started well and the scale benefits of the acquisition and synergies thereof create an opportunity to further improve MacGregor's productivity and global presence.

I am pleased with the continued positive development in our service and software business. Service sales increased by 8 percent and software sales by 15 percent year-on-year. We are well on track towards reaching our targets.

We also managed to improve our cash flow significantly compared to the previous two years. Due to our strong cash flow, the Board of Directors proposes a sixth consecutive dividend increase. As in 2019, the proposed dividend of EUR 1.20 per class B share would be paid in two installments.

Due to market uncertainties, our visibility to 2020 is limited, but I think that we have a solid foundation. Our order book is strong and, thanks to TTS integration and other ongoing restructuring actions, MacGregor's result is expected to improve. We expect service business' growth and the group-wide savings and efficiency programmes to support our result development. We will continue our efforts to develop our corporate structure and improve our cost efficiency that may result in restructurings in 2020.

I want to thank our shareholders and customers for their confidence and trust in our operations, and our employees for their hard work and dedication.

Reporting segments' key figures

Orders received

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	446	450	-1%	1,776	1,919	-7%
Hiab	322	357	-10%	1,310	1,259	4%
MacGregor	193	184	5%	630	580	9%
Internal orders	0	0		-1	-1	
Total	**962**	**991**	**-3%**	**3,714**	**3,756**	**-1%**

Order book

MEUR	31 Dec 2019	31 Dec 2018	Change
Kalmar	1,049	1,012	4%
Hiab	406	453	-10%
MacGregor	633	530	20%
Internal orders	0	-1	
Total	**2,089**	**1,995**	**5%**

Sales

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	471	444	6%	1,723	1,618	6%
Hiab	368	318	16%	1,350	1,149	18%
MacGregor	176	149	18%	611	538	14%
Internal sales	0	-1		-1	-2	
Total	**1,015**	**910**	**12%**	**3,683**	**3,304**	**11%**

Operating profit

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	41.2	47.1	-13%	154.4	138.1	12%
Hiab	48.3	34.4	40%	159.3	133.8	19%
MacGregor	-59.9	-7.3	< -100%	-83.3	-4.2	< -100%
Corporate administration and support functions	-11.5	-13.2	13%	-50.4	-77.7	35%
Total	**18.0**	**60.9**	**-70%**	**180.0**	**190.0**	**-5%**

Comparable operating profit

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	44.1	51.0	-14%	161.8	143.6	13%
Hiab	51.8	34.9	49%	170.2	134.5	27%
MacGregor	-12.5	-6.8	-84%	-28.2	-1.6	< -100%
Corporate administration and support functions	-9.0	-9.4	4%	-39.5	-34.4	-15%
Total	**74.3**	**69.6**	**7%**	**264.4**	**242.1**	**9%**

Press conference for analysts, investors and media

A press conference for analysts, investors and media, combined with a live international telephone conference, will be arranged on the publishing day at 10.00 a.m. EET at Cargotec's head office, Porkkalankatu 5, Helsinki. 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 latest 9.30 a.m. EET.

The telephone conference, during which questions may be presented, can be accessed by registering at https://bit.ly/2RgCM9u. 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 428796 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 +1 323-794-2095

The event can also be viewed as a live webcast at https://cargotec.videosync.fi/2019-q4-results. Conference call will be recorded, and an on-demand version of the conference will be published at Cargotec's website www.cargotec.com 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.

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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 financial statements review 2019

Operating environment

Kalmar's demand driver, the number of containers handled at ports globally, is estimated to have grown by 2.3 percent during 2019 compared to the previous year (Drewry). The demand for mobile equipment decreased compared to 2018. The customer interest towards port automation increased, but they consider their decisions carefully, targeting their investments mostly to phased renewals of existing ports.

The demand for Hiab's load handling equipment in 2019 was supported in the United States and Europe by the construction activity, which increased particularly in Europe. The demand for services improved compared to 2018.

Demand of MacGregor's cargo handling products in 2019 was impacted by the low level of merchant ship contracting that decreased further from an already low level in 2018. New vessel contracting in the offshore sector decreased as well from 2018, remaining at an exceptionally low level. The demand for services improved from the comparison period.

Financial performance

Orders received and order book

Orders received by reporting segment

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	446	450	-1%	1,776	1,919	-7%
Hiab	322	357	-10%	1,310	1,259	4%
MacGregor	193	184	5%	630	580	9%
Internal orders	0	0		-1	-1	
Total	**962**	**991**	**-3%**	**3,714**	**3,756**	**-1%**

Orders received by reporting segment, comparable foreign exchange rates*

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	441	450	-2%	1,744	1,919	-9%
Hiab	319	357	-11%	1,290	1,259	2%
MacGregor	195	184	6%	632	580	9%
Internal orders	0	0		-1	-1	
Total	**955**	**991**	**-4%**	**3,664**	**3,756**	**-2%**

*Indicative. 2019 figures are calculated assuming that the foreign exchange rates would have remained at the comparison period's level.

Orders received decreased during the fourth quarter by 3 percent from the comparison period and totalled EUR 962 (991) million. In comparable foreign exchange rates, orders received decreased by 4 percent. Orders received grew in MacGregor and decreased in Kalmar and Hiab. Service orders received increased by 4 percent and totalled EUR 277 (265) million.

Orders received in January–December totalled EUR 3,714 (3,756) million. In comparable foreign exchange rates, orders received decreased by 2 percent. 48 (51) percent of the orders were received by Kalmar, 35 (34) by Hiab and 17 (15) percent by MacGregor. Orders received grew in MacGregor and Hiab and decreased in Kalmar. Service orders received increased by 5 percent and totalled EUR 1,079 (1,031) million.

Order book by reporting segment

MEUR	31 Dec 2019	31 Dec 2018	Change
Kalmar	1,049	1,012	4%
Hiab	406	453	-10%
MacGregor	633	530	20%
Internal order book	0	-1	
Total	**2,089**	**1,995**	**5%**

The order book increased by 5 percent from the end of 2018, and at the end of the fourth quarter it totalled EUR 2,089 (31 Dec 2018: 1,995) million. Kalmar's order book totalled EUR 1,049 (1,012) million, representing 50 (51) percent, Hiab's EUR 406 (453) million or 20 (23) percent and MacGregor's EUR 633 (530) million or 30 (26) percent of the consolidated order book.

Orders received by geographical area

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
EMEA	481	489	-2%	1,818	1,755	4%
Americas	318	310	3%	1,250	1,245	0%
Asia-Pacific	163	192	-15%	646	757	-15%
Total	**962**	**991**	**-3%**	**3,714**	**3,756**	**-1%**

In geographical terms, the share of orders received in the fourth quarter was 50 (49) percent in EMEA and 33 (31) percent in Americas. Asia-Pacific's share of orders received was 17 (20) percent.

In 2019, the share of orders received was 49 (47) percent in EMEA and 34 (33) percent in Americas. Asia-Pacific's share of orders received was 17 (20) percent.

Sales

Sales by reporting segment

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	471	444	6%	1,723	1,618	6%
Hiab	368	318	16%	1,350	1,149	18%
MacGregor	176	149	18%	611	538	14%
Internal sales	0	-1		-1	-2	
Total	**1,015**	**910**	**12%**	**3,683**	**3,304**	**11%**

Sales by reporting segment, comparable foreign exchange rates*

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	465	444	5%	1,695	1,618	5%
Hiab	364	318	15%	1,330	1,149	16%
MacGregor	177	149	19%	613	538	14%
Internal sales	0	-1		-1	-2	
Total	**1,006**	**910**	**11%**	**3,637**	**3,304**	**10%**

*Indicative. 2019 figures are calculated assuming that the foreign exchange rates would have remained at the comparison period's level.

Fourth quarter 2019 sales increased by 12 percent from the comparison period to EUR 1,015 (910) million. In comparable foreign exchange rates, sales increased by 11 percent. Sales increased in all business areas. Service sales increased by 11 percent from the comparison period and totalled EUR 285 (257) million, representing 28 (28) percent of consolidated sales. In comparable foreign exchange rates, service sales increased by 10 percent. Software sales decreased by 1 percent and amounted to EUR 46 (47) million. In comparable foreign exchange rates, software sales decreased by 3 percent. In total, service and software sales amounted to EUR 331 (304) million, representing 33 (33) percent of consolidated sales.

Sales in 2019 increased by 11 percent from the comparison period to EUR 3,683 (3,304) million. In comparable foreign exchange rates, sales increased by 10 percent. Sales increased in all business areas. Service sales increased by 8 percent from the comparison period and totalled EUR 1,062 (980) million, representing 29 (30) percent of consolidated sales. In comparable foreign exchange rates, service sales increased by 7 percent. Software sales increased by 15 percent and amounted to EUR 168 (147) million. In comparable foreign exchange rates, software sales increased by 11 percent. In total, service and software sales amounted to EUR 1,230 (1,126) million, representing 33 (34) percent of consolidated sales.

Sales by geographical area

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
EMEA	511	460	11%	1,764	1,610	10%
Americas	322	272	18%	1,243	1,039	20%
Asia-Pacific	182	177	3%	677	655	3%
Total	**1,015**	**910**	**12%**	**3,683**	**3,304**	**11%**

In geographical terms, sales increased in all market areas during the fourth quarter. EMEA's share of consolidated sales was 50 (51) percent, Americas' 32 (30) percent and Asia-Pacific's 18 (19) percent.

Sales in 2019 increased in all market areas. EMEA's share of consolidated sales was 48 (49) percent, Americas' 34 (31) percent and Asia-Pacific's 18 (20) percent.

Financial result

Operating profit by reporting segment

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	41.2	47.1	-13%	154.4	138.1	12%
Hiab	48.3	34.4	40%	159.3	133.8	19%
MacGregor	-59.9	-7.3	< -100%	-83.3	-4.2	< -100%
Corporate administration and support functions	-11.5	-13.2	13%	-50.4	-77.7	35%
Total	**18.0**	**60.9**	**-70%**	**180.0**	**190.0**	**-5%**

Operating profit for the fourth quarter totalled EUR 18.0 (60.9) million. The operating profit includes items affecting comparability worth EUR -56.3 (-8.7) million. EUR -2.9 (-3.9) million of the items were related to Kalmar, EUR -3.5 (-0.5) million to Hiab, EUR -47.4 (-0.5) million to MacGregor and EUR -2.5 (-3.8) million to corporate administration and support functions. More information regarding items affecting comparability is available in Note 5, Comparable operating profit.

Operating profit for 2019 totalled EUR 180.0 (190.0) million. The operating profit includes items affecting comparability worth EUR -84.4 (-52.1) million. EUR -7.4 (-5.4) million of the items were related to Kalmar, EUR -10.9 (-0.7) million to Hiab, EUR -55.1 (-2.6) million to MacGregor and EUR -10.9 (-43.3) million to corporate administration and support functions. In the comparison period, EUR 30 million of the items affecting comparability in the corporate administration and support functions were related to the lowered balance sheet valuation of the associated company Jiangsu Rainbow Heavy Industries Co. Ltd (RHI).

Comparable operating profit by reporting segment

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Kalmar	44.1	51.0	-14%	161.8	143.6	13%
Hiab	51.8	34.9	49%	170.2	134.5	27%
MacGregor	-12.5	-6.8	-84%	-28.2	-1.6	< -100%
Corporate administration and support functions	-9.0	-9.4	4%	-39.5	-34.4	-15%
Total	**74.3**	**69.6**	**7%**	**264.4**	**242.1**	**9%**

Comparable operating profit for the fourth quarter increased by 7 percent and totalled EUR 74.3 (69.6) million, representing 7.3 (7.7) percent of sales. Comparable operating profit for Kalmar amounted to EUR 44.1 (51.0) million, for Hiab to EUR 51.8 (34.9) million, and for MacGregor to EUR -12.5 (-6.8) million. Kalmar's comparable operating profit decreased due to a less profitable sales mix. Hiab's comparable operating profit increased due to growth in sales. MacGregor's comparable operating profit declined due to cost overruns in certain offshore projects, low capacity utilisation, and lower sales margins.

Comparable operating profit for 2019 increased by 9 percent and totalled EUR 264.4 (242.1) million, representing 7.2 (7.3) percent of sales. Comparable operating profit for Kalmar amounted to EUR 161.8 (143.6) million, for Hiab to EUR 170.2 (134.5) million, and for MacGregor to EUR -28.2 (-1.6) million. Kalmar's and Hiab's comparable operating profit increased due to higher sales. MacGregor's comparable operating profit declined due to cost overruns in certain offshore projects, low capacity utilisation, and lower sales margins.

Net financing expenses and net income

Net interest expenses for interest-bearing debt and assets for the fourth quarter totalled EUR 6.2 (4.3) million. Net financing expenses totalled EUR 9.8 (8.7) million. For 2019, net interest expenses for interest-bearing debt and assets totalled EUR 21.9 (16.4) million. Net financing expenses totalled EUR 34.1 (28.9) million. Net interest expenses increased due to the application of the IFRS 16 accounting standard.

Net income for the fourth quarter totalled EUR -0.3 (34.1) million, and earnings per share EUR -0.00 (0.53). Net income for 2019 totalled EUR 89.4 (108.0) million, and earnings per share EUR 1.39 (1.66). Earnings per share decreased due to higher restructuring costs, especially in MacGregor, as well as higher than average tax expense due to MacGregor's negative business result as recognition criteria for deferred tax assets was not fulfilled mainly in Germany and Norway.

Balance sheet, cash flow and financing

The consolidated balance sheet total was EUR 4,227 (31 Dec 2018: 3,684) million at the end of the fourth quarter. Equity attributable to the equity holders of the parent was EUR 1,424 (1,426) million, representing EUR 22.12 (22.16) per share. Property, plant and equipment on the balance sheet amounted to EUR 490 (309) million and intangible assets to EUR 1,355 (1,249) million.

Return on equity (ROE, last 12 months) was 6.3 (31 Dec 2018: 7.6) percent at the end of 2019, and return on capital employed (ROCE, last 12 months) was 7.3 (8.4) percent. Return on capital employed decreased from the comparison period due to MacGregor's negative result. Cargotec's financial target is to reach 15 percent return on capital employed.

Cash flow from operating activities, before financial items and taxes, improved and totalled EUR 361.1 (125.8) million during 2019. Cash flow was supported by the decrease in net working capital to EUR 158 million at the end of 2019 from EUR 271 million at the end of 2018. Net working capital decreased due to higher advances received.

Cargotec's liquidity position is healthy. In September 2019, Cargotec issued two senior unsecured bonds in the total aggregate nominal amount of EUR 250 million. The first bond in the nominal amount of EUR 100 million, matures on 23 January 2025 and it carries a fixed annual interest of 1.250 per cent. The other bond in the nominal amount of EUR 150 million, matures on 23 September 2026 and it carries a fixed annual interest of 1.625 per cent.

Cash and cash equivalents and the undrawn long-term credit limits amounted to EUR 720 (31 Dec 2018: 556) million at the end of 2019. In addition, Cargotec had access to a commercial paper programme as well as undrawn bank overdraft facilities totalling EUR 287 (31 Dec 2018: 249) million. At the end of 2019, interest-bearing net debt totalled EUR 774 (31 Dec 2018: 625) million. Interest-bearing net debt includes EUR 188 (19) million in lease liabilities. Interest-bearing debt amounted to EUR 1,224 (920) million, of which EUR 271 (203) million was current and EUR 953 (717) million non-current debt. The average interest rate of interest-bearing liabilities, excluding on-balance sheet lease liabilities, was 1.8 (2.1) percent. Cash and cash equivalents, loans receivable, and other interest-bearing assets totalled EUR 451 (294) million.

At the end of 2019, Cargotec's total equity/total assets ratio was 36.4 (31 Dec 2018: 40.9) percent. Gearing was 54.2 (43.8) percent. Gearing increased due to the application of the IFRS 16 accounting standard.

Corporate topics

Research and development

Research and product development expenditure in 2019 totalled EUR 101.9 (89.0) million, representing 2.8 (2.7) percent of sales. EUR 0.2 (0.5) million was capitalised. 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.

Kalmar

In November, Kalmar announced that it will collaborate with Bosch Rexroth to develop fully electric versions of its reachstacker and heavy forklift solutions. This collaboration represents another significant milestone on Kalmar's journey to offer electrically powered options for its entire equipment portfolio by 2021.

In October, Kalmar announced a new-generation version of its forklift solution for demanding loads of up to 54 tons. The Kalmar DCG380-540 is designed to offer the heavy-lifting power needed to handle the heavy loads typically seen in the stevedoring and metal industries combined with the smooth, precise control of a smaller-capacity machine.

Also in October, Kalmar was awarded first place in the PEMA (Port Equipment Manufacturers Association) Innovation Awards for two of its solutions focused on improving the eco-efficiency of container-terminal operations. The Kalmar Electric Terminal tractor and Kalmar FastCharge™ charging solution for battery-powered machinery were recognised as the best examples of disruptive and innovative technologies for the port industry. A total of 21 companies participated in the competition.

In October, Kalmar organised an Explore Automation! event in its Technology and Competence Centre in Tampere, Finland. The event gathered key industry stakeholders to share their knowledge, learn about the latest technologies and discuss experiences and recent developments in terminal automation.

During the event, Kalmar introduced Kalmar One, the first open automation system for container terminals. Kalmar One is a modular and scalable system that provides a robust foundation for automating container handling operations regardless of the vendor, equipment type, operation mode or automation level at the terminal.

Also in connection with Explore Automation!- event, Kalmar announced the introduction of Automated Truck Handling (ATH) to its Kalmar AutoStrad™ offering. ATH enables a fully automated container flow between quay cranes and trucks by automating the last stage of the landside operations – the final placement of containers onto road trucks. The feature was already available for Kalmar yard cranes and has now been added to Kalmar's horizontal transportation offering.

In July, Kalmar's multi-assembly unit in Stargard, Poland celebrated the 1,000th straddle carrier produced at the site. The multi-assembly unit in Poland started operations in 2010 and has since delivered a wide range of Kalmar and Hiab equipment to customers globally. During the same month Kalmar opened its new customer experience and training centre in North Charleston, USA. The facility serves as a showroom, training facility, and customer service centre for Kalmar's US mobile equipment business.

In May, Navis released N4 3.7, the newest version of its flagship TOS with upgraded product features and expanded capabilities. With this upgrade, Navis continues to enhance its core TOS functionality to meet the needs of its manual, semi-automated and fully automated terminal customers.

In April, Kalmar continued on its electrification journey by introducing a fully electric version of the Kalmar empty container handler. The machine is designed to help customers reduce overall fuel costs and comply with increasingly strict airborne and noise emissions standards without compromising on performance. In June, Kalmar took again a step towards its target to provide its full offering as electrically powered versions by 2021 by introducing a medium electric forklift powered by emission-free lithium-ion (Li-ion) battery technology. This is the first forklift in the medium-capacity range to be powered by Li-ion batteries.

In March, Navis organised the Navis World event in San Francisco, USA, where Navis and Kalmar customers, experts and partners discussed new innovations that are boosting productivity and operational efficiency in the maritime supply chain. Navis World is an essential event for the industry.

At the event, the Navis unveiled the Navis Smart architecture, providing new ways to capture and process available industry data to optimise planning, visibility and asset utilisation. Navis also launched its Navis Smart Suite – a set of applications to digitise planning and execution for terminal operations.

During the year, Navis also tackled large-scale and complex implementations to help today's modern terminals operate efficiently and at peak productivity. Navis acted as software provider in the projects.

In February, Kalmar announced Cummins as the electrification solution provider for Kalmar's terminal tractor offering. Cummins will provide powertrain technology, including the batteries, for the Kalmar Electric Terminal Tractor (KT2E) that will be launched in 2020. Kalmar launched the electrically powered Kalmar Ottawa T2E Terminal Tractor in the United States in 2018.

Hiab

In December, the two first serial produced electric trucks arrived in Copenhagen. Both trucks, from Mitsubishi and Mercedes Benz, have the tail lift ZEPRO ZLU-75-110 SA installed. The new trucks were delivered to the two companies Aarstiderne and Citylogist at an event at the government building Christiansborg in Copenhagen. The truck keys were handed to the companies by Denmark's Minister of Transport Benny Engelbrecht.

In the same month, as part of Hiab's new route-to-market strategy in Chile, the Front Line Unit in the country closed its operations. Leading local distributor PESCO became the exclusive importer of most Hiab equipment and responsible for selling and servicing Hiab's equipment through their nationwide network. PESCO is also the distributor of EFFER cranes in Chile.

At the beginning of December, EFFER spare parts became available on Hiab's webshop that offers original spare parts and accessories. The availability of original EFFER spare parts on the webshop platform is a further step into completing the integration of EFFER into Hiab while at the same time increasing the level of support and service towards our customers.

In August, Hiab announced that it will globally extend the standard warranty to two years for all LOGLIFT and JONSERED forestry and recycling crane models. The warranty will be valid for all cranes ordered from 1 August 2019. Terms and conditions remain the same, including the three year warranty on steel components. In the same month, Hiab started to build a new paint shop at its demountables assembly unit in Raisio, Finland. The expansion is needed to meet the growing demand for demountables. The total investment is over EUR 4 million, which is divided between Hiab and the supplier FSP Finnish Steel Painting that will eventually operate the new paint shop. The expansion is expected to be in operation in March 2020.

In July, Hiab launched a specialised drywall crane HIAB K-505 HiPro for the US and Canadian markets. It is the longest and strongest drywall crane from Hiab to date with a reach of nine floors and a lifting capacity of almost 300,000 foot-pound force (ft-lbf). The crane is packed with technologically advanced features to enhance operator safety and productivity. It is also the heaviest of Hiab's drywall cranes.

Starting in the second half of 2019, Hiab will connect the majority of its equipment (all electronic control equipment) as a standard feature from factory. Customers will get equipment prepared for the future and enabled for Connected Services, such as HiConnect™.

The HIAB S-HiPro 230W waste collection crane was announced in June. Specialised for use with underground refuse containers, it is engineered to make it easier for operators to efficiently and safely perform their work in crowded urban centres.

A milestone was reached, when the 75,000th Hiab truck mounted forklift was delivered to Die Behrens-Gruppe of Germany in May. The customer travelled to the MOFFETT production centre in Dundalk, Ireland, to receive an emission-free electric MOFFETT E-series.

During the first half of 2019, Hiab's HiVision™ system has been expanded to MULTILIFT hooklifts, making hooklift operation easier, safer and quicker. HiVision creates an Augmented Reality experience by overlaying operation guidance and equipment information to real-life footage captured by rear cameras. The driver sees it on a touch-screen display inside the truck cabin that can also be used to operate the hooklift.

In April, Hiab introduced the next generation column lift DEL DL500, which is the most popular choice for 3.5-tonne vehicles in the UK. The new DEL DL500 is lighter, easier to install and comes with new safety features.

Hiab also launched two new modular installation systems for truck bodies; Hiab BodyWorks for heavy cranes and Hiab T-Body for HIAB T-series light range cranes. The modules are pre-manufactured and reduce body installation times and costs. Both have a weld-free bolted construction with parts that are easy to remove and replace.

In March, Hiab's Effer promoted R.A.C.E (Remote Assistance Control EFFER), a function that is part of their electronic management system PROGRESS 2.0. R.A.C.E lets operators to monitor the state of the crane, and access operation data from connected devices, such as smartphones, tablets and PCs. When needed, an Effer service point can immediately provide remote assistance, which can save time and money for the customer.

Effer announced the launch of two brand new light range crane models, 105 and 120. The improved, minimalist design of the new cranes provides an outstanding power-to-weight ratio.

January 2019 was the first month of full operations of MULTILIFT's test area in Raisio, Finland, where Hiab will test trucks equipped with skiploaders and hooklifts. The area gives Hiab the opportunity to test equipment from a customer point of view in difficult weather conditions and terrain. The data gathered under the testing will enable Hiab to improve its products and to come up with new solutions to customer problems.

MacGregor

In December, MacGregor and Kongsberg Digital, part of KONGSBERG, announced a collaboration agreement to test the interface of MacGregor's OnWatch Scout condition monitoring and predictive maintenance service within Kongsberg Digital's Vessel Insight data infrastructure solution. The Vessel Insight solution enables high quality data from interfaced systems to be captured and transmitted in a cost effective and secure manner to the Kongsberg Digital Kognifai platform. The initial in-service testing and data analysis will be conducted with application to MacGregor cargo handling cranes installed on pilot merchant customer vessels.

In December, and following initial testing in July on board the Eidesvik Offshore Support Vessel, Viking Neptun, fully functioning pilot releases of the OnWatch Scout digitally-enabled service were installed on Viking Neptun and the Chinese-Polish Joint Stock Shipping Company (Chipolbrok) owned general cargo vessel, Chipolbrok Pacific.

MacGregor deck handling systems are supporting the operation of the first Chinese built icebreaker, Xue Long 2, as part of China's 36th Antarctic expedition which commenced in December. A MacGregor project team has been involved in the Xue Long 2 project from the very early stage, working collaboratively with the Polar Research Institute of China project team and Marine Design and Research Institute of China to develop technical solutions required to enable deck handling equipment to operate effectively at temperatures of minus 45 degrees centigrade.

Development work on another new digital offering, Breakbulk Optimiser, continued in advance of market introduction at the Marintec China international maritime event held in Shanghai in December. Breakbulk Optimiser is an automated, cloud-based application that increases cargo planning efficiency and optimises vessel and fleet capacity utilisation.

To further support the development and market adoption of intelligent services, all operationally critical MacGregor equipment have been delivered to customers with the capability to transmit data through an internet gateway included as standard from the second half of 2019.

MacGregor designed and supplied the cargo system for the world's largest containership, MSC Gülsün, which was delivered by South Korea's Samsung Heavy Industries in July. The ship is 400 meters long, 62 meters wide and is the first in a series of 11 ultra-large containerships with a capacity of more than 23,000 TEU. Six of the containerships will be built by Samsung Heavy Industries, and the other five by Daewoo Shipbuilding & Marine Engineering. The cargo system design was developed in close collaboration with MSC and, in addition to maximising cargo intake, provides for a high degree of operational and planning flexibility.

In June, MacGregor announced an agreement with Kongsberg Maritime, part of KONGSBERG, to supply an automated mooring system for the world's first autonomous containership, Yara Birkeland. The system will enable mooring operations to be undertaken without human intervention which supports effective operations of the fully electric, zero emission vessel.

Also in June, MacGregor's new digitally-enabled predictive maintenance service, OnWatch Scout, was introduced to the market at the Nor-Shipping international maritime exhibition held in Oslo, Norway. OnWatch Scout enables operationally critical equipment to be connected to land based monitoring systems that continuously analyse component condition, and can identify changes that indicate a risk of failure. This information enhances the ability to maximise equipment availability, minimise unplanned downtime and more effectively plan maintenance activities - thereby increasing the operational availability of valuable offshore and merchant shipping assets. The OnWatch Scout advanced data analytics capability is being developed in collaboration with one of MacGregor's recently selected Rainmaking Trade & Transport Impact Programme partners, Arundo Analytics.

MacGregor completed the construction of a FibreTrac crane, the first fibre-rope offshore crane to enter the market. The crane's full potential and capabilities were demonstrated at an event held in Kristiansand, Norway.

A Google Design Sprint was held during March to support the accelerated development of certain new digital offerings. Through a highly intensive process over a 7-day period, seven MacGregor and customer domain experts focused on the application and customisation of the 'C-How' simulation tool to provide an ability to predict and enable increased operational windows within an offshore oil & gas environment. The design sprint outcome was an interactive model that will be taken forward with customers for further validation in operation.

In March, Cargotec, Kalmar, Navis and MacGregor met the 14 most promising start-ups out of more than 600 that were pre-screened at Rainmaking's Trade & Transport programme. The meeting took place in Hamburg, Germany. The programme connects world leading corporations and innovative startups to address the biggest challenges in maritime, cargo transport and logistics.

Capital expenditure

Capital expenditure, excluding acquisitions and customer financing, totalled EUR 61.3 (46.4) million in 2019. Investments in customer financing were EUR 38.9 (33.9) million. Of the capital expenditure, EUR 4.4 (7.7) 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 133.8 (77.2) million. Depreciation increased by EUR 44 million due to the application of the IFRS 16 accounting standard.

Acquisitions and divestments in 2019

On 9 December, Navis, a part of Cargotec Corporation, announced that it has entered into an agreement to acquire the assets of Jade Logistics, a provider of the Master Terminal TOS for mixed cargo terminals. Jade Logistics is based in Christchurch, New Zealand and is trusted by over 100 facilities globally to manage the transport of mixed cargo such as steel, timber, containers, cars and many other materials. With the addition of Jade Logistics Master Terminal to its software portfolio, Navis is better positioned to support hundreds of terminals around the world that need to improve terminal operations for a wide variety of cargo types beyond containers. The acquisition was closed in December 2019 and it does not have an impact on Cargotec financials in 2019.

Cargotec announced on 31 July 2019 that its MacGregor business area has completed the acquisition of the marine and offshore businesses of TTS Group ASA at a consideration of EUR 57.9 million. The completion of the acquisition follows receipt of required approvals and 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 acquired businesses will be integrated within MacGregor's operating structure, and their results have been consolidated into MacGregor's financial figures as of 1 August 2019.

On 7 March 2019 Navis, part of Cargotec, acquired the privately owned company Cetus Labs, Inc. in the US, a provider of a SaaS- and cloud-based terminal operating system (TOS) Octopi for small container and mixed cargo terminals. With the acquisition, Navis is better positioned to support thousands of smaller terminals around the world that are eager to modernise terminal operations, yet lack the technology infrastructure and technical expertise required to support a full-scale Navis N4 TOS deployment.

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 41 million. The remaining part of the savings is expected to be achieved in 2020.

Restructuring costs in 2019 amounted to EUR 80.1 (53.8) million. Approximately EUR 30 million of these costs did not have cash flow impact. The restructuring costs in MacGregor business were EUR 52.1 million and the majority of this was related to adjustments at offshore business.

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 or decrease the estimate.

More information regarding restructuring costs and other items affecting comparability is available in Note 5, Comparable operating profit.

Personnel

Cargotec employed 12,587 (31 Dec 2018: 11,987) people at the end of 2019. Kalmar employed 5,625 (5,737) people, Hiab 4,028 (3,879), MacGregor 2,350 (1,879), and corporate administration and support functions 584 (492). The number of employees in corporate administration and support functions increased due to centralisation of business support operations to Cargotec Business Services centre. The average number of employees in 2019 was 12,470 (1–12/2018: 11,589).

At the end of 2019, 9 (31 Dec 2018: 9) percent of the employees were located in Sweden, 8 (8) percent in Finland, and 49 (48) percent in the rest of Europe. Asia-Pacific personnel represented 19 (20) percent, Americas 13 (13) percent, and the rest of the world 2 (2) percent of total employees.

Salaries and remunerations to employees totalled EUR 629 (567) million in 2019.

The annual Compass Employee Engagement survey provides valuable information on our employees' work-related feelings and thoughts. The Compass 2019 survey had a completion rate of 78% (2018: 85%). Employee engagement has remained stable at 67%.

Our teams are clearly a stronghold. The following three topic categories, team climate collaboration (82% favorability), team impact (82% favorability) and team climate performance

(80% favorability), suggest that the vast majority of our employees are satisfied with their closest team environment.

Sustainability

During autumn 2019, we conducted a materiality assessment to update our sustainability focus areas with feedback from the key stakeholder groups. The results proved that climate solutions and safety remain high on the agenda.

All stakeholder groups indicated that addressing climate change through eco-efficient, low-carbon solutions for customers is of key importance. Through Cargotec's product offering we can have the greatest contribution to mitigating climate change. The logistics industry has a big carbon footprint which can be abated by delivering innovative and efficient solutions to our customers.

The offering for eco-efficiency product portfolio accounted for 21 percent of Cargotec's total sales in 2019 (2018: 21%). During the year, two new products were added to the portfolio. For the strategy period 2019–2021, the portfolio target is to achieve double sales growth compared to traditional products by 2021. Kalmar's initiative to have its full offering available as electrically powered versions by 2021 supports this ambition.

In line with the materiality assessment results, Cargotec has focused on employee and product safety throughout the value chain. Our work on the health and safety area has progressed well during 2019. Our industrial injury frequency rate (IIFR) was 6.9 at the end of Q4 (2018: 8.4). The IIFR in our assembly sites was 7.0 and 6.8 in our non-assembly operations in 2019 (6.7 and 9.5 in 2018, respectively). The non-assembly sites have significantly improved their performance over the year. Our target was to reach an IIFR of 5.0 in our assembly in 2019 and we are continuing with the same target for 2020.

Continuous safety improvement actions across all businesses have led to an overall decrease in the injury rate and the total number of injuries in the organisation. Our focus will continue to be on prevention and strong commitment to ensure the safety and wellbeing of our employees through training, assessments and sharing of best practices.

In our sourcing functions, we continued upgrading our supplier sustainability management programme. In addition, we proceeded with our supplier code of conduct process, which aims to mitigate any risks for breaching international human rights. Suppliers within the process now cover 100 percent of our direct sourcing spend.

An international supplier rating agency Ecovadis awarded Cargotec a 74/100 points rating for our corporate social responsibility achievements. Cargotec is now ranked among the top 2% of the industry's top sustainability performers. Our ranking improved compared to last year and Cargotec is well above the average industry scores on all sustainability areas.

More details of our sustainability performance will be published in Cargotec Annual report and the GRI Index 2019.

Leadership Team

On 31 December 2019, 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.

Cargotec announced on 25 April 2019, that it simplifies its leadership structure and combines its Executive Board and Extended Executive Board to form a new Cargotec Leadership Team. From 25 April 2019 onwards also former members of Extended Executive Board Outi Aaltonen (General Counsel) and Carina Geber-Teir (Senior Vice President, Communications) belong to Cargotec Leadership Team.

Cargotec announced on 7 March 2019, that to enhance Kalmar's growth opportunities, Cargotec reorganises it into three strategic business units (SBU); Kalmar Mobile Solutions, Kalmar Automation Solutions and Navis as of April 1, 2019. Cargotec's financial reporting structure based on three business areas Kalmar, Hiab and MacGregor, will remain unchanged. Stefan Lampa (born 1964) has been appointed President of Kalmar Mobile Solutions and a member of the Cargotec Executive Board. Antti Kaunonen, the previous President of Kalmar, has been appointed President of Kalmar Automation Solutions. He will continue as a member of the Executive Board. Benoit de la Tour will continue as the President of Navis.

Reporting segments

Kalmar

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Orders received	446	450	-1%	1,776	1,919	-7%
Order book, end of period	1,049	1,012	4%	1,049	1,012	4%
Sales	471	444	6%	1,723	1,618	6%
Service sales	124	116	7%	464	449	3%
% of sales	26%	26%		27%	28%	
Software sales	46	47	-1%	169	147	15%
% of sales	10%	11%		10%	9%	
Operating profit	41.2	47.1	-13%	154.4	138.1	12%
% of sales	8.7%	10.6%		9.0%	8.5%	
Comparable operating profit	44.1	51.0	-14%	161.8	143.6	13%
% of sales	9.4%	11.5%		9.4%	8.9%	
Personnel, end of period	5,625	5,737	-2%	5,625	5,737	-2%

In the fourth quarter, orders received by Kalmar decreased by 1 percent and totalled EUR 446 (450) million. In comparable foreign exchange rates, orders received decreased by 2 percent. Kalmar's orders received in the fourth quarter include one sizeable automation order.

Other major orders received by Kalmar in 2019 included:

- Software maintenance and support agreements with Patrick Terminals in Australia and PSA in Singapore,
- 63 Kalmar Hybrid Straddle Carriers to DP World's four European container terminals,
- 6 Kalmar Zero Emission rubber-tyred gantry (RTG) cranes and Kalmar SmartPort solutions, part of the Kalmar One automation system, to Asyaport in Turkey,
- 3-year cooperation agreement with Iggesund Paperboard AB, including the provision of equipment, operators, maintenance services as well as the Kalmar Insight performance management software,
- service contracts with Metsä Fibre and OPSCA Las Palmas and
- 25 Kalmar Ottawa Electric T2E Terminal Tractors to NFI in California, US.

In 2019, orders received by Kalmar decreased by 7 percent and totalled EUR 1,776 (1,919) million. In comparable foreign exchange rates, orders received decreased by 9 percent.

Kalmar's order book increased by 4 percent from the end of 2018, and at the end of the year it totalled EUR 1,049 (31 Dec 2018: 1,012) million.

Kalmar's fourth quarter sales increased by 6 percent from the comparison period and totalled EUR 471 (444) million. Service sales increased by 7 percent and totalled EUR 124 (116) million, representing 26 (26) percent of sales. In comparable foreign exchange rates service sales increased by 6 percent. Software sales decreased by 1 percent and amounted to EUR 46 (47) million. In comparable foreign exchange rates, software sales decreased by 3 percent.

Sales in 2019 increased by 6 percent from the comparison period and totalled EUR 1,723 (1,618) million. Service sales increased by 3 percent and totalled EUR 464 (449) million, representing 27 (28) percent of sales. In comparable foreign exchange rates service sales increased by 3 percent.

Software sales increased by 15 percent and amounted to EUR 169 (147) million. In comparable foreign exchange rates, software sales increased by 11 percent.

Kalmar’s fourth quarter operating profit totalled EUR 41.2 (47.1) million. The operating profit includes EUR -2.9 (-3.9) million in items affecting comparability. The comparable operating profit amounted to EUR 44.1 (51.0) million, representing 9.4 (11.5) percent of sales. Kalmar’s comparable operating profit decreased due to a less profitable sales mix.

Kalmar’s operating profit in 2019 totalled EUR 154.4 (138.1) million. The operating profit includes EUR -7.4 (-5.4) million in items affecting comparability. The comparable operating profit amounted to EUR 161.8 (143.6) million, representing 9.4 (8.9) percent of sales. Kalmar’s comparable operating profit increased due to higher sales.

Hiab

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Orders received	322	357	-10%	1,310	1,259	4%
Order book, end of period	406	453	-10%	406	453	-10%
Sales	368	318	16%	1,350	1,149	18%
Service sales	87	83	5%	343	309	11%
% of sales	24%	26%		25%	27%	
Operating profit	48.3	34.4	40%	159.3	133.8	19%
% of sales	13.1%	10.8%		11.8%	11.6%	
Comparable operating profit	51.8	34.9	49%	170.2	134.5	27%
% of sales	14.1%	11.0%		12.6%	11.7%	
Personnel, end of period	4,028	3,879	4%	4,028	3,879	4%

Hiab's orders received for the fourth quarter decreased by 10 percent from the comparison period and totalled EUR 322 (357) million. In comparable foreign exchange rates, orders received decreased by 11 percent. Orders received decreased in EMEA and Americas and increased in Asia-Pacific.

Major orders received by Hiab in 2019 included:

- a record-breaking agreement to supply MOFFETT truck mounted forklifts with five year ProCare Essential service contracts and equipped with HiConnect™ for each unit with one of the largest home improvement chains in the USA. The total order value is over EUR 60 million,
- 149 demountables to Rheinmetall MAN Military Vehicles Österreich GesmbH,
- 130 loader cranes with accessories and later 20 additional loader cranes to Midland Corporation from Thailand,
- order of 135 Princeton truck mounted forklifts in the US,
- order of 100 loader cranes across HIAB's medium and heavy crane ranges for a customer in the UK and
- 342 MULTILIFT units to the civil administration and procurement authorities of the 'Bundeswehr', unified armed forces of Germany.

In 2019, orders received by Hiab increased by 4 percent from the comparison period and totalled EUR 1,310 (1,259) million. In comparable foreign exchange rates, orders received increased by 2 percent.

Hiab's order book decreased by 10 percent from the end of 2018 and totalled EUR 406 (31 Dec 2018: 453) million at the end of 2019.

Hiab's fourth quarter sales increased by 16 percent and totalled EUR 368 (318) million. Sales increased in EMEA and Americas and declined in Asia-Pacific. Service sales grew by 5 percent to EUR 87 (83) million, representing 24 (26) percent of sales. Sales in 2019 increased by 18 percent and totalled EUR 1,350 (1,149) million. Service sales grew by 11 percent to EUR 343 (309) million, representing 25 (27) percent of sales.

Hiab's fourth quarter operating profit increased from the comparison period and totalled EUR 48.3 (34.4) million. The operating profit includes EUR -3.5 (-0.5) million in items affecting comparability.

The comparable operating profit amounted to EUR 51.8 (34.9) million, representing 14.1 (11.0) percent of sales. Hiab's comparable operating profit increased due to higher sales.

Hiab's operating profit in 2019 increased from the comparison period and totalled EUR 159.3 (133.8) million. The operating profit includes EUR -10.9 (-0.7) million in items affecting comparability. The comparable operating profit amounted to EUR 170.2 (134.5) million, representing 12.6 (11.7) percent of sales. Hiab's comparable operating profit increased due to higher sales.

MacGregor

MEUR	Q4/19	Q4/18	Change	2019	2018	Change
Orders received	193	184	5%	630	580	9%
Order book, end of period	633	530	20%	633	530	20%
Sales	176	149	18%	611	538	14%
Service sales	74	59	26%	255	222	15%
% of sales	42%	39%		42%	41%	
Operating profit	-59.9	-7.3	< -100%	-83.3	-4.2	< -100%
% of sales	-34.1%	-4.9%		-13.6%	-0.8%	
Comparable operating profit	-12.5	-6.8	-84%	-28.2	-1.6	< -100%
% of sales	-7.1%	-4.6%		-4.6%	-0.3%	
Personnel, end of period	2,350	1,879	25%	2,350	1,879	25%

MacGregor's orders received in the fourth quarter increased by 5 percent from the comparison period to EUR 193 (184) million. In comparable foreign exchange rates, orders received increased by 6 percent and decreased by 8 percent excluding TTS acquisition. Around two thirds of the orders received were related to merchant ships and one third to the offshore sector. Orders received increased in EMEA and Americas and decreased in Asia-Pacific.

MacGregor's orders received in the fourth quarter included TTS orders worth EUR 24.8 million. TTS sales in the fourth quarter were EUR 31.9 million, and its operating profit was EUR -3.2 million. The TTS order book at the end of the fourth quarter was EUR 147.1 million.

Major orders received by MacGregor in 2019 included:

- MacGregor equipment to a European port development project and TTS products to a naval project, also in Europe, with a total value of approximately EUR 8 million,
- MacGregor and TTS products (ramps, car deck and lifting platform equipment) for a naval project in Europe and a RoRo project in Asia,
- a framework purchasing agreement with COSCO Shipping to support MacGregor equipment installed on more than 1,000 ships operating worldwide,
- a Cargo Boost contract with MSC Mediterranean Shipping Company and Guangzhou Wenchong Dockyard to upgrade the cargo systems on six 16,000 TEU containerships owned and operated by MSC,
- orders from Europe and Japan to provide linkspans, cruise access equipment and RoRo solutions for pure car truck carriers (PCTC). Total order value approximately EUR 19 million,
- orders to provide port, cruise access and equipment for RoRo/Passenger (RoPax) ferries from Europe and China. Total order value approximately EUR 22 million and
- an order from China National Offshore Oil Corporation (CNOOC) to supply the on-vessel mooring system for a deepwater Floating Production Unit (FPU).

MacGregor's orders received in 2019 increased by 9 percent from the comparison period to EUR 630 (580) million. In comparable foreign exchange rates, orders received increased by 9 percent and by 1 percent excluding TTS acquisition.

MacGregor's order book increased by 20 percent from the end of 2018, totalling EUR 633 (31 Dec 2018: 530) million at the end of 2019. Excluding TTS acquisition, order book decreased by 8 percent. Around three fourths of the order book is merchant ship-related and one fourth is offshore vessel-related.

MacGregor’s fourth quarter sales increased by 18 percent from the comparison period to EUR 176 (149) million. Excluding TTS acquisition, sales decreased by 3 percent. Service sales totalled EUR 74 (59) million, representing 42 (39) percent of sales. Excluding TTS acquisition, service sales increased by 1 percent. Sales in 2019 increased by 14 percent from the comparison period to EUR 611 (538) million. Sales excluding TTS acquisition increased by 4 percent. Service sales grew by 15 percent to EUR 255 (222) million, representing 42 (41) percent of sales. Excluding TTS acquisition, service sales increased by 4 percent.

MacGregor’s operating profit for the fourth quarter totalled EUR -59.9 (-7.3) million and operating profit excluding TTS acquisition EUR -56,7 million. Operating profit includes EUR -47.4 (-0.5) million in items affecting comparability. The comparable operating profit totalled EUR -12.5 (-6.8) million, representing -7.1 (-4.6) percent of sales. MacGregor’s comparable operating profit declined due to cost overruns in certain offshore projects, low capacity utilisation, and lower sales margins.

MacGregor’s operating profit in 2019 totalled EUR -83.3 (-4.2) million and operating profit excluding TTS acquisition EUR -82.0 million. The operating profit includes EUR -55.1 (-2.6) million in items affecting comparability. The comparable operating profit totalled EUR -28.2 (-1.6) million, representing -4.6 (-0.3) percent of sales. MacGregor’s comparable operating profit declined due to cost overruns in certain offshore projects, low capacity utilisation, and lower sales margins. More information regarding items affecting comparability is available in Note 5, Comparable operating profit.

Annual General Meeting and shares

Decisions taken at the Annual General Meeting

Cargotec Corporation's Annual General Meeting (AGM), held on 19 March 2019, adopted the financial statements and the consolidated financial statements of the year 2018. The meeting granted discharge from liability for the CEO and the members of the Board of Directors for the accounting period 1 January–31 December 2018. The AGM approved a dividend of EUR 1.09 to be paid for each class A share and a dividend of EUR 1.10 to be paid for each class B share outstanding. The dividend was decided to be paid in two instalments, EUR 0.55 in March and the rest in October 2019. The first instalment was paid on 28 March 2019 and the second instalment on 10 October 2019.

The AGM authorised the Board to decide on the repurchase of Cargotec's shares with non-restricted equity. Altogether no more than 6,400,000 shares in the company may be purchased, of which no more than 952,000 are class A shares and 5,448,000 are class B shares. The authorisation shall remain in effect for a period of 18 months from the resolution by the general meeting and it supersedes the previous one. In addition, the AGM authorised the Board of Directors to decide on the issuance of shares as well as the issuance of options and other special rights entitling to shares referred to in chapter 10 section 1 of the Finnish Companies Act. The authorisation remains in effect for a period of five years following the date of decision of the general meeting and it supersedes the previous one.

The number of the Board members was confirmed at nine. Jorma Eloranta, Tapio Hakakari, Ilkka Herlin, Peter Immonen, Teresa Kemppi-Vasama, Johanna Lamminen, Kaisa Olkkonen, Teuvo Salminen and Heikki Soljama were re-elected to the Board of Directors. The AGM elected accounting firm PricewaterhouseCoopers Oy as auditor. The auditors' fees were decided to be paid according to their invoice reviewed by the company.

On 19 March 2019, Cargotec Corporation's Board of Directors elected by the Annual General Meeting elected at its organising meeting Ilkka Herlin to continue as Chairman of the Board. Tapio Hakakari was elected to continue as Vice Chairman. The Board also elected the Chairmen and the members for the Audit and Risk Management Committee as well as the Nomination and Compensation Committee.

Outi Aaltonen, Senior Vice President, General Counsel, continued as Secretary to the Board. Cargotec published stock exchange releases on the decisions taken at the AGM as well as the Board of Directors' organising meeting on 19 March 2019. The stock exchange releases and presentations of the members of the Board of Directors are available on Cargotec's website at www.cargotec.com.

Shares and trading

Share capital, own shares and share issue

Cargotec Corporation's share capital totalled EUR 64,304,880 at the end of 2019. The number of class B shares was 55,182,079, while the number of class A shares totalled 9,526,089.

On 19 March 2019, 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 Cargotec's share-based incentive programme launched in 2016, 2018 allocation of restricted shares programme 2016–2018 under the share-based incentive programme 2016 and performance period 2017–2018 of share-based incentive programme launched in 2017.

In the share issue, 115,275 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 10 February 2016 and on 8 February 2017.

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.

In January 2019, Cargotec repurchased a total of 40,000 class B shares based on the authorisation of the Annual General Meeting on 20 March 2018 for a total cost of EUR 1,116,632.00. The shares were repurchased for use as reward payments for the share-based incentive programmes.

At the end of 2019, Cargotec held a total of 304,328 own class B shares, accounting for 0.47 percent of the total number of shares and 0.20 percent of the total number of votes. At the end of 2019, the number of outstanding class B shares totalled 54,877,751.

Share-based incentive programmes

In February 2019, the Board of Directors of Cargotec Corporation has resolved on the performance criteria for the share-based incentive programme for the year 2019. 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 on the performance criteria for each measuring period.

For the performance period of 2018–2019 started in 2018, the potential reward for the measuring period 2019 will be based on each business area's comparable operating profit for the key employees of the business areas Kalmar, Hiab and MacGregor, and for Navis software divisions' key employees, on Navis' sales. For Cargotec Corporate key employees, the performance criterion is Cargotec's comparable operating profit. After the end of the performance period, the Board of Directors will confirm the cumulative amount of rewards earned from the measuring periods 2018 and 2019, and potential rewards from the performance period 2018–2019 will be paid partly in Cargotec's class B shares and partly in cash in 2020. As a rule, no reward will be paid, if a key employee's employment or service ends before the reward payment. The shares paid as reward may not be transferred during an approximate one-year ownership and value creation period established for the shares.

For the new performance period of 2019–2020, the programme is directed to approximately 150 key employees, including the members of the Leadership Team. The incentive programme supports increasing growth of the service and software business according to Cargotec's strategy. For the key employees of the business areas Kalmar, Hiab and MacGregor, the potential reward of the measuring period 2019 will be based on each business area's comparable service gross profit, and for Navis software divisions' key employees, on Navis' sales and on sales excluding TOS business. For the Cargotec Corporate key employees, the performance criterion is Cargotec's service gross profit. The rewards to be paid on the basis of the performance period 2019–2020 will amount up to an approximate maximum total of 294,000 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.

In February 2019, the Board of Directors of Cargotec Corporation has also resolved to establish a new restricted shares programme for 2019. As a part of total compensation, additional restricted share grants can be allocated for selected key employees for recruitment and retention purposes in 2019. Restriction period of the shares continues until the end of March 2021. The rewards to be paid on the basis of the programme will amount up to an approximate maximum total of 27,000 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.

In February 2019, the Board of Directors of Cargotec Corporation has also resolved to establish a new matching share programme directed to the Group executives. The aim is to align the objectives of the shareholders and the executives in order to increase the value of the company in the long-term, and to further strengthen the shareowner alignment by encouraging the executives to personally invest in the company's shares. The Matching Share Programme is directed to maximum seven Group executives in total, including the Chief Executive Officer. More detailed information about the launch and the terms and conditions of the programme is available in stock exchange release published on 20 February 2019.

Market capitalisation and trading

At the end of 2019, the total market value of class B shares was EUR 1,660 (1,464) 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 1,950 (1,720) million, excluding own shares held by the company.

The class B share closed at EUR 30.24 (26.72) on the last trading day of 2019 on Nasdaq Helsinki. The volume-weighted average share price in 2019 was EUR 31.09 (41.28), the highest quotation being EUR 38.48 (51.30) and the lowest EUR 24.12 (26.46). During the period, a total of 29 (34) million class B shares were traded on Nasdaq Helsinki, corresponding to a turnover of EUR 892 (1,382) million. In addition, according to Fidessa, a total of 40 (47) million class B shares were traded in several alternative marketplaces, such as Cboe BXE and Cboe APA, corresponding to a turnover of EUR 1,266 (1,945) 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 could reduce the growth in container traffic. Coronavirus could have direct or indirect impact on the global trade as well as on the demand and deliveries of Cargotec'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. Also challenges related to the availability of skilled workforce and the company's ability to retain it can impact operational performance negatively. Political uncertainty and trade war could have an impact on global flow of goods and therefore on the demand of Cargotec's solutions. 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.

MacGregor's market situation still 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 and ship owners, as well as ship operators. In the challenging market situation, customers may also try to postpone or cancel orders. In some cases, the financial situation of customers may deteriorate significantly or even lead to customer insolvency.

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 its investments to ensure ethical business practices and the related internal processes are continuously being developed further.

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

Board of Directors' proposal on the distribution of profit

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 17 March 2020 that of the distributable profit, a dividend of EUR 1.19 for each of the 9,526,089 class A shares and EUR 1.20 for each of the 54,877,751 outstanding class B shares be paid, totalling EUR 77,189,347.11. The remaining distributable equity, EUR 833,952,454.32, will be retained and carried forward.

The Board of Directors also proposes that the dividend shall be paid in two instalments, in March and in October 2020. The first instalment of EUR 0.60 per each of class A shares and EUR 0.60 per each of class B shares outstanding shall be paid to shareholders who on the record date for dividend distribution,19 March 2020, are registered as shareholders in the company's shareholder register. The dividend payment date proposed by the Board of Directors is 26 March 2020.

The second instalment of EUR 0.59 per each of class A shares and EUR 0.60 per each of class B shares outstanding shall be paid in October 2020. The second instalment shall be paid to shareholders who are registered as shareholders in the company's shareholder register on the dividend record date, which, together with the payment date, shall be confirmed by the Board of Directors in its meeting scheduled for 29 September 2020. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would thus be 01 October 2020 and the dividend payment date 08 October 2020.

No significant changes have occurred in Cargotec's financial position after the end of the financial year. Liquidity is at a healthy level and the proposed distribution of dividend poses no risk on the company's financial standing.

Outlook for 2020

Cargotec expects its comparable operating profit for 2020 to improve from 2019 (EUR 264 million).

Annual General Meeting 2020

The Annual General Meeting of Cargotec Corporation will be held at the Marina Congress Center in Helsinki on Tuesday 17 March 2020 at 1.00 p.m. EET.

Financial calendar 2020

Financial Statements and Annual Report 2019 will be available at www.cargotec.com on week 8

The Annual General Meeting will be held on Tuesday, 17 March 2020

Interim report January–March 2020 on Thursday, 23 April 2020

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

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

Helsinki, 5 February 2020
Cargotec Corporation
Board of Directors

Consolidated statement of income

MEUR	Q4/19	Q4/18	2019	2018
Sales	**1,014.7**	**909.8**	**3,683.4**	**3,303.5**
Cost of goods sold	-775.1	-694.0	-2,810.3	-2,489.3
Gross profit	**239.6**	**215.8**	**873.1**	**814.2**
Gross profit, %	*23.6%*	*23.7%*	*23.7%*	*24.6%*
Other operating income	8.7	14.7	33.5	44.8
Selling and marketing expenses	-62.6	-61.2	-238.4	-234.4
Research and development expenses	-30.4	-24.2	-105.6	-94.7
Administration expenses	-76.1	-64.3	-269.3	-252.9
Restructuring costs	-53.5	-12.5	-80.1	-53.8
Other operating expenses	-10.5	-9.0	-33.8	-35.4
Costs and expenses	-224.3	-156.5	-693.7	-626.5
Share of associated companies' and joint ventures' net income	2.7	1.7	0.6	2.3
Operating profit	**18.0**	**60.9**	**180.0**	**190.0**
Operating profit, %	*1.8%*	*6.7%*	*4.9%*	*5.8%*
Financing income and expenses	-9.8	-8.7	-34.1	-28.9
Income before taxes	**8.2**	**52.2**	**145.9**	**161.1**
Income before taxes, %	*0.8%*	*5.7%*	*4.0%*	*4.9%*
Income taxes	-8.5	-18.1	-56.5	-53.1
Net income for the period	**-0.3**	**34.1**	**89.4**	**108.0**
Net income for the period, %	*0.0%*	*3.8%*	*2.4%*	*3.3%*

Net income for the period attributable to:

Equity holders of the parent	-0.3	33.9	89.4	107.0
Non-controlling interest	0.0	0.2	0.0	1.1
Total	**-0.3**	**34.1**	**89.4**	**108.0**

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

Earnings per share, EUR	-0.00	0.53	1.39	1.66
Diluted earnings per share, EUR	-0.00	0.52	1.39	1.65

The notes are an integral part of the financial statements review.

Consolidated statement of comprehensive income

MEUR	Q4/19	Q4/18	2019	2018
Net income for the period	**-0.3**	**34.1**	**89.4**	**108.0**
Other comprehensive income				
Items that cannot be reclassified to statement of income:				
Actuarial gains (+) / losses (-) from defined benefit plans	-15.1	-3.9	-13.9	-2.1
Taxes relating to items that cannot be reclassified to statement of income	3.1	0.7	2.8	-0.1
Items that can be reclassified to statement of income:				
Gains (+) / losses (-) on cash flow hedges	14.6	-10.9	2.6	-31.2
Gains (+) / losses (-) on cash flow hedges transferred to statement of income	0.3	4.3	3.9	11.5
Translation differences	-8.7	-5.0	11.1	-13.0
Taxes relating to items that can be reclassified to statement of income	-3.7	1.3	-2.1	4.0
Other comprehensive income, net of tax	**-9.5**	**-13.5**	**4.5**	**-30.8**
Comprehensive income for the period	**-9.8**	**20.6**	**93.8**	**77.3**
Comprehensive income for the period attributable to:				
Equity holders of the parent	-9.8	20.4	93.7	76.2
Non-controlling interest	0.0	0.2	0.2	1.0
Total	**-9.8**	**20.6**	**93.8**	**77.3**

The notes are an integral part of the financial statements review.

Consolidated balance sheet

ASSETS, MEUR	31 Dec 2019	31 Dec 2018
Non-current assets		
Goodwill	1,058.5	970.9
Other intangible assets	296.1	278.6
Property, plant and equipment	489.7	308.7
Investments in associated companies and joint ventures	120.8	99.8
Share investments	0.3	0.3
Loans receivable and other interest-bearing assets*	29.1	36.0
Deferred tax assets	131.2	137.3
Other non-interest-bearing assets	10.3	9.5
Total non-current assets	**2,136.0**	**1,841.1**
Current assets		
Inventories	713.0	688.8
Loans receivable and other interest-bearing assets*	1.3	1.8
Income tax receivables	24.1	56.0
Derivative assets	8.5	17.4
Accounts receivable and other non-interest-bearing assets	924.3	822.5
Cash and cash equivalents*	420.2	256.3
Total current assets	**2,091.4**	**1,842.8**
Total assets	**4,227.4**	**3,683.9**

EQUITY AND LIABILITIES, MEUR	31 Dec 2019	31 Dec 2018
Equity attributable to the equity holders of the parent		
Share capital	64.3	64.3
Share premium account	98.0	98.0
Translation differences	-33.2	-44.2
Fair value reserves	-9.1	-13.5
Reserve for invested non-restricted equity	57.4	58.5
Retained earnings	1,247.1	1,262.5
Total equity attributable to the equity holders of the parent	**1,424.5**	**1,425.6**
Non-controlling interest	2.8	3.0
Total equity	**1,427.3**	**1,428.5**
Non-current liabilities		
Interest-bearing liabilities*	953.3	717.1
Deferred tax liabilities	39.1	28.1
Pension obligations	110.4	92.3
Provisions	7.0	10.7
Other non-interest-bearing liabilities	66.0	58.6
Total non-current liabilities	**1,175.8**	**906.8**
Current liabilities		
Current portion of interest-bearing liabilities*	233.0	168.4
Other interest-bearing liabilities*	38.1	44.5
Provisions	114.3	86.7
Advances received*	306.3	190.3
Income tax payables	21.1	39.6
Derivative liabilities	11.8	5.8
Accounts payable and other non-interest-bearing liabilities*	899.8	813.5
Total current liabilities	**1,624,3**	**1,348.6**
Total equity and liabilities	**4,227.4**	**3,683.9**

*Included in interest-bearing net debt.

The notes are an integral part of the financial statements review.

Consolidated statement of changes in equity

MEUR	Share capital	Share premium account	Translation differences	Fair value reserves	Reserve for invested non-restricted equity	Retained earnings	Total	Non-controlling interest	Total equity
	Attributable to the equity holders of the parent								
Equity 1 Jan 2019	**64.3**	**98.0**	**-44.2**	**-13.5**	**58.5**	**1,262.5**	**1,425.6**	**3.0**	**1,428.5**
+/- IFRS 16 transition effect						-9.9	-9.9	0.0	-9.9
+/- IFRIC 23 transition effect						-14.6	-14.6		-14.6
Restated 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 financial year						89.4	89.4	0.0	89.4
Cash flow hedges				4.3			4.3	0.0	4.4
Translation differences			11.0				11.0	0.1	11.1
Actuarial gains (+) / losses (-) from defined benefit plans						-11.0	-11.0		-11.0
Comprehensive income for the financial year*	**-**	**-**	**11.0**	**4.3**	**-**	**78.3**	**93.7**	**0.2**	**93.8**
Profit distribution						-70.7	-70.7	-0.3	-71.0
Treasury shares acquired					-1.1		-1.1		-1.1
Share-based payments*						1.6	1.6		1.6
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-1.1**	**-69.1**	**-70.2**	**-0.3**	**-70.5**
Transactions with non-controlling interests							-	0.0	0.0
Equity 31 Dec 2019	**64.3**	**98.0**	**-33.2**	**-9.1**	**57.4**	**1,247.1**	**1,424.5**	**2.8**	**1,427.3**
Equity 1 Jan 2018	**64.3**	**98.0**	**-31.2**	**2.1**	**69.0**	**1,226.5**	**1,428.7**	**2.3**	**1,431.0**
Net income for the financial year						107.0	107.0	1.1	108.0
Cash flow hedges				-15.6			-15.6	0.0	-15.6
Translation differences			-13.0				-13.0	0.0	-13.0
Actuarial gains (+) / losses (-) from defined benefit plans						-2.2	-2.2		-2.2
Comprehensive income for the financial year*	**-**	**-**	**-13.0**	**-15.6**	**-**	**104.8**	**76.2**	**1.0**	**77.3**
Profit distribution						-67.6	-67.6	-0.4	-68.0
Treasury shares acquired					-10.5		-10.5		-10.5
Share-based payments*						-1.2	-1.2		-1.2
Transactions with owners of the company	**-**	**-**	**-**	**-**	**-10.5**	**-68.9**	**-79.4**	**-0.4**	**-79.8**
Transactions with non-controlling interests							-	0.0	0.0
Equity 31 Dec 2018	**64.3**	**98.0**	**-44.2**	**-13.5**	**58.5**	**1,262.5**	**1,425.6**	**3.0**	**1,428.5**

*Net of tax

The notes are an integral part of the financial statements review.

Consolidated statement of cash flows

MEUR	2019	2018
Net cash flow from operating activities		
Net income for the financial year	89.4	108.0
Depreciation, amortisation and impairment	133.8	77.2
Financing items	34.1	28.9
Taxes	56.5	53.1
Change in receivables	-69.6	-54.8
Change in payables	106.5	-49.6
Change in inventories	13.5	-54.3
Change in net working capital	50.4	-158.7
Other adjustments	-3.2	17.3
Cash flow from operations before financing items and taxes	**361.1**	**125.8**
Interest received	5.3	3.1
Interest paid	-29.4	-18.6
Dividends received	-	14.0
Other financing items	14.5	-23.0
Income taxes paid	-48.1	-61.0
Net cash flow from operating activities	**303.5**	**40.2**
Net cash flow from investing activities		
Acquisitions of businesses, net of cash acquired	-109.5	-70.7
Disposals of businesses, net of cash sold	0.3	-15.5
Investments in associated companies and joint ventures	-	-0.5
Investments in fixed assets	-68.5	-71.5
Disposals of fixed assets	20.8	19.1
Cash flow from investing activities, other items	6.2	1.8
Net cash flow from investing activities	**-150.6**	**-137.3**
Net cash flow from financing activities		
Treasury shares acquired	-2.2	-9.4
Repayments of lease liabilities	-45.5	-1.3
Proceeds from long-term borrowings	298.1	199.5
Repayments of long-term borrowings	-168.3	-83.7
Proceeds from short-term borrowings	271.6	3.4
Repayments of short-term borrowings	-257.8	-2.6
Profit distribution	-71.0	-68.0
Net cash flow from financing activities	**24.9**	**37.7**
Change in cash and cash equivalents	**177.8**	**-59.3**
Cash and cash equivalents, and bank overdrafts at the beginning of period	225.5	284.7
Effect of exchange rate changes	6.6	0.1
Cash and cash equivalents, and bank overdrafts at the end of period	**409.8**	**225.5**
Bank overdrafts at the end of period	10.4	30.8
Cash and cash equivalents at the end of period	**420.2**	**256.3**

The notes are an integral part of the financial statements review.

Key figures

		2019	2018
Equity / share	EUR	22.12	22.16
Total equity / total assets	%	36.4%	40.9%
Interest-bearing net debt	MEUR	773.6	625.5
Interest-bearing net debt / EBITDA, last 12 months		2.5	2.3
Gearing	%	54.2%	43.8%
Return on equity (ROE), last 12 months	%	6.3%	7.6%
Return on capital employed (ROCE), last 12 months*	%	7.3%	8.4%

*Cargotec has refined the treatment of the interest rate component of currency forward contracts in the calculation of return on capital employed. As a result, the return on capital employed increased by 0.4 percentage points in 2018.

Additional information regarding interest-bearing net debt and gearing is disclosed in note 9, 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 and new accounting standards

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 2018 and comply with changes in IAS/IFRS standards effective from 1 January 2019. All figures presented have been rounded which may cause, for example, the sum of individual figures to deviate from the presented sum total.

Starting from 1 January 2019, Cargotec has applied the following new standards and amendments:

IFRS 16, Leases, was adopted by applying the modified retrospective transition method. The majority of the lease agreements Cargotec reported as operating leases in 2018 were converted as lease agreements recognised on the balance sheet on the adoption of IFRS 16. The transition adjustments related to the adoption of IFRS 16 resulted in a net decrease of EUR 9.9 million in retained earnings based on increases of EUR 178.1 million in interest-bearing liabilities, EUR 163.9 million in property, plant and equipment, and EUR 3.1 million in deferred tax assets, and a decrease of EUR 1.1 million in non-interest-bearing liabilities. The weighted average discount rate applied to determine the present value of lease liability was 4.3% on the date of transition.

MEUR	Reconciliation of lease liability on transition to IFRS 16
Commitments related to operating leases on 31 Dec 2018	203.2
of which related to off-balance sheet leases on 1 Jan 2019	-1.5
Additions on transition to IFRS 16 on 1 Jan 2019	6.7
Gross commitment related to new on-balance sheet leases on 1 Jan 2019	**208.4**
Weighted average discount rate applied in the transition	4.3%
Increase of on-balance sheet lease liabilities on 1 Jan 2019	178.1
Finance lease liabilities on 31 Dec 2018	18.5
Lease liabilities recognised on the balance sheet on 1 Jan 2019	**196.6**

IFRIC 23, Uncertainty over Income Tax Treatments, was adopted prospectively with the allowed transitional reliefs. The interpretation clarifies how to apply the recognition and measurement requirements of IAS 12, Income taxes, when there is uncertainty over income tax treatments. The interpretation provides guidance to determine whether uncertain tax treatments should be considered separately or together as a group. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation also clarifies how to consider assumptions about the examination of uncertain tax treatments by taxation authorities and measurement methods of uncertain tax positions. The reassessment of current and deferred taxes in accordance with IFRIC 23 resulted in a reduction of EUR 14.6 million in retained earnings at transition due to decreases of EUR 13.9 million in the income tax receivables and EUR 0.7 million in deferred tax assets. The other amendments effective from 1 January 2019 had no impact on the reported figures.

Cargotec's changed accounting principles regarding leases in which Cargotec is the lessee

Cargotec leases property, plant and equipment in most of the countries it operates in under contracts that meet the definition of a lease. Short-term lease agreements, with contractual and expected lease periods not exceeding 12 months, are accounted for as off-balance sheet leases if there is no purchase option. Also long-term lease agreements in which the underlying leased asset is of low value are accounted for as off-balance sheet leases. Expenses related to these leases are recognised in the statement of income as incurred over the lease period.

Lease agreements which do not qualify for the short-term or low-value exemption are recognised on the balance sheet as lease liabilities and right-of-use assets at the commencement of the lease period. Lease liabilities are initially measured at present value by determining the expected reasonably certain lease payments and discounting them with an incremental borrowing rate that is determined separately for the main lease types in each relevant currency. Rent components not directly related to the leased asset are excluded from the lease value on balance sheet. If a lease has no maturity date, the lease liability is determined based on the enforceable lease period considering the termination rights of both contractual parties. Lease payments are allocated to repayments of lease liabilities and finance charges so that a constant interest rate on the outstanding balance is obtained. Lease liability is included in the interest-bearing liabilities on the statement of financial position, and is measured at amortised cost. Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted by lease advances paid or incentives received, initial direct costs, and estimated dismantling, removal and restoration costs at the end of the lease period, if relevant. Right-of-use assets are included in the property, plant and equipment on the statement of financial position, and they are depreciated over the lease period on a straight-line basis unless the asset is expected to be fully consumed before the end of the lease term or purchased, in which case the depreciation period is determined based on the expected useful life of the asset. An off-balance sheet lease commitment becoming onerous leads to a recognition of a separate loss provision, whereas an on-balance sheet lease becoming onerous leads to an impairment of the related right-of-use asset.

Lease modifications are accounted for either as new lease contracts or as changes in the existing lease contracts depending on the type of the modification. Modifications accounted for as changes in the existing leases, and changes in the estimates applied in lease accounting, such as those related to the use of an option to prolong a lease or to purchase a leased asset, trigger a remeasurement of the lease liability and the right-of-use asset at an updated discount rate. Contractual rent changes tied to indexes also trigger a remeasurement of the lease liability and the right-of-use asset but without a change in the applied discount rate.

Cargotec's changed accounting principles regarding income taxes

"Income taxes in the statement of income include group companies' taxes based on the taxable income, changes in deferred taxes and adjustments to taxes for previous periods. Income taxes based on the taxable income are calculated by using the local tax rates and laws enacted or substantively enacted at the end of the reporting period. Tax is recognised in the statement of income except to the extent that it relates to items recognised in the statement of other comprehensive income, in which case the tax is presented in the statement of other comprehensive income.

Deferred taxes are calculated on the temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and on the unutilised tax losses. Deferred tax liabilities are recognised in full and deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred taxes are measured with the tax rates and laws that are enacted or substantively enacted at the end of the reporting period and that are expected to apply when the asset is realised or liability settled.

When there is uncertainty over an income tax treatment, Cargotec considers uncertain tax positions either separately or together as a group based on the approach that better predicts the resolution of the uncertainty. Recognised income taxes are adjusted where it is considered probable that a tax authority or competent court will not accept an uncertain tax treatment applied by Cargotec in an income tax filing. Income taxes are in that case adjusted either based on an estimate of the most likely amount or the expected weighted average value of the final tax amount, taking into account the tax authorities' expected acceptance of the chosen tax treatment.

3. Segment information

Sales, MEUR	Q4/19	Q4/18	2019	2018
Kalmar	471	444	1,723	1,618
Hiab	368	318	1,350	1,149
MacGregor	176	149	611	538
Internal sales	0	-1	-1	-2
Total	**1,015**	**910**	**3,683**	**3,304**

Sales by geographical area, MEUR	Q4/19	Q4/18	2019	2018
EMEA	511	460	1,764	1,610
Americas	322	272	1,243	1,039
Asia-Pacific	182	177	677	655
Total	**1,015**	**910**	**3,683**	**3,304**

Sales by geographical area, %	Q4/19	Q4/18	2019	2018
EMEA	50%	51%	48%	49%
Americas	32%	30%	34%	31%
Asia-Pacific	18%	19%	18%	20%
Total	**100%**	**100%**	**100%**	**100%**

Operating profit and EBITDA, MEUR	Q4/19	Q4/18	2019	2018
Kalmar	41.2	47.1	154.4	138.1
Hiab	48.3	34.4	159.3	133.8
MacGregor	-59.9	-7.3	-83.3	-4.2
Corporate administration and support functions	-11.5	-13.2	-50.4	-77.7
Operating profit	**18.0**	**60.9**	**180.0**	**190.0**
Depreciation, amortisation and impairment	43.6	19.6	133.8	77.2
EBITDA	**61.7**	**80.6**	**313.8**	**267.2**

Operating profit, %	Q4/19	Q4/18	2019	2018
Kalmar	8.7%	10.6%	9.0%	8.5%
Hiab	13.1%	10.8%	11.8%	11.6%
MacGregor	-34.1%	-4.9%	-13.6%	-0.8%
Cargotec	1.8%	6.7%	4.9%	5.8%

Items affecting comparability, MEUR	Q4/19	Q4/18	2019	2018
Kalmar	-2.9	-3.9	-7.4	-5.4
Hiab	-3.5	-0.5	-10.9	-0.7
MacGregor	-47.4	-0.5	-55.1	-2.6
Corporate administration and support functions	-2.5	-3.8	-10.9	-43.3
Total	**-56.3**	**-8.7**	**-84.4**	**-52.1**

Comparable operating profit, MEUR	Q4/19	Q4/18	2019	2018
Kalmar	44.1	51.0	161.8	143.6
Hiab	51.8	34.9	170.2	134.5
MacGregor	-12.5	-6.8	-28.2	-1.6
Corporate administration and support functions	-9.0	-9.4	-39.5	-34.4
Total	**74.3**	**69.6**	**264.4**	**242.1**

Comparable operating profit, %	**Q4/19**	**Q4/18**	**2019**	**2018**
Kalmar	9.4%	11.5%	9.4%	8.9%
Hiab	14.1%	11.0%	12.6%	11.7%
MacGregor	-7.1%	-4.6%	-4.6%	-0.3%
Cargotec	7.3%	7.7%	7.2%	7.3%

Orders received, MEUR	**Q4/19**	**Q4/18**	**2019**	**2018**
Kalmar	446	450	1,776	1,919
Hiab	322	357	1,310	1,259
MacGregor	193	184	630	580
Internal orders received	0	0	-1	-1
Total	**962**	**991**	**3,714**	**3,756**

Orders received by geographical area, MEUR	**Q4/19**	**Q4/18**	**2019**	**2018**
EMEA	481	489	1,818	1,755
Americas	318	310	1,250	1,245
Asia-Pacific	163	192	646	757
Total	**962**	**991**	**3,714**	**3,756**

Orders received by geographical area, %	**Q4/19**	**Q4/18**	**2019**	**2018**
EMEA	50%	49%	49%	47%
Americas	33%	31%	34%	33%
Asia-Pacific	17%	20%	17%	20%
Total	**100%**	**100%**	**100%**	**100%**

Order book, MEUR	**31 Dec 2019**	**31 Dec 2018**
Kalmar	1,049	1,012
Hiab	406	453
MacGregor	633	530
Internal order book	0	-1
Total	**2,089**	**1,995**

Number of employees at the end of period	**31 Dec 2019**	**31 Dec 2018**
Kalmar	5,625	5,737
Hiab	4,028	3,879
MacGregor	2,350	1,879
Corporate administration and support functions	584	492
Total	**12,587**	**11,987**

Average number of employees	**2019**	**2018**
Kalmar	5,723	5,685
Hiab	4,063	3,604
MacGregor	2,125	1,887
Corporate administration and support functions	559	413
Total	**12,470**	**11,589**

4. Revenue from contracts with customers

Cargotec, MEUR	Q4/19	Q4/18	2019	2018
Equipment sales	684	606	2,453	2,177
Service sales	285	257	1,062	980
Software sales	46	47	168	147
Total sales	**1,015**	**910**	**3,683**	**3,304**
Recognised at a point in time	872	785	3,179	2,898
Recognised over time	143	125	505	406

Kalmar, MEUR	Q4/19	Q4/18	2019	2018
Equipment sales	300	281	1,090	1,022
Service sales	124	116	464	449
Software sales	46	47	169	147
Total sales	**471**	**444**	**1,723**	**1,618**
Recognised at a point in time	385	361	1,405	1,377
Recognised over time	86	83	318	241

Hiab, MEUR	Q4/19	Q4/18	2019	2018
Equipment sales	281	235	1,007	840
Service sales	87	83	343	309
Total sales	**368**	**318**	**1,350**	**1,149**
Recognised at a point in time	365	315	1,339	1,139
Recognised over time	3	3	11	9

MacGregor, MEUR	Q4/19	Q4/18	2019	2018
Equipment sales	102	91	357	317
Service sales	74	59	255	222
Total sales	**176**	**149**	**611**	**538**
Recognised at a point in time	122	110	435	382
Recognised over time	54	39	176	156

5. Comparable operating profit

MEUR	Q4/19	Q4/18	2019	2018
Operating profit	**18.0**	**60.9**	**180.0**	**190.0**
Restructuring costs				
Employment termination costs	8.5	2.4	22.7	3.2
Impairments of non-current assets*	5.8	0.6	5.9	32.2
Impairments of inventories	19.8	0.0	20.1	1.4
Restructuring-related disposals of businesses**	0.4	0.2	0.4	-8.4
Other restructuring costs***	19.0	9.2	31.0	25.5
Restructuring costs, total	**53.5**	**12.5**	**80.1**	**53.8**
Other items affecting comparability				
Insurance benefits	-	-5.0	-	-5.0
Expenses related to business acquisitions	2.8	1.2	4.3	3.3
Other items affecting comparability, total	**2.8**	**-3.8**	**4.3**	**-1.7**
Comparable operating profit	**74.3**	**69.6**	**264.4**	**242.1**

In 2019, restructuring costs totalled EUR 80.1 (2018: 53.8) million. EUR 7.4 (5.4) million of the items were related to Kalmar, EUR 10.9 (0.7) million to Hiab, EUR 52.1 (4.3) million to MacGregor and EUR 9.7 (43.3) million to corporate administration and support functions. Restructuring costs in MacGregor 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. During the last quarter, restructuring costs booked in MacGregor were EUR 45.8 (4.3) million. EUR 5.3 million of those 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 13.9 million to other restructuring costs.

*Impairments of non-current assets include an impairment loss of EUR 30.0 million, recognised in the second quarter of 2018, related to impairment testing of Cargotec's investment in the associated company Jiangsu Rainbow Heavy Industries Co., Ltd (RHI), that is listed on the Shenzhen stock exchange in China.

**Additional information regarding disposals of businesses is presented in note 12, 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. In addition, the last quarter of 2018 includes costs related to discontinuation of unprofitable product ranges in Kalmar.

6. Capital expenditure, depreciation and amortisation

Capital expenditure, MEUR	**2019**	**2018**
Owned assets		
Intangible assets	4.4	7.7
Land and buildings	2.5	6.6
Machinery and equipment	67.9	57.0
Right-of-use assets		
Land and buildings	12.9	8.8
Machinery and equipment	12.5	0.2
Total	**100.2**	**80.3**

Depreciation, amortisation and impairment, MEUR		
Owned assets		
Intangible assets	38.5	31.0
Land and buildings	6.8	6.5
Machinery and equipment	43.2	38.7
Right-of-use assets		
Land and buildings	30.0	0.2
Machinery and equipment	15.3	0.8
Total	**133.8**	**77.2**

7. Taxes in statement of income

MEUR	**2019**	**2018**
Current year tax expense	45.4	35.2
Change in current year's deferred tax assets and liabilities	8.9	18.3
Tax expense for previous years	2.2	-0.4
Total	**56.5**	**53.1**

8. Net working capital

MEUR	31 Dec 2019	31 Dec 2018
Inventories	713.0	688.8
Operative derivative assets	17.9	9.2
Accounts receivable	670.9	626.3
Other operative non-interest-bearing assets	260.0	202.7
Working capital receivables	**1,661.7**	**1,527.0**
Provisions	-121.3	-97.4
Advances received	-306.3	-190.3
Operative derivative liabilities	-18.5	-18.9
Accounts payable	-438.7	-424.2
Pension obligations	-110.4	-92.3
Other operative non-interest-bearing liabilities	-508.1	-432.5
Working capital liabilities	**-1,503.4**	**-1,255.6**
Net working capital	**158.3**	**271.4**

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.

9. Interest-bearing net debt and liquidity

MEUR	31 Dec 2019	31 Dec 2018
Interest-bearing liabilities*	1,224.3	929.9
Lease liabilities included in interest-bearing liabilities	187.8	18.5
Loans receivable and other interest-bearing assets	-30.5	-37.9
Cash and cash equivalents	-420.2	-256.3
Interest-bearing net debt on balance sheet	**773.6**	**635.8**
Foreign currency hedge of corporate bonds*	-	-10.3
Interest-bearing net debt	**773.6**	**625.5**
Equity	1,427.3	1,428.5
Gearing	**54.2%**	**43.8%**

MEUR	2019	2018
Operating profit	180.0	190.0
Depreciation, amortisation and impairment	133.8	77.2
EBITDA	**313.8**	**267.2**
Interest-bearing net debt / EBITDA	**2.5**	**2.3**

*Cash flow hedge accounting was applied to the cash flows of the US Private Placement corporate bond (31 Dec 2018: USD 85 million), which matured in February 2019. The cash flows of the bond were converted into euro flows through a cross-currency swap. As a result of the hedging, Cargotec effectively held a EUR 64 million fixed rate debt on 31 Dec 2018.

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

MEUR	31 Dec 2019	31 Dec 2018
Cash and cash equivalents	420.2	256.3
Committed long-term undrawn revolving credit facilities	300.0	300.0
Repayments of interest-bearing liabilities in the following 12 months	-271.0	-212.8
Total liquidity	**449.2**	**343.5**

10. Derivatives

Fair values of derivative financial instruments

MEUR	Positive fair value 31 Dec 2019	Negative fair value 31 Dec 2018	Net fair value 31 Dec 2019	Net fair value 31 Dec 2018
Non-current				
Currency forwards, cash flow hedge accounting	-	-	-	-
Total non-current	**-**	**-**	**-**	**-**
Current				
Currency forwards, cash flow hedge accounting	2.6	2.1	0.5	2.2
Currency forwards, other	5.8	9.6	-3.8	-0.7
Cross-currency and interest rate swaps	-	-	-	10.1
Total current	**8.5**	**11.8**	**-3.3**	**11.7**
Total derivatives	**8.5**	**11.8**	**-3.3**	**11.7**

A cross-currency and interest rate swap hedged the US Private Placement corporate bond which was issued in February 2007 and matured in February 2019. Cash flow hedge accounting was applied for this instrument and it was recognised at fair value through profit and loss.

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 Dec 2019	31 Dec 2018
Currency forward contracts	2,649.5	2,260.7
Cash flow hedge accounting	1,618.7	1,265.8
Other	1,030.8	994.8
Cross-currency and interest rate swaps	-	74.2
Total	**2,649.5**	**2,334.9**

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.

11. Commitments

MEUR	31 Dec 2019	31 Dec 2018
Guarantees given on behalf of associated companies and joint ventures	41.8	41.5
Guarantees given on behalf of others	0.4	-
Customer financing	23.3	26.7
Operating leases	2.4	203.2
Other contingent liabilities	4.9	0.5
Total	**72.8**	**271.9**

Cargotec Corporation has guaranteed obligations of Cargotec companies arising from ordinary course of business. The total amount of these guarantees on 31 Dec 2019 was EUR 512.5 (31 Dec 2018: 460.8) 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 2.9 (1–12/2018: 45.0) million. Additional information regarding the IFRS 16 transition is presented in note 2, Accounting principles and new accounting standards.

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 to its financial statements.

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.

12. Acquisitions and disposals

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 has contributed EUR 49.9 million to Cargotec's sales and EUR -1.3 million to operating profit. Had TTS been acquired on 1 January 2019, it would have increased Cargotec's full year sales by approximately EUR 119.8 million and decreased operating profit by approximately EUR 3.2 million. In total EUR 2.9 million of costs related to TTS acquisition have been included in the operating profit of MacGregor segment and in other operating expenses on Cargotec's statement of income in 2019. These costs are not included in MacGregor’s comparable operating profit.

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

Acquired net assets and goodwill, TTS, MEUR	
Intangible assets	50.3
Property, plant and equipment	15.9
Investments in associated companies and joint ventures	21.7
Inventories	60.4
Accounts receivable and other non-interest-bearing assets	25.8
Cash and cash equivalents	24.8
Deferred tax assets	0.8
Accounts payable and other non-interest-bearing liabilities	-109.5
Interest-bearing liabilities	-78.8
Deferred tax liabilities	-11.3
Net assets	**-0.1**
Purchase price, payable in cash	57.9
Total consideration	**57.9**
Goodwill	**58.0**
Purchase price, paid in cash	56.6
Cash and cash equivalents, and bank overdrafts acquired	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, and the transaction is accounted for as a business combination. The main asset acquired, Master Terminal, is a terminal operating system (TOS) that can be used in managing various types of cargo. With the acquired software Navis is better positioned to support terminals managing wide variety of cargo types beyond containers. The result of the acquired business is consolidated into 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 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
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	-0.4
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	-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.

Acquisitions in 2018

On 6 November 2018, Hiab acquired the share capital of Effer S.p.A ("Effer"), located in Italy, at the price of EUR 44.6 million. Effer was a privately owned company which is known as a high-quality knuckle-boom crane manufacturer. Effer's product range includes truck loader cranes, special application truck cranes, and marine cranes. Acquisition complements Hiab's product portfolio especially in heavy cranes, and Effer's global dealer network strengthens Hiab's sales network. Additionally, acquisition strengthens Hiab's product development, and increases the sales and efficiency of Hiab's service business. Effer's all operations are located in Italy. As a result of the acquisition, 400 employees were transferred to Cargotec. The result of Effer has been consolidated into Hiab segment from the beginning of November 2018. In 2018, Effer contributed EUR 16.1 million and EUR 0.8 million to Cargotec's sales and operating profit, respectively. Had Effer been acquired on 1 January 2018, it would have increased Cargotec's full year sales by approximately EUR 96.6 million and operating profit by approximately EUR 5.1 million.

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

Acquired net assets and goodwill, Effer S.p.A, MEUR	
Intangible assets	19.1
Property, plant and equipment	3.4
Inventories	12.1
Accounts receivable and other non-interest-bearing assets	15.9
Cash and cash equivalents	5.1
Deferred tax assets	1.2
Accounts payable and other non-interest-bearing liabilities	-19.6
Interest-bearing liabilities	-12.2
Deferred tax liabilities	-5.3
Net assets	**19.6**
Purchase price, payable in cash	44.6
Total consideration	**44.6**
Goodwill	**25.1**
Purchase price, paid in cash	43.5
Cash and cash equivalents acquired	6.3
Cash flow impact	**49.8**

On 5 February 2018, MacGregor acquired the share capital of Rapp Marine Group AS ("RMG") at the price of EUR 7.5 million. RMG was a privately owned company and it is specialised in providing winches and related equipment to fishery and research vessels. The acquisition supports MacGregor’s growth strategy by enabling a strong position in the product areas related to fishery and research vessels, completing the product offering of winches and related control systems, and increasing service sales. RMG's main locations are in Norway, the United States and the United Kingdom. As a result of the acquisition, 135 employees were transferred to Cargotec. The result of RMG has been consolidated into MacGregor segment from the beginning of February 2018. In 2018, RMG contributed EUR 49.2 million and EUR 0.1 million to Cargotec's sales and operating profit, respectively. Had RMG been acquired on 1 January 2018, it would have increased

Cargotec's full year sales by approximately EUR 53.7 million and operating profit by approximately EUR 0.1 million.

Fair value measurements of the acquired assets and assumed liabilities are final. In determining the fair values, intangible assets related to customer relationships, trademarks and technology were identified as the acquired intangible assets. The acquisition generated goodwill that is not tax-deductible. The generated goodwill is primarily based on personnel and expected synergy benefits.

Acquired net assets and goodwill, Rapp Marine Group AS, MEUR	
Intangible assets	5.2
Property, plant and equipment	1.0
Inventories	15.3
Accounts receivable and other non-interest-bearing assets	23.1
Interest-bearing receivables	0.0
Cash and cash equivalents	0.9
Deferred tax assets	0.4
Accounts payable and other non-interest-bearing liabilities	-44.2
Interest-bearing liabilities	-11.9
Deferred tax liabilities	-1.0
Net assets	**-11.1**
Purchase price, payable in cash	7.7
Total consideration	**7.7**
Goodwill	**18.8**
Purchase price, paid in cash	7.7
Cash and cash equivalents acquired	10.7
Cash flow impact	**18.4**

Hiab acquired the service business of Londonderry Garage Limited in the UK on 8 October 2018 for a consideration of EUR 1.1 million, the sales and service business of Logan Inglis Limited in Scotland on 10 August 2018 for a consideration of EUR 0.6 million, and the service business of Berendsen & Merz in Germany on 1 June 2018 for a consideration of EUR 0.4 million. These acquisitions had no material impact on reported figures. The combined cash flow impact of these acquisitions was EUR 1.4 million.

Disposals in 2018

On 29 June 2018, Kalmar sold its rough terrain container handling business in the U.S. for a consideration of EUR 8.0 million, of which EUR 1.3 million was paid during the next 18 months. The transaction follows Kalmar's strategy to focus on container ports, heavy industry and distribution segments, and it resulted in a net loss of EUR 4.1 million that is included in the restructuring costs in the statement of income. The disposal reduced Cargotec's personnel by 71 employees. During 2018, the rough terrain container handling business contributed EUR 8.2 million and EUR -0.9 million to Cargotec's sales and operating profit, respectively.

On 9 May 2018, Kalmar entered into an agreement with JCE Invest AB to establish a joint venture, Bruks Siwertell Group ("BSG"), specialised in dry bulk handling. The joint venture consists of the businesses of Siwertell AB and BRUKS Holding AB contributed by Kalmar and JCE Invest AB respectively. Kalmar accounts for the transaction as a disposal of the subsidiary Siwertell AB, and the new 48 percent ownership in BSG is consolidated as an associated company. As a result of the transaction, Kalmar recognised an investment of EUR 18.9 million in the associated company, and a vendor note receivable of EUR 33.0 million from BSG that will be redeemed in annual instalments. The transaction follows Kalmar's strategy to focus on container ports, heavy industry and distribution segments, and it resulted in a net profit of EUR 12.6 million that is included in the restructuring costs in the statement of income. The disposal reduced Cargotec's personnel by 111 employees. In 2018, Siwertell contributed EUR 8.7 million and EUR -0.3 million to Cargotec's sales and operating profit, respectively.

On 15 June 2018, Hiab disposed of its 40 percent ownership in the associated company Hymetal S.A. at a price of EUR 0.9 million. The transaction had no material impact on reported figures.

Key exchange rates for the euro

Closing rates	31 Dec 2019	31 Dec 2018
SEK	10.447	10.255
USD	1.123	1.145

Average rates	2019	2018
SEK	10.557	10.259
USD	1.121	1.181

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 5, 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 5, Comparable operating profit
Cash flow from operations before financing items and taxes	=	Net income for the financial year + depreciation, amortisation and impairment + financing items + taxes + other adjustments + changes in net working capital	Represents cash flow from operations after income from sales less operating expenses. Measures the company's ability to meet its financial commitments, including interest payments, taxes, investments, and equity and debt payments. Used to monitor and forecast business performance.	Statement of cash flows
Interest-bearing net debt/EBITDA	=	$\frac{\text{Interest-bearing net debt}}{\text{EBITDA}}$	Used to measure corporate capital structure and financial capacity.	Note 9, 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 9, Interest-bearing net debt and liquidity
EBITDA (MEUR)	=	Operating profit + depreciation, amortisation and impairment	Factor used to calculate Interest-bearing net debt / EBITDA.	Note 9, 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 8, 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 6, Capital expenditure, depreciation and amortisation
Orders received, comparable foreign exchange rates (MEUR)	=		Orders received calculated using average euro rates of the comparison periods in the translation of non-euro subsidiaries.	Used to enhance comparability of orders received from period to period.	-
Sales, comparable foreign exchange rates (MEUR)	=		Sales calculated using average euro rates of the comparison periods in the translation of non-euro subsidiaries.	Used to enhance comparability of sales from period to period.	-
Return on equity (ROE) (%)	=	100 x	$\frac{\text{Net income for the financial year}}{\text{Total equity (average for the financial year)}}$	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	$\frac{\text{Income before taxes + financing expenses}}{\text{Total assets - non-interest-bearing debt (average for the financial year)}}$	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	$\frac{\text{Total equity}}{\text{Total assets - advances received}}$	Used to measure solvency and describe the share of the company's assets financed by equity.	Balance sheet
Gearing (%)	= 100 x	$\frac{\text{Interest-bearing net debt}}{\text{Total equity}}$	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 9, Interest-bearing net debt and liquidity

Quarterly key figures

Cargotec		**Q4/19**	**Q3/19**	**Q2/19**	**Q1/19**	**Q4/18**
Orders received	MEUR	962	858	872	1,022	991
Service orders received	MEUR	277	262	279	261	265
Order book	MEUR	2,089	2,251	2,072	2,145	1,995
Sales	MEUR	1,015	901	911	856	910
Service sales	MEUR	285	269	259	249	257
Software sales	MEUR	46	44	41	38	47
Service and software sales, % of sales	%	33%	35%	33%	33%	33%
Operating profit	MEUR	18.0	57.9	53.0	51.0	60.9
Operating profit	%	1.8%	6.4%	5.8%	6.0%	6.7%
Comparable operating profit	MEUR	74.3	68.3	64.3	57.4	69.6
Comparable operating profit	%	7.3%	7.6%	7.1%	6.7%	7.7%
Earnings per share	EUR	-0.00	0.46	0.45	0.48	0.53

Kalmar		**Q4/19**	**Q3/19**	**Q2/19**	**Q1/18**	**Q4/18**
Orders received	MEUR	446	396	417	516	450
Order book	MEUR	1,049	1,083	1,101	1,127	1,012
Sales	MEUR	471	424	427	401	444
Service sales	MEUR	124	116	114	110	116
Software sales	MEUR	46	44	41	38	47
Comparable operating profit	MEUR	44.1	47.8	37.7	32.3	51.0
Comparable operating profit	%	9.4%	11.3%	8.8%	8.1%	11.5%

Hiab		**Q4/19**	**Q3/19**	**Q2/19**	**Q1/18**	**Q4/18**
Orders received	MEUR	322	307	340	341	357
Order book	MEUR	406	458	453	483	453
Sales	MEUR	368	307	358	316	318
Service sales	MEUR	87	86	88	83	83
Comparable operating profit	MEUR	51.8	34.1	50.6	33.7	34.9
Comparable operating profit	%	14.1%	11.1%	14.1%	10.7%	11.0%

MacGregor		**Q4/19**	**Q3/19**	**Q2/19**	**Q1/18**	**Q4/18**
Orders received	MEUR	193	156	116	165	184
Order book	MEUR	633	712	519	536	530
Sales	MEUR	176	170	127	139	149
Service sales	MEUR	74	67	58	56	59
Comparable operating profit	MEUR	-12.5	-5.8	-11.0	1.2	-6.8
Comparable operating profit	%	-7.1%	-3.4%	-8.7%	0.9%	-4.6%