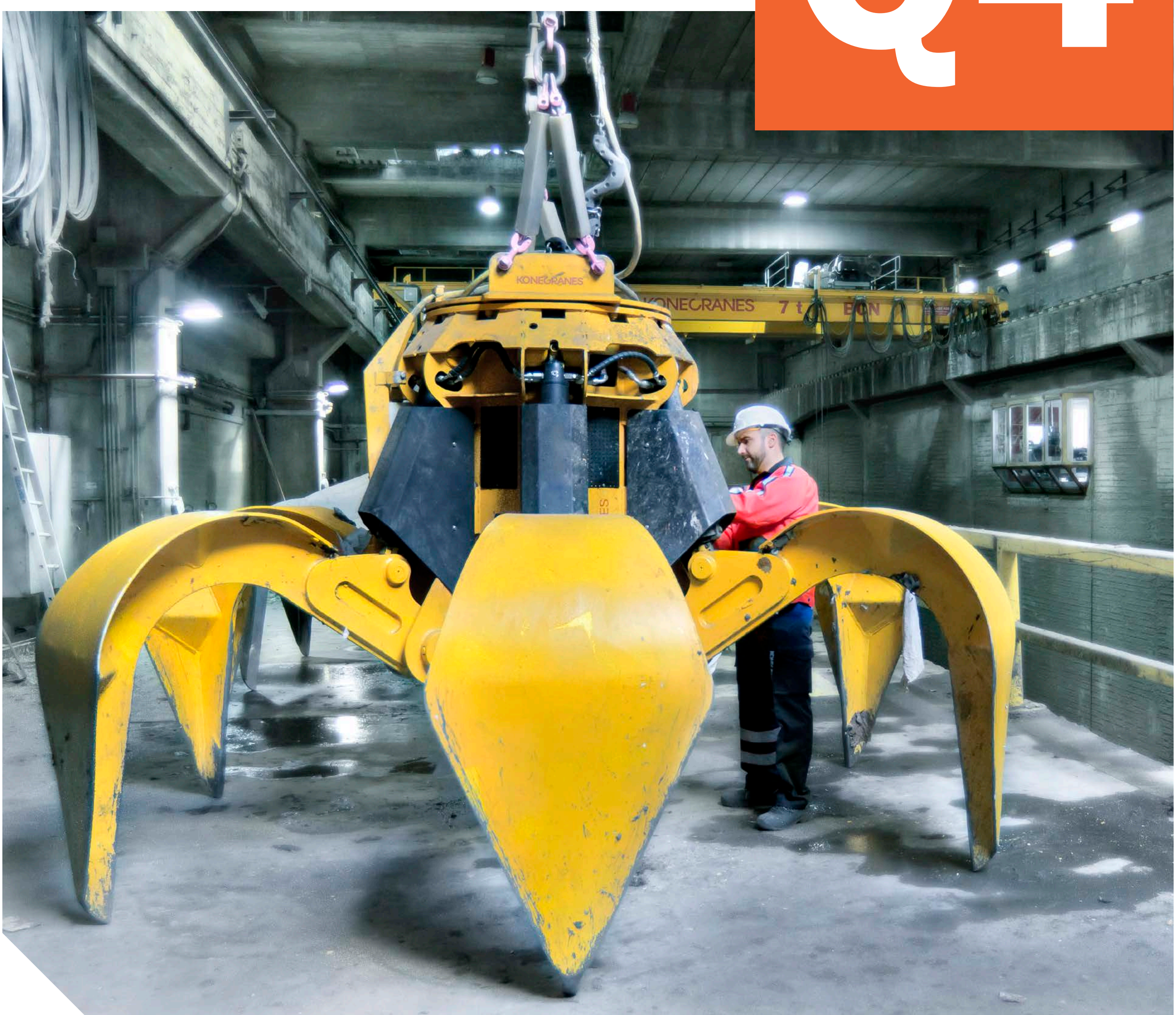
KONECRANES
Lifting Businesses™

2018: Solid order growth in all business areas and clear improvement in profitability

Financial Statement Release 2018

Q4



2018: Solid order growth in all business areas and clear improvement in profitability

Konecranes applied the full retrospective approach in IFRS 15 transition, and the numbers for the periods in 2017 have been restated. Please refer to note 4 for more details on the implementation of IFRS 15 and other significant accounting policies.

Figures in brackets, unless otherwise stated, refer to the same period a year earlier.

FOURTH QUARTER HIGHLIGHTS

- Order intake EUR 929.8 million (732.6), +26.9 percent (+27.3 percent on a comparable currency basis), with solid growth in all Business Areas.
- Service order intake EUR 249.3 million (236.8), +5.3 percent (+4.7 percent on a comparable currency basis)
- Sales EUR 910.8 million (909.9), +0.1 percent (+0.5 percent on a comparable currency basis), driven by Business Area Service.
- Adjusted EBITA margin 9.4 percent (8.8) and adjusted EBITA EUR 85.6 million (79.9), reflecting synergy cost-saving measures and improved sales mix
- Operating profit EUR 51.9 million (55.4), 5.7 percent of sales (6.1)
- Earnings per share (diluted) EUR 0.50 (0.26)

FULL-YEAR 2018 HIGHLIGHTS

- Order intake EUR 3,090.3 million (3,007.4), +2.8 percent (+5.2 percent on a comparable currency basis)
- Service order intake 986.5 million (966.3), +2.1 percent (+5.3 percent on a comparable currency basis)
- Order book EUR 1,715.4 million (1,535.8) at the end of December, +11.7 percent (+11.8 percent on a comparable currency basis)
- Sales EUR 3,156.1 million (3,137.2), +0.6 percent (+3.0 percent on a comparable currency basis)
- Adjusted EBITA margin 8.1 percent (6.9) and adjusted EBITA EUR 257.1 million (216.6)
- Operating profit EUR 166.2 million (318.7), 5.3 percent of sales (10.2)
- Earnings per share (diluted) EUR 1.29 (2.89)
- Free cash flow EUR 73.1 million (224.4)
- Net debt EUR 545.3 million (525.3) and gearing 42.5 percent (41.1)
- The Board of Directors proposes a dividend of EUR 1.20 (1.20) per share for 2018

DEMAND OUTLOOK

The demand environment within the industrial customer segments in EMEA and the Americas is stable and continues at a good level. Also, in APAC the demand environment remains stable. Global container throughput is on a healthy level, although the growth has decelerated. Nevertheless, the prospects for orders related to container handling remain stable.

FINANCIAL GUIDANCE

Konecranes expects sales in full year 2019 to increase 5–7 percent year on year. Konecranes expects the adjusted EBITA margin to improve in full year 2019 compared to full year 2018.

Key figures

	Fourth quarter			January–December		
	10–12/2018	**10–12/2017**	**Change %**	**1–12/2018**	**1–12/2017**	**Change %**
Orders received, MEUR	929.8	732.6	26.9	3,090.3	3,007.4	2.8
Order book at end of period, MEUR				1,715.4	1,535.8	11.7
Sales total, MEUR	910.8	909.9	0.1	3,156.1	3,137.2	0.6
Adjusted EBITDA, MEUR [1)]	101.9	97.2	4.8	325.7	289.2	12.6
Adjusted EBITDA, % [1)]	11.2%	10.7%		10.3%	9.2%	
Adjusted EBITA, MEUR [2)]	85.6	79.9	7.0	257.1	216.6	18.7
Adjusted EBITA, % [2)]	9.4%	8.8%		8.1%	6.9%	
Adjusted operating profit, MEUR [1)]	76.2	70.7	7.8	219.6	178.0	23.3
Adjusted operating margin, % [1)]	8.4%	7.8%		7.0%	5.7%	
Operating profit, MEUR	51.9	55.4	-6.3	166.2	318.7	-47.9
Operating margin, %	5.7%	6.1%		5.3%	10.2%	
Profit before taxes, MEUR	51.9	44.7	16.2	138.7	276.0	-49.7
Net profit for the period, MEUR	35.8	21.7	64.7	98.3	225.4	-56.4
Earnings per share, basic, EUR	0.50	0.26	89.9	1.29	2.89	-55.3
Earnings per share, diluted, EUR	0.50	0.26	89.9	1.29	2.89	-55.3
Interest-bearing net debt/Equity, %				42.5%	41.1%	
Net debt/Adjusted EBITDA, R12M [1)]				1.7	1.8	
Return on capital employed, %				7.9%	23.7%	
Adjusted return on capital employed, % [3)]				12.5%	15.4%	
Free cash flow, MEUR	76.4	58.0		73.1	224.4	
Average number of personnel during the period				16,247	15,519	4.7

Konecranes applied the full retrospective approach in transition of IFRS 15 and thus the comparables for the periods in 2017 have been restated.

IFRS 15 adjustments to selected key figures [4)]	**10–12/2017**	**1–12/2017**
Sales total, MEUR	-0.1	0.7
Adjusted EBITA, MEUR	0.0	0.4
Net profit for the period, MEUR	0.0	0.4

[1)] Excluding adjustments, see also note 11 in the summary financial statements
[2)] Excluding adjustments and purchase price allocation amortization, see also note 11 in the summary financial statements
[3)] ROCE excluding adjustments, see also note 11 in the summary financial statements
[4)] See also note 4 in the summary financial statements for additional info

President and CEO Panu Routila:

"We continued to make steady progress towards our targets in 2018, which is reflected in our Group adjusted EBITA margin that improved to 9.4 percent for the fourth quarter. In full year 2018, the adjusted EBITA margin increased by 1.2pps to 8.1 percent.

We ended the year on a high note with approximately 27 percent year-on-year order growth in Q4. In full year 2018, order intake grew 5.2 percent with comparable currencies. The fourth quarter order intake was boosted by two large orders: the order for 54 Automated Rail Mounted Gantry cranes to Khalifa Port in Abu Dhabi, which we announced in October, and an order for a single large process crane, which benefitted our order intake in Business Area Industrial Equipment.

Business Area Service also continued its solid performance. In Q4, order intake in Service increased by 5.3 percent and the agreement base value by 5.4 percent year-over-year. Our strategic goal of growing the service business has progressed according to our plans. The opportunity is significant and our learnings from 2018 reaffirm that we are on the right path. In the full year, we expect the growth to accelerate a notch in 2019 compared to 2018, while noting that it will still take several years for us to tap the full potential of this opportunity.

The integration of MHPS progressed well in 2018 and we see our integration plans bear fruit, the cumulative run rate cost synergies reaching EUR 113 million at year-end 2018. We achieved several important integration milestones during the year. First, we ramped down three further factories, the total number of discontinued manufacturing sites being now 11. Second, we now have more Industrial Equipment products with unified technology, which has enabled us to reduce the number of product platforms from 30 to 20. Third, we completed the implementation of shared sales management processes and the CRM system, to name a few examples.

Cumulatively EUR 79 million of the total EUR 140 million synergy savings target was already visible in our P&L in 2018, and we expect the figure to reach EUR 125 million in 2019. We now expect the related restructuring costs to total EUR 140 million, which is slightly more than our earlier estimate of EUR 130 million. Simultaneously, we have lowered our estimate for integration related CAPEX from EUR 60 million to EUR 30 million. Both changes relate to our decision to ramp down our port crane factory in Xiamen, China, which came with the MHPS acquisition.

Despite macroeconomic concerns shadowing the global economy, our own demand environment still looks healthy and stable. Business Area Port Solutions has started 2019 strongly by receiving an order for a complete automated container handling system for the greenfield Hadarom container terminal in Israel. Not only is the order the fourth largest ever received by Konecranes, the project is a major step in the execution of Port Solutions' strategy. The order combines our own Terminal Operating System and our own Equipment Control System, our own automation technology, as well as our container handling equipment, allowing us to deliver a complete line of automated container cranes and software intelligence. The order will be booked in Q1 2019.

While the momentum in Port Solutions right now is good, decision making within certain customer sectors is slowing down. This is the case especially in the UK, where economic activity among our customers stagnated during 2018, amid Brexit uncertainty.

We are the only foreign vendor in our industry with local manufacturing in the UK. While our local presence can potentially be a relative benefit to us in the case of hard Brexit, we are confident that the scaling-down of our UK operations in 2018, as a part of our integration activities, was rightly timed. Any Brexit outcome that would negatively impact the UK economy is likely to have a negative impact also on Konecranes. However, we expect the impact on Konecranes as a whole to be limited, regardless of the Brexit outcome.

Outside the UK, the demand environment is still at a good level in many parts of Europe and North America. We expect faster sales growth and an improvement in the adjusted EBITA margin in 2019 compared to 2018, as stated in our financial guidance for the year. We continue to believe in our ability to achieve the post-integration targets announced in 2017: on average 5 percent CAGR for 2018–2020, as well as 11 percent adjusted EBITA margin for full year 2020.

The Board is proposing the dividend for 2018 to remain unchanged from the previous year at EUR 1.20 per share."

Konecranes Plc's financial statements review January–December 2018

Konecranes applied the full retrospective approach in IFRS 15 transition, and the numbers for the periods in 2017 have been restated. Please refer to note 4 for more details on the implementation of IFRS 15 and other significant accounting policies.

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

MARKET REVIEW

Activity in the world's manufacturing sector, according to the aggregated JPMorgan Global Manufacturing Purchasing Managers' Index (PMI), continued to grow in 2018, although the pace of growth has slowed down clearly since the beginning of the year. The PMI declined and fell to a 27-month low in December 2018 but remains on the expansion path. Overall, business sentiment has worsened due to growing geopolitical worries.

In the Eurozone, after a long period of rapid growth in economic activity, the pace of expansion slowed down in 2018. Though the manufacturing economy's current run of expansion extends to five-and-a-half years, the growth in December was the weakest since February 2016. At the end of 2018, softness in new orders was behind the slowdown in overall growth. At the end of 2018, slower growth was widespread and the Eurozone's 'big-four' economies posted the lowest manufacturing PMI readings. The Netherlands was the top performer in the Euro area and the rate of expansion improved to its best in three months. The European Union manufacturing capacity utilization decreased slightly during the second half of 2018. Outside the Eurozone, the UK manufacturing sector continued to grow, though the average PMI reading during the fourth quarter in 2018 was the weakest since the third quarter in 2016 (the first quarter after the EU referendum).

In the US, the manufacturing sector's growth slowed down in 2018 compared to the previous year-end. In December 2018, the improvement in operating conditions was the weakest in 15 months, however, clearly above the manufacturing sector's PMI in the Eurozone. Correspondingly, the US manufacturing capacity utilization rate declined in the fourth quarter. Also, business confidence was low at the end of the year; optimism among purchasing managers was at its lowest for over two years in December 2018.

As for the emerging markets, in China, the PMI dropped in 2018 and fell into contraction territory at the end of the year. Russia stabilized at the end of the third quarter after a four-month sequence of contraction and the PMI turned to growth during the last quarter of the year. In Brazil, manufacturing operating conditions improved in the second half of 2018 following a decline during the first half of the year. In India, the growth of the manufacturing sector picked up during the second half, and the nation posted the highest quarterly average PMI since 2012.

After setting an all-time high in early 2018, global container throughput turned to a decline. The index has since increased and reached a new record in October. In January–December 2018, global container throughput increased by approximately 4 percent year-over-year.

Regarding raw material prices, both steel and copper were clearly below the previous year's level at the end of December 2018. The 2018 average EUR/USD exchange rate was approximately 4 percent higher compared to the year-ago period.

ORDERS RECEIVED

Orders received in the fourth quarter totaled EUR 929.8 million (732.6), representing an increase of 26.9 percent. On a comparable currency basis, order intake increased 27.3 percent. Orders received grew in all three regions.

In Service, orders received increased 5.3 percent on a reported basis and 4.7 percent on a comparable currency basis. In Industrial Equipment, orders increased 20.6 percent, partly driven by an increase in internal orders of EUR 15.8 million, EUR 9.2 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition. On a comparable currency basis, external orders increased 17.7 percent. In Port Solutions, order intake increased 56.3 percent, driven by a large Automated Rail Mounted Gantry crane order. On a comparable currency basis, Port Solutions order intake grew 57.4 percent.

Orders received in January–December totaled EUR 3,090.3 million (3,007.4), representing an increase of 2.8 percent. On a comparable currency basis, order intake increased 5.2 percent. Orders received increased in all three regions.

Service order intake grew 2.1 percent. On a comparable currency basis, order intake in Service increased 5.3 percent. In Industrial Equipment, orders increased 10.8 percent, primarily driven by an increase of EUR 92.4 million in internal orders. EUR 38.3 million of the increase in internal orders was attributable to the harmonization of reporting practices following the MHPS acquisition. On a comparable currency basis, Industrial Equipment external orders grew 5.5 percent. Port Solutions orders increased 3.8 percent. On a comparable currency basis, Ports Solutions order intake grew 5.3 percent.

ORDERS RECEIVED AND NET SALES, MEUR

	10–12/ 2018	10–12/ 2017	Change percent	Change % at comparable currency rates	1–12/ 2018	1–12/ 2017	Change percent	Change % at comparable currency rates
Orders received, MEUR	929.8	732.6	26.9	27.3	3,090.3	3,007.4	2.8	5.2
Net sales, MEUR	910.8	909.9	0.1	0.5	3,156.1	3,137.2	0.6	3.0

ORDER BOOK

The value of the order book at the end of December totaled EUR 1,715.4 million (1,535.8), which was 11.7 percent higher compared to previous year. On a comparable currency basis, the order book increased 11.8 percent. The order book increased 9.3 percent in Service, 12.1 percent in Industrial Equipment and 12.0 percent in Port Solutions.

SALES

In the fourth quarter, Group sales increased 0.1 percent to EUR 910.8 million (909.9). On a comparable currency basis, sales increased 0.5 percent. Sales increased 4.7 percent in Service, 4.0 percent in Industrial Equipment, but decreased 2.1 percent in Port Solutions. In the fourth quarter, the harmonization of reporting practices following the MHPS acquisition had a positive impact of EUR 9.6 million on internal sales in Industrial Equipment.

In January–December, Group sales totaled EUR 3,156.1 million (3,137.2), representing an increase of 0.6 percent. On a comparable currency basis, sales increased 3.0 percent. Sales increased 1.1 percent in Service. Industrial Equipment sales increased 2.9 percent and Port Solutions sales 3.8 percent. In January–December, the harmonization of reporting practices following the MHPS acquisition had a positive impact of EUR 40.9 million on internal sales in Industrial Equipment.

At the end of December, the regional breakdown of sales, calculated on a rolling 12-month basis, was as follows: EMEA 50 (52), Americas 33 (31) and APAC 16 (17) percent.

FINANCIAL RESULT

In the fourth quarter, the consolidated adjusted EBITA increased by EUR 5.6 million to EUR 85.6 million (79.9). The adjusted EBITA margin improved to 9.4 percent (8.8). The adjusted EBITA margin in Service improved to 16.6 percent (15.2) and in Port Solutions to 8.3 (5.3), while the adjusted EBITA margin in Industrial Equipment declined to 4.5 percent (5.5) The improvement in the Group adjusted EBITA margin was mainly attributable to synergy cost-saving measures and an improved sales mix.

In January–December, the Group adjusted EBITA increased by EUR 40.4 million to EUR 257.1 million (216.6). The adjusted EBITA margin improved to 8.1 percent (6.9). The adjusted EBITA margin in Service improved to 15.1 percent (13.7), in Industrial Equipment to 3.7 percent (3.1) and in Port Solutions to 7.0 percent (4.6). The improvement in the Group adjusted EBITA was mainly attributable to synergy cost saving measures, improved sales mix, as well as improved gross margin.

In January–December, the consolidated adjusted operating profit increased by EUR 41.5 million to EUR 219.6 million (178.0). The adjusted operating margin improved to 7.0 percent (5.7).

The consolidated operating profit in January–December totaled EUR 166.2 million (318.7). The operating profit includes adjustments of EUR 53.4 million (-140.7), which is comprised of restructuring costs. The previous year's adjustments included a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems, restructuring costs of EUR 65.6 million, transaction costs of EUR 4.9 million related to the MHPS acquisition and the cost of EUR 7.3 million related to the MHPS purchase price allocated to inventories. The operating margin in Service rose to 13.6 percent (11.8), in Industrial Equipment to 1.3 percent (-0.4) and in Port Solutions to 4.0 percent (1.2).

In January–December, depreciation and impairments totaled EUR 119.9 million (117.0). This included restructuring related impairments of EUR 13.8 million (5.8). The amortization arising from the purchase price allocations for acquisitions represented EUR 37.5 million (38.6) of the depreciation and impairments.

In January–December, the share of the result in associated companies and joint ventures was EUR 4.0 million (3.3).

In January–December, financial income and expenses totaled EUR -31.5 million (-46.0). Net interest expenses accounted for EUR 18.7 million (29.8) of the sum and the remainder was mainly attributable to unrealized exchange rate differences related to the hedging of future cash flows, which are not included in the hedge accounting.

January–December profit before taxes was EUR 138.7 million (276.0).

Income taxes in January–December were EUR -40.4 million (-50.6). The Group's effective tax rate was 29.1 percent (18.3). The effective tax rate increase results mainly from the restructuring cost growth, as a large portion of the costs cannot be deducted in taxation.

January–December net profit was EUR 98.3 million (225.4).

In January–December, the basic earnings per share were EUR 1.29 (2.89) and the diluted earnings per share were EUR 1.29 (2.89).

On a rolling 12-month basis, the return on capital employed was 7.9 percent (23.7) and the return on equity 7.7 percent (26.1). The adjusted return on capital employed was 12.5 percent (15.4).

BALANCE SHEET

As of the end of December, the consolidated balance sheet amounted to EUR 3,567.0 million (3,562.9). The total equity at the end of the reporting period was EUR 1,284.1 million (1,278.9). On December 31, the total equity attributable to the equity holders of the parent company was EUR 1,265.8 million (1,256.4) or EUR 16.06 per share (15.95).

Net working capital at the end of December totaled EUR 410.4 million (324.6). The increase results mainly from growth in inventory. Sequentially, net working capital decreased by EUR 16.5 million. The decrease in net working capital resulted mainly from lower accounts receivable in Business Area Industrial Equipment.

CASH FLOW AND FINANCING

Net cash from operating activities in January–December was EUR 109.2 million (249.4). Cash flow before financing activities was EUR 74.2 million (-292.6), which included a cash inflow of EUR 1.1 million (213.4) related to divestments and a cash outflow of EUR 38.3 million (28.7) related to capital expenditure. The previous year's net cash from operating activities included a cash outflow of EUR 733.2 million related to acquisitions.

At the end of December, interest-bearing net debt was EUR 545.3 million (525.3). The equity to assets ratio was 39.8 percent (39.2) and the gearing 42.5 percent (41.1).

At the end of December, cash and cash equivalents amounted to EUR 230.5 million (233.1). None of the Group's committed EUR 400 million back-up financing facility was in use at the end of the period.

In April 2018, Konecranes paid dividends, amounting to EUR 94.6 million or EUR 1.20 per share, to its shareholders.

CAPITAL EXPENDITURE

Capital expenditure in January–December, excluding acquisitions and joint arrangements, amounted to EUR 35.4 million (35.7). This amount consisted mainly of investments in machinery and equipment, property and information technology.

ACQUISITIONS AND DIVESTMENTS

In January–December, the capital expenditure for acquisitions and joint arrangements was EUR 0.0 million (1,482.0).

In January 2018, Konecranes divested its Machine Tool Service business in the USA. Konecranes received cash proceeds of EUR 1.1 million from the transaction and did not record any loss or profit from this disposal.

PERSONNEL

In January–December, the Group had an average of 16,247 employees (15,519). On December 31, the number of personnel was 16,077 (16,371). During January–December, the Group's personnel decreased by 294 people net.

At the end of December, the number of personnel by Business Area was as follows: Service 7,372 employees (7,206), Industrial Equipment 5,782 employees (6,024), Port Solutions 2,830 employees (3,067) and Group staff 93 (74). The increase in Group staff was primarily due to a change in allocations from the beginning of 2018, where 20 employees were allocated to Group staff instead of Business Areas.

The Group had 10,027 employees (9,920) working in EMEA, 3,172 (3,205) in the Americas and 2,878 (3,246) in APAC.

BUSINESS AREAS

SERVICE

	10–12/ 2018	10–12/ 2017	Change percent	Change % at comparable currency rates	1–12/ 2018	1–12/ 2017	Change percent	Change % at comparable currency rates
Orders received, MEUR	249.3	236.8	5.3	4.7	986.5	966.3	2.1	5.3
Order book, MEUR	214.3	196.0	9.3	8.0	214.3	196.0	9.3	8.0
Agreement base value, MEUR	243.9	231.4	5.4	5.1	243.9	231.4	5.4	5.1
Net sales, MEUR	336.4	321.4	4.7	4.4	1,192.5	1,179.5	1.1	4.2
Adjusted EBITA, MEUR [1)]	55.8	48.7	14.5		180.0	161.3	11.6	
Adjusted EBITA, % [1)]	16.6%	15.2%			15.1%	13.7%		
Purchase price allocation amortization, MEUR	-3.1	-3.1	-0.1		-12.5	-12.9	-3.4	
Adjustments,MEUR	-0.9	-0.5			-4.8	-8.7		
Operating profit (EBIT), MEUR	51.8	45.1	14.9		162.8	139.7	16.5	
Operating profit (EBIT), %	15.4%	14.0%			13.6%	11.8%		
Personnel at the end of period	7,372	7,206	2.3		7,372	7,206	2.3	

1) Excluding adjustments and purchase price allocation amortization

Operational highlights in Q4:

- At year-end 2018, over 70 percent of the assets under agreement were managed using our new digital systems and processes
- By year-end 2018, Konecranes and Demag field service operations were integrated in 17 out of the 19 countries
- Agreement base retention for the combined Konecranes and Demag Service business improved 1.4 percentage points compared to the beginning of 2018, exceeding 86 percent

In Service, the fourth-quarter orders received increased 5.3 percent to EUR 249.3 million (236.8). On a comparable currency basis, the orders received increased 4.7 percent. Both field service and parts orders grew. Reported order intake increased in the Americas and in APAC but decreased in EMEA. On a comparable currency basis, order intake in EMEA was approximately flat.

The order book increased 9.3 percent to EUR 214.3 million (196.0). On a comparable currency basis, the order book increased 8.0 percent.

Sales in the fourth-quarter increased 4.7 percent to EUR 336.4 million (321.4). On a comparable currency basis, sales increased 4.4 percent. Sales increased in all three regions. Parts sales growth outperformed the growth in field services.

The fourth-quarter adjusted EBITA was EUR 55.8 million (48.7) and the adjusted EBITA margin 16.6 percent (15.2). The improvement in the adjusted EBITA was mainly attributable to volume growth, synergy cost savings and, to a lesser extent, an improved sales mix. Gross margin increased on a year-on-year basis.

The total number of equipment included in the service agreement base increased 0.3 percent to 614,542 (612,754) at the end of December. Year-on-year, the annual value of the agreement base increased 5.4 percent to EUR 243.9 million (231.4). On a comparable currency basis, the annual value of the agreement base increased 5.1 percent. Sequentially, the annual value of the agreement base increased 1.0 percent on a reported basis and 0.8 percent on a comparable currency basis.

In January–December, orders received totaled EUR 986.5 million (966.3), corresponding to an increase of 2.1 percent. On a comparable currency basis, orders received increased 5.3 percent.

Sales increased 1.1 percent to EUR 1,192.5 million (1,179.5). On a comparable currency basis, sales increased 4.2 percent. Sales of parts outperformed field service sales. Reported sales increased in EMEA and APAC but fell in the Americas. On a comparable currency basis, sales increased in all three regions.

The adjusted EBITA was EUR 180.0 million (161.3) and the adjusted EBITA margin was 15.1 percent (13.7). The improvement in the adjusted EBITA margin was mainly attributable to synergy cost savings and a more favorable sales mix. The operating profit was EUR 162.8 million (139.7) and the operating margin 13.6 percent (11.8).

INDUSTRIAL EQUIPMENT

	10–12/ 2018	10–12/ 2017	Change percent	Change % at comparable currency rates	1–12/ 2018	1–12/ 2017	Change percent	Change % at comparable currency rates
Orders received, MEUR	343.9	285.3	20.6	21.4	1,248.9	1,127.3	10.8	13.6
of which external, MEUR	298.3	255.4	16.8	17.7	1,065.5	1,036.3	2.8	5.5
Order book, MEUR	590.6	526.9	12.1	12.2	590.6	526.9	12.1	12.2
Net sales, MEUR	325.6	312.9	4.0	4.5	1,150.9	1,118.2	2.9	5.3
of which external, MEUR	284.7	290.8	-2.1	-1.6	1,009.2	1,035.0	-2.5	-0.1
Adjusted EBITA, MEUR [1)]	14.8	17.2	-13.9		42.6	34.6	22.9	
Adjusted EBITA, % [1)]	4.5%	5.5%			3.7%	3.1%		
Purchase price allocation amortization, MEUR	-3.6	-3.6	1.5		-14.5	-14.7	-1.4	
Adjustments,MEUR	0.2	-8.7			-12.9	-23.8		
Operating profit (EBIT), MEUR	11.4	4.9	130.9		15.1	-4.0	480.8	
Operating profit (EBIT), %	3.5%	1.6%			1.3%	-0.4%		
Personnel at the end of period	5,782	6,024	-4.0		5,782	6,024	-4.0	

[1)] *Excluding adjustments and purchase price allocation amortization*

Operational highlights in Q4:

- In 2018, Konecranes factory in India exceeded the milestone of 1,000 industrial cranes delivered during a year, for the first time ever
- Integration of Konecranes and Demag operations proceeded according to plans in 2018: three further factory ramp-downs were completed in Solon, US, Fengxian, China and Banbury, UK, the total number of discontinued manufacturing sites being now 11; a new operating model was implemented; and the number of product platforms was reduced from 30 to 20
- Single exceptionally large process crane order received in Q4, to be delivered in 2021

In Industrial Equipment, the fourth quarter orders received totaled EUR 343.9 million (285.3), corresponding to an increase of 20.6 percent. On a comparable currency basis, orders received increased 21.4 percent. External orders increased 16.8 percent on a reported basis and 17.7 percent on a comparable currency basis. The increase was driven by process cranes and standard cranes, while order intake for components stayed approximately flat. Process crane order growth resulted mainly from a large single order. Process crane orders received increased in the Americas and EMEA but decreased in APAC. Standard crane orders increased in EMEA and APAC but decreased in the Americas. The increase in internal order intake had a EUR 15.8 million impact on the Industrial Equipment order growth in the fourth quarter, EUR 9.2 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

The order book increased 12.1 percent to EUR 590.6 million (526.9). On a comparable currency basis, the order book increased 12.2 percent.

Sales increased 4.0 percent to EUR 325.6 million (312.9). On a comparable currency basis, sales increased 4.5 percent. External sales decreased 2.1 percent on a reported basis and 1.6 percent on a comparable currency basis. The increase in sales was driven by growth in internal sales, EUR 9.6 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

The fourth-quarter adjusted EBITA was EUR 14.8 million (17.2) and the adjusted EBITA margin 4.5 percent (5.5). The decrease in the adjusted EBITA was mainly attributable to sales mix and lower external sales volume. Gross margin decreased on a year-on-year basis.

In January–December orders received totaled EUR 1,248.9 million (1,127.3), corresponding to an increase of 10.8 percent. On a comparable currency basis, orders received increased 13.6 percent. External orders received increased 2.8 percent on a reported basis and 5.5 percent on a comparable currency basis. Order intake increased in all business units. The process crane order intake growth was mainly driven by a single large order. In 2018, the internal order growth had a EUR 92.4 million positive impact on the Industrial Equipment order growth, EUR 38.3 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

Sales increased 2.9 percent to EUR 1,150.9 million (1,118.2). On a comparable currency basis, sales increased 5.3 percent. External sales decreased 2.5 percent on a reported basis and 0.1 percent on a comparable currency basis. The decrease in external sales was offset by an increase in internal sales, EUR 40.9 million of which was attributable to the harmonization of reporting practices following the MHPS acquisition.

The adjusted EBITA was EUR 42.6 million (34.6) and the adjusted EBITA margin 3.7 percent (3.1). The improvement in the adjusted EBITA margin was mainly attributable to synergy cost savings. The operating profit was EUR 15.1 million (-4.0) and the operating margin 1.3 percent (-0.4).

PORT SOLUTIONS

	10–12/ 2018	10–12/ 2017	Change percent	Change % at comparable currency rates	1–12/ 2018	1–12/ 2017	Change percent	Change % at comparable currency rates
Orders received, MEUR	399.1	255.3	56.3	57.4	1,096.0	1,056.2	3.8	5.3
Order book, MEUR	910.5	812.9	12.0	12.4	910.5	812.9	12.0	12.4
Net sales, MEUR	306.4	312.9	-2.1	-1.1	1,012.9	975.7	3.8	5.4
of which service, MEUR	45.7	41.8	9.3	9.5	178.3	161.3	10.6	12.9
Adjusted EBITA, MEUR [1)]	25.3	16.7	51.9		71.3	44.8	59.4	
Adjusted EBITA, % [1)]	8.3%	5.3%			7.0%	4.6%		
Purchase price allocation amortization, MEUR	-2.6	-2.6	2.0		-10.4	-10.9	-4.3	
Adjustments,MEUR	-19.7	-4.1			-20.9	-22.2		
Operating profit (EBIT), MEUR	3.0	10.0	-70.0		40.0	11.7	243.2	
Operating profit (EBIT), %	1.0%	3.2%			4.0%	1.2%		
Personnel at the end of period	2,830	3,067	-7.7		2,830	3,067	-7.7	

[1)] *Excluding adjustments and purchase price allocation amortization*

Operational highlights in Q4:

- The second largest order ever received by Konecranes: 54 Automated Rail Mounted Gantry cranes ordered by Abu Dhabi Terminals for the phase 2 expansion of its container terminal in Khalifa Port
- Largest lift truck contract ever received by Konecranes: 40+ Konecranes lift trucks ordered by the global transportation and logistics company Toll Group for their Australian operations
- A strategic software service level agreement with Ports of Auckland in New Zealand for their new automated straddle carriers, including 24/7 software technical support
- Launch of the Automated Rubber Tired Gantry System, version 2.0, which can be retrofitted to most brownfield container terminals

In Port Solutions, the fourth-quarter orders received totaled EUR 399.1 million (255.3), representing an increase of 56.3 percent. On a comparable currency basis, orders received increased 57.4 percent in the fourth quarter. The increase resulted primarily from order growth in Port Cranes, driven by a large Automated Rail Mounted Gantry crane order. Additionally, order intake increased in all Port Solutions business units. Orders grew in EMEA but fell in the Americas and APAC.

The order book increased 12.0 percent to EUR 910.5 million (812.9). On a comparable currency basis, the order book increased 12.4 percent.

Sales decreased 2.1 percent to EUR 306.4 million (312.9). On a comparable currency basis, sales decreased 1.1 percent.

The fourth-quarter adjusted EBITA was EUR 25.3 million (16.7) and the adjusted EBITA margin 8.3 percent (5.3). The improvement in the adjusted EBITA was mainly attributable to an improved project mix and synergy cost savings. Gross margin increased on a year-on-year basis.

In January–December, orders received totaled EUR 1,096.0 million (1,056.2), corresponding to an increase of 3.8 percent. On a comparable currency basis, orders received increased 5.3 percent.

Sales increased 3.8 percent to EUR 1,012.9 million (975.7). On a comparable currency basis, sales increased 5.4 percent.

The adjusted EBITA was EUR 71.3 million (44.8) and the adjusted EBITA margin 7.0 percent (4.6). The improvement in the adjusted EBITA margin was mainly attributable to improved gross margin, benefitting, for instance, from project mix and synergy cost savings. Operating profit was EUR 40.0 million (11.7) and the operating margin 4.0 percent (1.2).

Group overheads

In the fourth quarter, the result effect of adjusted unallocated Group overhead costs and eliminations was EUR -10.3 million (-2.6), representing -1.1 percent of sales (-0.3). In the comparison period, the adjusted unallocated Group overhead costs and eliminations were lower than usual due to the post-closing adjustments of the MHPS acquisition and the effects of internal margin elimination.

In the fourth quarter, the result effect of unallocated Group overhead costs and eliminations was EUR -14.3 million (-4.7), representing -1.6 percent of sales (-0.5). These included restructuring costs of EUR 4.0 million (1.9).

In January–December, the result effect of adjusted unallocated Group overhead costs and eliminations was EUR -36.8 million (-24.0), representing -1.2 percent of sales (-0.8). The increase was primarily due to the change in internal eliminations and the alignment of accounting practices following the MHPS acquisition, along with a change in allocations from the beginning of 2018, where approximately EUR 4 million of cost on an annual basis is reclassified as unallocated Group overheads instead of Business Areas.

In January–December, the result effect of unallocated Group overhead costs and eliminations was EUR -51.7 million (171.3), representing -1.6 percent of sales (5.5). These included restructuring costs of EUR 14.8 million (18.2). The previous year's unallocated Group overhead costs and eliminations included also a capital gain of EUR 218.4 million from the divestment of STAHL CraneSystems, purchase price allocation of EUR 7.3 million and transaction costs of EUR 4.9 million, both related to the MHPS acquisition.

ADMINISTRATION

Decisions of the Annual General Meeting

The Annual General Meeting of Konecranes Plc was held on Tuesday March 27, 2018. The meeting approved the Company's annual accounts for the fiscal year 2017, discharged the members of the Board of Directors and CEO from liability, and approved all proposals made by the Board of Directors and its committees to the AGM. The AGM approved the Board's proposal that a dividend of EUR 1.20 per share is paid from the distributable assets of the parent Company.

The AGM confirmed the annual remuneration payable to the members of the Board for the term until the closing of the Annual General Meeting in 2019 as follows: Chairman of the Board EUR 140,000, Vice Chairman of the Board EUR 100,000, and other Board Members EUR 70,000. In case the term of office of a Board member ends before the closing of the Annual General Meeting in 2019, he or she is entitled to the prorated amount of the annual remuneration calculated on the basis of his or her actual term in office.

In addition, the Chairman of the Board, the Vice Chairman of the Board, and other Board members are entitled to a compensation of EUR 1,500 per attended Board committee meeting. The Chairman of the Audit Committee of the Board of Directors is, however, entitled to a compensation of EUR 3,000 per attended Audit Committee meeting. No remuneration will be paid to Board members employed by the Company. Travel expenses will be compensated against receipts.

The AGM approved the proposal of the Nomination Committee that the number of members of the Board of Directors is eight (8). Mr. Ole Johansson, Ms. Janina Kugel, Mr. Bertel Langenskiöld, Mr. Ulf Liljedahl and Mr. Christoph Vitzthum were re-elected for a term of office ending at the closing of the Annual General Meeting in 2019, and Mr. Per Vegard Nerseth, Mr. Anders Nielsen and Ms. Päivi Rekonen were elected new Board members for the same term of office.

The AGM confirmed that Ernst & Young Oy continues as the Company's auditor for the year ending on December 31, 2018.

The AGM approved the proposal of the Board of Directors to amend the Articles of Association of the Company in their entirety as proposed to the AGM.

The AGM authorized the Board of Directors to decide on the repurchase of the Company's own and/or on the acceptance as pledge of the Company's own shares. The number of own shares to be repurchased and/or accepted as pledge based on this authorization shall not exceed 7,500,000 shares in total, which corresponds to approximately 9.5 percent of all of the shares in the Company. However, the Company together with its subsidiaries cannot at any moment own and/or hold as pledge more than 10 percent of all the shares in the Company. Only the unrestricted equity of the Company can be used to repurchase own shares on the basis of the authorization. Own shares can be repurchased at a price formed in public trading on the date of the repurchase or otherwise at a price formed on the market. The Board of Directors decides how own shares will be repurchased and/or accepted as pledge. Own shares can be repurchased using, inter alia, derivatives. Own shares can be repurchased otherwise than in proportion to the shareholdings of the shareholders (directed repurchase). Own shares can be repurchased and/or accepted as pledge to limit the dilutive effects of share issues carried out in connection with possible acquisitions, to develop the Company's capital structure, to be transferred for financing or realization of possible acquisitions, investments or other arrangements belonging to the Company's business, to pay remuneration to Board members, to be used in incentive arrangements or to be cancelled, provided that the repurchase and/or acceptance as pledge is in the interest of the Company and its shareholders. The authorization is effective until the end of the next Annual General Meeting, however no longer than until 26 September 2019.

The AGM authorized the Board of Directors to decide on the issuance of shares, as well as the issuance of special rights entitling to shares referred to in chapter 10, section 1 of the Finnish Companies Act. The number of shares to be issued based on this authorization shall not exceed 7,500,000 shares, which corresponds to approximately 9.5 percent of all of the shares in the Company. The Board of Directors decides on all the conditions of the issuance of shares and of special rights entitling to shares. The issuance of shares and of special rights entitling to shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The authorization can also be used for incentive arrangements, however, not more than 1,000,000 shares in total together with the authorization in the next item. The authorization is effective until the end of the next Annual General Meeting, however no longer than until September 26, 2019. However, the authorization for incentive arrangements is valid until March 26, 2023. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2017.

The AGM authorized the Board of Directors to decide on the transfer of the Company's own shares. The authorization is limited to a maximum of 7,500,000 shares, which corresponds to approximately 9.5 percent of all the shares in the Company. The Board of Directors decides on all the conditions of the transfer of own shares. The transfer of shares may be carried out in deviation from the shareholders' pre-emptive rights (directed issue). The Board of Directors can also use this authorization to grant special rights concerning the Company's own shares, referred to in Chapter 10 of the Companies Act. The authorization can also be used for incentive arrangements, however, not more than 1,000,000 shares in total together with the authorization in the previous item. This authorization is effective until the next Annual General Meeting of Shareholders, however no longer than until September 26, 2019. However, the authorization for incentive arrangements is valid until March 26, 2023. This authorization revokes the authorization for incentive arrangements given by the Annual General Meeting 2017.

The AGM authorized the Board of Directors to decide on the issue of new shares or on the transfer of own shares held by the Company to such participants of an Employee Share Savings Plan who, according to the terms and conditions of the Plan, are entitled to receive free shares, as well as to decide on the share issue without payment also to the Company itself. The authorization includes a right, within the scope of this Plan, to transfer own shares currently held by the Company, which have earlier been limited to other purposes than incentive plans. The number of new shares to be issued or own shares held by the Company to be transferred may in the aggregate amount to a maximum total of 500,000 shares, which corresponds to approximately 0.6 percent of all of the Company's shares. The Board of Directors is entitled to decide on other matters concerning the share issue. The authorization concerning the share issue is valid until March 26, 2023. This authorization is in addition to the authorizations in the previous items. This authorization replaces the authorization for the Share Savings Plan given by the Annual General Meeting 2017.

Board of Directors' organizing meeting

In the first meeting of the Board of Directors of Konecranes Plc after the Annual General Meeting the Board of Directors elected Mr. Christoph Vitzthum Chairman of the Board and Mr. Ole Johansson Vice Chairman of the Board.

In accordance with the previous practice, the Board of Directors has an Audit Committee, a Nomination Committee and a Human Resources Committee.

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

Ms. Janina Kugel, Mr. Ulf Liljedahl, Mr. Per Vegard Nerseth, Mr. Anders Nielsen, Ms. Päivi Rekonen and Mr. Christoph Vitzthum, were deemed to be independent of the company and any significant shareholders. While Mr. Ole Johansson and Mr. Bertel Langenskiöld were deemed to be independent of the company, they were deemed to be dependent of a significant shareholder of the company based on their positions as the current Chairman of the Board of Directors and previous Managing Director of Hartwall Capital Oy Ab, respectively.

Changes in the Group Executive Board

On April 13, 2018, Konecranes announced that Susanna Schneeberger, Executive Vice President and Head of Strategy, was to leave Konecranes to pursue career opportunities outside the company. She left Konecranes on June 30, 2018.

On June 7, 2018 Konecranes announced that Minna Aila (b. 1966) had been appointed Executive Vice President, Marketing and Corporate Affairs and Member of the Group Executive Board. Ms. Aila started in her new position on September 1, 2018. She is responsible for marketing, communications, corporate responsibility, government relations and safety, and reports to Panu Routila, President and CEO.

Since September 1, 2018, the Group Executive Board consists of the following members:

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

SHARE CAPITAL AND SHARES

On December 31, 2018 the company's registered share capital totaled EUR 30.1 million. On December 31, 2018, the number of shares including treasury shares totaled 78,921,906.

TREASURY SHARES

On December 31, 2018, Konecranes Plc was in possession of 105,403 treasury shares, which corresponds to 0.1 percent of the total number of shares and which had on that date a market value of EUR 2.8 million.

On February 28, 2018, 17,995 treasury shares were conveyed without consideration to the employees as a reward payment for the Savings Period 2014–2015 of the Konecranes Employee Share Savings Plan.

On March 8, 2018, 49,363 treasury shares were conveyed without consideration to key employees as a reward payment for the performance period 2015–2017 of the Konecranes Performance Share Plan 2015.

On December 17, 2018, 7,000 Konecranes shares were returned free of consideration to the company according to the terms and conditions of Performance Share Plan 106. Originally, the shares had been conveyed to the participants in the 2016 performance period of the program.

PERFORMANCE SHARE PLAN CRITERION 2018–2020

On May 11, 2018, Konecranes announced that the Board of Directors had resolved that the performance criterion for the discretionary period 2018–2020 is the cumulative adjusted Earnings per Share (EPS) of the financial years 2018–2020. Adjustments to the EPS include defined restructuring costs, purchase price allocation amortization and certain other unusual items.

The target group of the plan consists of a maximum of 280 people during the discretionary period 2018–2020. The rewards to be paid on the basis of the discretionary period correspond to the value of a maximum total of 710,000 Konecranes Plc shares. If the target determined by the Board of Directors is attained, the reward payout may be a half of the maximum reward. The maximum reward payout requires that the target is clearly exceeded.

The Annual General Meeting of Shareholders held on March 27, 2018 authorized the Board of Directors to decide on the issue of shares or the transfer of own shares needed for the implementation of the performance share plan.

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

EMPLOYEE SHARE SAVINGS PLAN

On February 8, 2018, Konecranes announced that the Board of Directors has decided to launch a new Plan Period relating to the Employee Share Savings Plan. The new Plan Period began on July 1, 2018 and will end on June 30, 2019. Each participant will receive one free matching share for every two acquired savings shares. Matching shares will be delivered to a participant if the participant holds the acquired shares from the Plan Period until the end of the designated holding period, February 15, 2022, and if his or her employment has not ended before this date for reasons attributable to the employee. The total amount of all savings of the commencing plan period may not exceed EUR 8.5 million. The terms and conditions of the Plan Period 2018–2019 are unchanged from the previous Plan Periods. Shares will be acquired with the accrued savings at the market price quarterly, after the publication dates of the Konecranes interim results, commencing in October 2018.

MARKET CAPITALIZATION AND TRADING VOLUME

The closing price for the Konecranes shares on the Nasdaq Helsinki on December 31, 2018 was EUR 26.39. The volume-weighted average share price in January–December 2018 was EUR 33.56, the highest price being EUR 42.43 in January and the lowest EUR 25.05 in October. In January–December, the trading volume on the Nasdaq Helsinki totaled 66.5 million, corresponding to a turnover of approximately EUR 2,231.1 million. The average daily trading volume was 265,873 shares representing an average daily turnover of EUR 8.8 million.

In addition, according to Fidessa, approximately 107.9 million shares were traded on other trading venues (e.g. multilateral trading facilities and bilateral OTC trades) in January–December 2018.

On December 31, 2018, the total market capitalization of Konecranes Plc was EUR 2,082.7 million including treasury shares. The market capitalization was EUR 2,080.0 million excluding treasury shares.

NOTIFICATIONS OF MAJOR SHAREHOLDINGS

In January–December 2018, Konecranes received the following notifications of major shareholdings.

Date	Shareholder	Threshold	% of shares and voting rights	% of shares and voting rights through financial instruments	Total, %	Total, shares
January 2, 2018	BlackRock, Inc.	Above 15%	13.60	1.39	15.00	11,838,477
January 4, 2018	BlackRock, Inc.	Below 15%	13.60	1.33	14.94	11,792,766
January 9, 2018	BlackRock, Inc.	Above 15%	13.78	1.24	15.02	11,858,361
January 10, 2018	BlackRock, Inc.	Below 15%	13.82	1.07	14.90	11,764,689
January 16, 2018	BlackRock, Inc.[1]	Below 10%	12.95	1.26	14.21	11,222,451
January 22, 2018	BlackRock, Inc.[2]	Below 10%	11.84	1.24	13.08	10,330,572
February 9, 2018	Solidium Oy	Above 5%	5.05	0	5.05	3,984,863
February 11, 2018	HC Holding Oy Ab	Above 10%	10.01	0	10.01	7,901,238
March 19, 2018	BlackRock, Inc.	Below 10%	9.79	0.94	10.74	8,477,795
March 28, 2018	BlackRock, Inc.[3]	Below 5%	8.05	2.50	10.56	8,334,657
March 29, 2018	BlackRock, Inc.[4]	Above 5%	8.24	2.32	10.56	8,340,614
April 19, 2018	BlackRock, Inc.	Above 10%	10.48	0.02	10.51	8,275,603
April 30, 2018	BlackRock, Inc.	Below 10%	9.96	0.79	10.76	8,494,172
June 12, 2018	BlackRock, Inc.	Below 10%	8.42	1.05	9.48	7,486,989
June 25, 2018	BlackRock, Inc.[5]	Below 5%	7.91	1.63	9.54	7,535,099
November 19, 2018	BlackRock, Inc.[6]	Below 5%	5.62	2.09	7.72	6,094,331

[1] The disclosure obligation arose due to holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going below 10%.
[2] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going below 10%.
[3] The disclosure obligation arose due to holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going below 5%.
[4] The disclosure obligation arose due to holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going abowe 5%.
[5] The disclosure obligation arose due to holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going below 5%.
[6] The disclosure obligation arose due to total holding in Shares and Voting rights for BlackRock Investment Management (UK) Limited going below 5%.

RESEARCH AND DEVELOPMENT

In 2018, Konecranes' research and product development expenditure totaled EUR 42.1 (36.0) million, representing 1.3 (1.1) percent of sales. R&D expenditure includes product development projects aimed at improving the quality and cost efficiency of both products and services.

In 2018, Konecranes begun to define its new digital strategy and kicked off several R&D projects to identify how applicable emerging technologies are impacting the material handling industry.

Konecranes' internal digitalization and the MHPS integration proceeded as planned, and the majority of business units now use global IT systems. Common oneKONECRANES processes and systems provide Konecranes with a 360° view on customers, real-time visibility on demand and supply, higher scalability and lower transactional costs.

Konecranes continued to participate in the definition of the new machine-to-machine communication interface standard, based on OPC UA for industrial cranes, in accordance with the European Material Handling Federation (FEM) and German Machine Manufacturer Association (VDMA). This standard will guide product design and enable Konecranes to benefit from an application ecosystem which is likely to develop once the standardized data models and interfaces are put into effect.

In 2018, Konecranes launched a REACH Program for start-ups and continued its partnership with Maria 01, the Nordics' leading start-up hub. In 2018, the REACH Program looked for new ways to apply AI and analytics in field service, digitalize ports, make container logistics smarter, and improve human-machine interaction.

Also, in 2018 Konecranes launched a new Automated Rubber Tyred Gantry (ARTG) system version 2.0, which is instrumental in driving the evolution of RTG-based container terminals to fully automated operation. To support this objective, Konecranes also continued research with 5G and NB-IoT.

For better ecoefficiency, Konecranes launched ECOLIFTING for lift trucks, a concept that comprises three driveline solutions: Power Drive, offering up to 15% fuel savings; Flow Drive, with up to 25 percent fuel savings; and the pioneering Hybrid Drive, offering up to 40 percent fuel savings.

Konecranes continued to pilot microservices and container technologies-based product design in 2018, enabling product enhancements, such as software updates, for increased efficiency, safety and productivity after the equipment is delivered to customers.

In 2018, Agilon®, the multi-award-winning material handling solution, was taken into use in both indoor and outdoor retail settings as Pick & Go stations to replace parcel lockers.

STATEMENT OF NON-FINANCIAL INFORMATION

Konecranes discloses the Non-financial information as part of its Board of Directors report. This disclosure is prepared in accordance with Accounting Act amendment 1376/2016 which is based on the EU Directive 2014/95/EU on the disclosure of Non-financial and diversity information. Konecranes reports the disclosed information annually in accordance with the international reporting framework Global Reporting Initiative (GRI). More information on the topics can be found in the Sustainability Supplement that is part of the Annual Report. In 2017 Konecranes provided the statement of Non-financial information as a separate report.

The most essential Non-financial topics for Konecranes are the safety of employees and products, responsible business practices including working against corruption, respecting human rights and engaging employees, providing eco-efficient solutions for customers and enforcing a sustainable supply chain. Konecranes is a signatory of the UN Global Compact and is thereby committed to its principles with respect to human rights, labor, the environment and anti-corruption, and it reports annually in accordance with the Global Reporting Initiative (GRI).

Business model and value creation

Through our three complementary Business Areas, we seek to respond to the majority of our customers' lifting needs. Our business aims to improve our customers' safety and deliver optimal productivity by offering a wide range of eco-efficient products and service solutions that promote circular economy. Safety is an integral part of our business and prioritizing it in all areas of our operations brings us a competitive advantage. By means of digitalization, we offer advanced tools to improve the productivity, serviceability and lifetime of the equipment.

Taking the megatrends affecting our industry and their relationship with our strategic focus areas into account allows us to highlight the areas where Konecranes brings value to our stakeholders and society at large. We focus on creating more value from our current assets through greater efficiency in our operations, as well as on increasing the amount of value that our customers obtain from our products and services. Our talented, inspired and engaged employees help our customers enhance safety and productivity every day. In our view, varied skill sets are a key driver of creativity and value creation, and diversity and inclusivity result in teams that deliver better results. Fostering diversity encourages innovation, exceptional organizational performance and, most importantly, outstanding customer service.

Konecranes' position as a preferred partner creates financial stability not only for our company, but for our whole value chain. Sustainable business practices and risk management are crucial for creating longer term shareholder value. To remain a key player within local communities as well as an attractive employer, we want to make a positive impact on the societies where we operate. This is done by providing jobs and income for employees, by boosting local economies as an employer, provider and buyer of services and goods, as well as by being a significant taxpayer in many countries where we operate. We also support non-profit organizations.

In 2018, taxes paid and remitted by Konecranes were an important source of income to public administrations. A total of EUR 514 million (594) in taxes and other compulsory tax-like payments were paid and collected in countries where the Group operates implying an effective tax rate of 29.1 percent (18.4). A total of EUR 239 million (209) was paid (taxes borne) directly by the group itself, while EUR 275 million (385) was collected (taxes collected) on behalf of governments. Konecranes is a compliant taxpayer in each country where it operates. The company strives for transparency in its tax practices and does not practice tax planning that would aim at artificially decreasing the Group's taxable income.

Our products can be remanufactured and modernized to extend their lifecycles and can be reused and then finally recycled at the end of their lifespans. In addition, our conjoined product offering features innovative power sources such as hybrid technology and other energy saving solutions, including regenerative braking. Above all, we firmly believe that we can deliver the highest lifecycle value to our customers through Lifecycle Care – our comprehensive and systematic approach to service that offers the right maintenance at the right time. By providing our customers with solutions that enable smooth, efficient and responsible material handling, we secure our position as a close and favored partner.

We see particular advantages for Konecranes in circular economy business models. Significant savings can be obtained through renting, repairing, modernizing, reusing, and recycling our products. Modernizations and retrofits save a great deal of resources by reducing the environmental impact of product lifecycles, saving raw materials and enhancing equipment energy efficiency and performance. Additionally, modernization increases safety, productivity, reliability and usability while decreasing the need for repairs and unscheduled maintenance. Circular economy business models also help us raise our resource and energy efficiency while reducing our customers' environmental footprints. In order to gain maximum circular value from our products, we focus on providing maintenance to keep our products in service longer, extending product lifecycles and utilizing the Design for Environment concept (DfE), including the reuse and recyclability of products, in product development.

To ensure that we continue to deliver value, we must keep engaging and developing the best talent, implementing smart technology in our product and service offering, innovating new business models, developing our product design and reliability, and maintaining a deep understanding of our customers' present and future material handling needs.

Responsible business conduct

Konecranes' Code of Conduct and Corporate Governance Framework guide the everyday activities of the company by clearly describing our internal standards and ethical values as well as our legal obligations. The Code of Conduct is complemented by Group-wide policies, including those on Quality, the Environment, Health and Safety; Respect in the Workplace, which focuses on equal opportunities, fair employment practices, anti-discrimination; our Diversity and Inclusion policy; as well as internal guidance related to anti-corruption, reporting ethical and compliance concerns, and sourcing and purchasing.

In 2018 we rolled out our updated Code of Conduct and Anti-Corruption policy and a new Supplier Code of Conduct was introduced. In connection with the communication of new policies, we organized numerous training and awareness sessions for more than 5,500 employees on compliance and ethics during 2018. As a result of the renewal of our Code of Conduct and Anti-Corruption policy we will also renew our Code of Conduct training, which will be rolled out in 2019.

We want to promote a healthy speak-up culture where people feel safe reporting compliance and ethical concerns without a fear of retaliation. In 2018 we also implemented a new Whistleblowing Channel giving our employees an additional way to raise concerns relating to compliance with laws and ethical conduct.

We also established an executive level Compliance & Ethics Committee to oversee the implementation and development of our compliance & ethics program managed by the Head of Compliance & Ethics.

Anti-corruption and bribery prevention

Our Anti-Corruption policy and Code of Conduct demonstrate our commitment to work against corruption in all forms, including extortion and bribery. They define the level of ethical conduct we seek to uphold, and which supports our long-term competitiveness in the global markets. In 2018 we rolled out the updated Code of Conduct and Anti-Corruption policy, making them more comprehensive and specific than before.

Our Anti-corruption policy has compliance protocols and guidelines in place to detect risks, embedding our zero-tolerance approach towards corrupt practices in our monitoring and follow-up processes. Several actions and processes are set up to mitigate corruption and fraud risks. Anti-corruption trainings were organized during 2018. To encourage our employees to speak up, we offer multiple ways to raise concerns, including a Whistleblowing Channel that was launched in 2018.

We have established a risk-based Know-Your-Counterparty process which identifies the risks of doing business with third parties by studying their ownership, activity and role. The process includes anti-bribery, sanctions and other due diligence checks according to the level of risk identified.

Environmental performance

We take our responsibility as well as our opportunity to influence environmental matters seriously, especially with regard to resource use and mitigating the effects of climate change. We are committed to providing our customers with eco-efficient solutions and services while preventing and minimizing harmful discharges into the air, water and ground. Our commitments concerning environmental responsibility can be found in our Code of Conduct and in our Environmental Policy setting principles for managing the environmental impacts of Konecranes sites, products and services. Furthermore, we are a signatory member of United Nations Global Compact and its ten principles that underline the need to have a precautionary approach to environmental challenges by examining the whole scope of impacts that our operations might have.

In our industry, the main environmental impacts arise from metal refinement. When assessing the whole lifecycle of our products, the most significant impacts come from energy consumption during the product use phase and from the production of raw materials and components. Both our own operations and supply chain have environmental impacts that we aim to mitigate. We reduce our carbon footprint through voluntary agreements and by setting targets for energy efficiency and emissions. Our target is to reduce our energy intensity (MWh/sales) by 25 percent and greenhouse gas emission intensity (tCO_2e/sales) by 50 percent during 2017–2025. In addition, we are committed to powering our factories with 100 percent renewable electricity by 2025.

In order to achieve significant improvements in environmental performance, we take environmental considerations into account for the entire lifecycle of our products. Usability, eco-efficiency, and safety are our guiding principles in product design – along with lifecycle thinking. Our products can be remanufactured and modernized to extend their lifespan and can be reused, and then finally recycled at the end of their lifespans. In our conjoined product offering we can provide innovative power options such as hybrid and battery technology and other energy saving solutions such as regenerative braking. Our R&D efforts focus on product design, developing and testing different materials, improving energy efficiency and smart features to decrease the environmental impact during their life-cycle. We strive to enhance our service business's ability to create circular value by focusing on extending lifecycle with predictive maintenance, remanufacturing, modernizations and retrofits. The use phase of our products can last for decades so investing in data-driven, eco- and resource-efficient products means the customer can achieve significant reductions in their environmental impacts. Improving our products and services even further by utilizing the possibilities of the industrial internet is one of our strategic initiatives.

On a global scale the most significant environmental risks are related to climate change and the sustainability of materials. We review key corporate responsibility risks to our business on an annual basis to ensure that our mitigation activities throughout the Group are effective. We assess environmental risks in greater detail as part of the environmental management system, where each of our units is responsible for evaluating, prioritizing and mitigating their risks. Assessments are made on a local level using an assessment form to evaluate the severity and probability of the risks. After careful assessment, we formulate risk mitigation plans. Environmental incidents and near miss cases are reported through our global HSE reporting tool, and the investigations of root causes and corrective actions are conducted accordingly. We also use the Konecranes Minimum Requirements for risk prevention, striving for continuous improvement and the defined world-class level. To help mitigate risk in our supply chains, we have begun implementing our Supplier Code of Conduct, which will emphasize the corporate responsibility standards we expect from third parties. Konecranes undertakes due diligence and background checks on suppliers and subcontractors before entering into business relationships. Opportunities that arise from low carbon demand are evaluated as part of our CR strategy review as is the feedback from our Voice of Customer surveys and continuous stakeholder dialogue.

Konecranes Minimum Requirements for chemical handling and waste management are in use globally, setting the minimum level for environmental management. To continuously improve our performance, we have set a target for having full coverage of all our manufacturing sites according to ISO 14001:2015 EMS by the end of 2020. Currently 68 percent of our factories have an ISO 14001 environmental management system in place requiring continuous development and annual targets. In addition, we pay special attention to the use of efficient logistics and packaging, minimizing waste, and reusing and recycling as much as possible.

Social responsibility and employees

Safety is an integral part of our business and prioritizing it in all areas of our operations brings us a competitive advantage. Our occupational health and safety principles are defined in the Code of Conduct, and in the Quality, Environmental, Health and Safety policies, and we have several safety management tools and global practices in place. HSE minimum requirements set the foundational requirements that all Konecranes locations must fulfill. We have a Serious Injury and Fatality (SIF) prevention process that includes measurement and prevention tools. Careful safety reporting and follow-up procedures help us build a coherent safety culture, recognize our most significant risks, and validate the effectiveness of our safety work.

There are considerable occupational health and safety risks in the material handling industry. Our most significant safety risks are related to factory work, crane and equipment installation, and the service business, where our technicians' working conditions vary from job to job. All Konecranes employees are properly trained to perform their tasks safely and correctly.

The Key Performance Indicator (KPI) for Konecranes safety is the lost-time incident rate LTA1, which refers to the number of lost-time incidents per million working hours. Our safety performance in 2018 improved markedly in comparison to 2017. The lost-time incident rate for the year was 5.3 (7.6), an improvement of 30.3 percent compared to the previous year. More emphasis was put on learning from the incidents through increased focus on incident investigation and corrective actions, supported in part by the implementation of the new ARMOR reporting system.

Our target in safety is for everyone to be able return home safe, every day. We seek to achieve these objectives through strategic, Group-led programs and business-specific initiatives. The company follows incidents and hazards through management systems, the ARMOR reporting system and the AIR product compliance management system, as well as through customer feedback collected after each major delivery. Konecranes has also set a target to get all manufacturing units certified against ISO 14001 and OHSAS/ ISO 45001 by the end of 2020. Currently we are 20 percent OHSAS certified.

Our talented, inspired and engaged employees help our customers enhance safety and productivity every day. The objective of Konecranes' people management strategy is to ensure we have the needed resources and skillsets for the future, and that our people are capable of meeting future business requirements, while remaining motivated. To further develop their competences, employees are offered a variety of training courses and development activities – from technology, leadership, health and safety, language and culture to project management, and the environment. The main risk related to low employee engagement is losing talent and competences. Konecranes mitigates employee retention risks through fair and competitive compensation, culture and leadership development programs, succession planning, internal job rotation, and talent management, as well as various programs to support professional growth.

We aim to create a diverse working environment and a culture that respects individuals. Fair and responsible practices, equal career development opportunities and embracing diversity are the key enablers in the race to attract employees with the potential to be the best in the industry. We respect and embrace diverse work and lifestyles and cultural differences. We see the various benefits of having a diverse workforce that contains employees from 92 different nationalities from different parts of the world. Fostering diversity, in terms of gender, age and cultural and educational backgrounds encourages innovation, exceptional organizational performance and, most importantly, outstanding customer service.

In our view, varied skill sets are a key driver of creativity and value creation, and diversity and inclusivity result in teams that deliver better results.

We manage diversity by increasing awareness, individual projects, and training, but also by implementing diversity and equal opportunity requirements in our daily processes. Our basic people procedures, such as recruitment, career development, rewarding, and learning & development take talent and diversity issues into account and ensure that the decision-making process is transparent and that selections can be justified. In addition, we are introducing a separate diversity policy, which will be rolled out in 2019. It is reinforced by our existing policy on Respect in the Workplace, which communicates our principles on equal opportunities, anti-harassment and fair employment. Konecranes is a signatory of the UN Global Compact initiative and supports the work-related rights defined by the International Labour Organization (ILO). We have also established a global Chief Diversity and Inclusion Officer role to raise awareness and to drive relevant activities forward. The current gender balance within Konecranes is 16 percent female to 84 percent male. The main risks of having a workforce that lacks diversity are possible reputational risks, a deficiency in varying perspectives and approaches brought by people of different ages, races, genders, backgrounds and cultural origins, and the loss of potential talent.

Respect for human rights

Konecranes is a signatory of the UN Global Compact and upholds the work-related rights defined by the International Labour Organization (ILO). We support the protection of human rights and promote the principles set in the UN Universal Declaration of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Sustainable Development Goals, and the Declaration on Fundamental Principles and Rights at Work of the International Labour Organization. Our corporate policy, Respect in the Workplace, which deals with equal opportunities and fair employment practices, creates a common framework for employee practices.

By signing the United Nations Global Compact in 2010, Konecranes pledged to support and apply the compact's fundamental principles in the area of human rights, working conditions, environmental protection and the fight against corruption. We also expect our partners and suppliers to adhere to the same principles in their operations as specified in our Code of Conduct.

We have translated our commitment to human rights into internal policies that are to be used as the minimum applicable standards. We have included the basic principles of human rights in our Code of Conduct, which is communicated to all our employees and suppliers. Furthermore, we have separate policies on Respect in the Workplace, Safety, and Diversity, all of which also address human rights.

We have set up dedicated management processes and centralized compliance processes to secure employee rights, such as their rights to freedom of association and collective bargaining, and the right to freedom from harassment and discrimination. Human rights are also part of our Code of Conduct training material. Moreover, we have included elements on social responsibility in our supplier audits.

We have established an executive level Compliance & Ethics Committee to oversee the implementation and development of our Compliance and Ethics program and set up a new whistleblowing channel to give our employees an additional means to raise concerns relating to compliance with laws and ethical conduct.

LITIGATION

Various legal actions, claims, and other proceedings are pending against the Group in different countries. These actions, claims, and other proceedings are typical for this industry and are consistent with the global business offering that encompasses a wide range of products and services. These matters involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn, and asbestos legacy), employment, auto liability, and other matters involving general liability claims.

RISKS AND UNCERTAINTIES

Konecranes operates in emerging countries that face political, economic, and regulatory uncertainties. Adverse changes in the operating environment of these countries may result in currency losses, elevated delivery costs, or loss of assets. Konecranes operates a crane factory in Zaporozhye, Ukraine.

The operations in emerging countries have had a negative impact on the aging structure of accounts receivable and may increase credit losses or the need for higher provisions for doubtful accounts.

Political risks and uncertainties have also increased outside the emerging countries due to the emergence of populism, patriotism and protectionism in a number of Western economies. This has led and can lead to further increases in tariffs on imported goods, such as components that Konecranes manufactures centrally before exporting them to most of the countries in which it operates. The resulting tariffs may result in a decrease in profitability.

Konecranes has made several acquisitions and expanded organically into new countries. A failure to integrate the acquired businesses, MHPS in particular, or grow newly established operations may result in a decrease in profitability and impairment of goodwill and other assets.

One of the key strategic initiatives of Konecranes is oneKONECRANES. This initiative involves a major capital expenditure on information systems. A higher-than-expected development or implementation costs, or a failure to extract business benefits from new processes and systems may lead to an impairment of assets or decrease in profitability.

Konecranes delivers projects, which involve risks related, for example, to engineering and project execution with Konecranes' suppliers. A failure to plan or manage these projects may lead to higher-than-estimated costs or disputes with customers.

Challenges in financing, e.g. due to currency fluctuations, may force customers to postpone projects or even cancel the existing orders. Konecranes intends to avoid incurring costs for major projects under construction in excess of advance payments. However, it is possible that the cost-related commitments in some projects temporarily exceed the amount of advance payments.

The Group's other risks are presented in the Notes to the Financial Statements and the Governance Supplement to the Annual Report.

DEMAND OUTLOOK

The demand environment within the industrial customer segments in EMEA and the Americas is stable and continues at a good level. Also, in APAC the demand environment remains stable. Global container throughput is on a healthy level, although the growth has decelerated. Nevertheless, the prospects for orders related to container handling remain stable.

FINANCIAL GUIDANCE

Konecranes expects sales in full year 2019 to increase 5–7 percent year on year. Konecranes expects the adjusted EBITA margin to improve in full year 2019 compared to full year 2018.

BOARD OF DIRECTORS' PROPOSAL FOR DISPOSAL OF DISTRIBUTABLE FUNDS

The parent company's non-restricted equity is EUR 967,207,780.36, of which the net income for the year is EUR 119,975,989.88. The Group's non-restricted equity is EUR 1,196,321,000.

According to the Finnish Companies Act, the distributable funds of the company are calculated based on the parent company's non-restricted equity. For the purpose of determining the amount of the dividend, the Board of Directors has assessed the liquidity of the parent company and the economic circumstances subsequent to the end of fiscal year.

Based on such assessments, the Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.20 be paid on each share and that the remaining non-restricted equity is retained in shareholders' equity.

A PDF version of the Konecranes' full audited financial statements, including the report of the Board of Directors, and corporate governance statement will be available on the web on March 1, 2019, and the printed version during the week commencing on Monday March 18, 2019.

Espoo, February 7, 2019
Konecranes Plc
Board of Directors

Disclaimer

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

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

Consolidated statement of income

EUR million	Note	10–12/2018	10–12/2017	Change percent	1–12/2018	1–12/2017	Change percent
Sales	7	**910.8**	**909.9**	**0.1**	**3,156.1**	**3,137.2**	**0.6**
Other operating income [1]		1.7	2.5		6.3	227.2	
Materials, supplies and subcontracting		-432.1	-443.9		-1,371.9	-1,409.5	
Personnel cost		-257.6	-243.5		-1,006.5	-1,004.2	
Depreciation and impairments	8	-39.5	-29.4		-119.9	-117.0	
Other operating expenses [2]		-131.5	-140.2		-498.0	-515.0	
Operating profit		**51.9**	**55.4**	**-6.3**	**166.2**	**318.7**	**-47.9**
Share of associates' and joint ventures' result		5.5	3.8		4.0	3.3	
Financial income [3]		1.3	7.2		2.6	39.8	
Financial expenses		-6.7	-21.6		-34.1	-85.8	
Profit before taxes		**51.9**	**44.7**	**16.2**	**138.7**	**276.0**	**-49.7**
Taxes	10	-16.1	-22.9		-40.4	-50.6	
PROFIT FOR THE PERIOD		**35.8**	**21.7**	**64.7**	**98.3**	**225.4**	**-56.4**
Profit for the period attributable to:							
Shareholders of the parent company		39.2	20.9		101.8	226.1	
Non-controlling interest		-3.4	0.8		-3.5	-0.7	
Earnings per share, basic (EUR)		0.50	0.26	89.9	1.29	2.89	-55.3
Earnings per share, diluted (EUR)		0.50	0.26	89.9	1.29	2.89	-55.3

[1] *Other operating income 1–12/2017 includes a gain on disposal of EUR 218.4 million of STAHL CraneSystems.*
[2] *Other operating expenses for 1–12/2017 include transaction costs related to terminated merger plan with Terex and the acquisition of Terex MHPS up to EUR 4.9 million.*
[3] *Financial income for 1–12/2017 includes gains of EUR 7.8 million which are mostly related to the purchase price adjustments of the MHPS acquisition.*

Consolidated statement of other comprehensive income

EUR million	10–12/2018	10–12/2017		1–12/2018	1–12/2017	
Profit for the period	**35.8**	**21.7**		**98.3**	**225.4**	
Items that can be reclassified into profit or loss						
Cash flow hedges	-2.5	0.5		-13.4	-5.3	
Exchange differences on translating foreign operations	2.7	-0.4		-5.7	-19.2	
Income tax relating to items that can be reclassified into profit or loss	0.5	-0.1		2.7	1.1	
Items that cannot be reclassified into profit or loss						
Re-measurement gains (losses) on defined benefit plans	0.7	-1.1		0.7	-1.1	
Income tax relating to items that cannot be reclassified into profit or loss	-0.2	0.7		-0.2	0.7	
Other comprehensive income for the period, net of tax	**1.2**	**-0.5**		**-15.9**	**-24.0**	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**37.0**	**21.3**		**82.4**	**201.4**	
Total comprehensive income attributable to:						
Shareholders of the parent company	40.2	20.4		86.2	203.1	
Non-controlling interest	-3.2	0.9		-3.8	-1.7	

Consolidated balance sheet

EUR million

ASSETS	**Note**	**31.12.2018**	**31.12.2017**
Non-current assets			
Goodwill		906.1	905.3
Intangible assets		582.0	633.3
Property, plant and equipment		236.7	270.4
Advance payments and construction in progress		14.5	11.5
Investments accounted for using the equity method		71.0	69.8
Other non-current assets		0.8	1.0
Deferred tax assets		119.5	118.4
Total non-current assets		**1,930.5**	**2,009.7**
Current assets			
Inventories			
Raw material and semi-manufactured goods		281.7	240.8
Work in progress		336.6	284.1
Advance payments		17.5	20.6
Total inventories		635.8	545.5
Accounts receivable		548.0	537.8
Other receivables		28.5	43.3
Loans receivable		0.7	0.2
Income tax receivables		22.3	20.9
Receivable arising from percentage of completion method	7	115.7	78.7
Other financial assets		8.9	37.7
Deferred assets		46.2	56.2
Cash and cash equivalents		230.5	233.1
Total current assets		**1,636.5**	**1,553.2**
TOTAL ASSETS		**3,567.0**	**3,562.9**

Consolidated balance sheet

EUR million

EQUITY AND LIABILITIES	Note	31.12.2018	31.12.2017
Equity attributable to equity holders of the parent company			
Share capital		30.1	30.1
Share premium		39.3	39.3
Paid in capital		752.7	752.7
Fair value reserves	14	0.1	10.8
Translation difference		-2.8	2.6
Other reserve		55.2	36.6
Retained earnings		289.4	158.2
Net profit for the period		101.8	226.1
Total equity attributable to equity holders of the parent company		**1,265.8**	**1,256.4**
Non-controlling interest		18.4	22.5
Total equity		**1,284.1**	**1,278.9**
Non-current liabilities			
Interest-bearing liabilities	13	584.6	600.8
Other long-term liabilities		269.1	278.7
Provisions		21.2	23.0
Deferred tax liabilities		143.4	150.1
Total non-current liabilities		**1,018.3**	**1,052.6**
Current liabilities			
Interest-bearing liabilities	13	191.8	157.9
Advance payments received	7	341.4	299.8
Accounts payable		211.2	201.2
Provisions		112.6	129.3
Other short-term liabilities (non-interest bearing)		43.0	50.6
Other financial liabilities		7.7	6.8
Income tax liabilities		20.3	57.0
Accrued costs related to delivered goods and services		164.1	177.1
Accruals		172.5	151.6
Total current liabilities		**1,264.6**	**1,231.4**
Total liabilities		**2,282.8**	**2,284.0**
TOTAL EQUITY AND LIABILITIES		**3,567.0**	**3,562.9**

Consolidated statement of changes in equity

EUR million	Share capital	Share premium	Paid in capital	Cash flow hedges	Translation difference
	Equity attributable to equity holders of the parent company				
Balance at 1 January, 2018	**30.1**	**39.3**	**752.7**	**10.8**	**2.6**
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-10.7	-5.4
Total comprehensive income				-10.7	-5.4
Balance at 31 December, 2018	**30.1**	**39.3**	**752.7**	**0.1**	**-2.8**
Balance at 1 January, 2017	**30.1**	**39.3**	**66.5**	**15.0**	**20.8**
Share issue			686.2		
Dividends paid to equity holders					
Equity-settled share based payments					
Profit for the period					
Other comprehensive income				-4.2	-18.2
Total comprehensive income				-4.2	-18.2
Balance at 31 December, 2017	**30.1**	**39.3**	**752.7**	**10.8**	**2.6**

EUR million	Other Reserve	Retained earnings	Total	Non-controlling interest	Total equity
	Equity attributable to equity holders of the parent company				
Balance at 1 January, 2018	**36.6**	**384.3**	**1,256.4**	**22.5**	**1,278.9**
Change in accounting principles (IFRS 9)		-0.8	-0.8		**-0.8**
Change in accounting principles (IFRS 2)	1.5	0.0	1.5		**1.5**
Balance at 1 January, 2018, restated	**38.1**	**383.4**	**1,257.0**	**22.5**	**1,279.6**
Dividends paid to equity holders		-94.6	-94.6	-0.4	**-94.9**
Equity-settled share based payments	17.1	0.0	17.1		**17.1**
Profit for the period		101.8	101.8	-3.5	**98.3**
Other comprehensive income		0.5	-15.6	-0.3	**-15.9**
Total comprehensive income	0.0	102.3	86.2	-3.8	**82.4**
Balance at 31 December, 2018	**55.2**	**391.2**	**1,265.8**	**18.4**	**1,284.2**
Balance at 1 January, 2017	**31.7**	**242.0**	**445.4**	**0.1**	**445.5**
Change in accounting principles (IFRS 15)		-1.1	-1.1		**-1.1**
Balance at 1 January, 2017, restated	**31.7**	**240.9**	**444.3**	**0.1**	**444.4**
Share issue		0.0	686.2		**686.2**
Dividends paid to equity holders		-82.3	-82.3	-0.5	**-82.9**
Equity-settled share based payments	4.9	0.0	4.9		**4.9**
Acquisitions		0.0	0.0	24.7	**24.7**
Profit for the period		226.1	226.1	-0.7	**225.4**
Other comprehensive income		-0.4	-22.9	-1.0	**-23.9**
Total comprehensive income	0.0	225.7	203.2	-1.7	**201.5**
Balance at 31 December, 2017	**36.6**	**384.3**	**1,256.4**	**22.5**	**1,278.9**

Consolidated cash flow statement

EUR million	1–12/2018	1–12/2017
Cash flow from operating activities		
Profit for the period	98.3	225.4
Adjustments to net income		
Taxes	40.4	50.6
Financial income and expenses	31.5	46.0
Share of associates' and joint ventures' result	-4.0	-3.3
Depreciation and impairments	119.9	117.0
Profits and losses on sale of fixed assets and businesses	3.8	-217.5
Other adjustments	5.2	0.7
Operating income before change in net working capital	**295.1**	**218.9**
Change in interest-free current receivables	3.9	13.0
Change in inventories	-91.1	-1.9
Change in interest-free current liabilities	-4.3	105.0
Change in net working capital	**-91.5**	**116.2**
Cash flow from operations before financing items and taxes	**203.5**	**335.0**
Interest received	19.3	14.6
Interest paid	-38.4	-43.4
Other financial income and expenses	7.4	-18.7
Income taxes paid	-82.5	-38.2
Financing items and taxes	**-94.3**	**-85.6**
NET CASH FROM OPERATING ACTIVITIES	**109.2**	**249.4**
Cash flow from investing activities		
Acquisition of Group companies, net of cash	0.0	-733.2
Divestment of Businesses, net of cash	1.1	213.4
Proceeds from disposal of associated company	0.0	2.8
Capital expenditures	-38.3	-28.7
Proceeds from sale of property, plant and equipment	2.2	3.7
NET CASH USED IN INVESTING ACTIVITIES	**-35.0**	**-542.0**
Cash flow before financing activities	**74.2**	**-292.6**
Cash flow from financing activities		
Proceeds from non-current borrowings	0.0	1,602.0
Repayments of non-current borrowings	-14.5	-1,050.0
Proceeds from (+), payments of (-) current borrowings	34.6	-140.7
Change in loans receivable	-0.3	11.6
Dividends paid to equity holders of the parent	-94.6	-82.3
Dividends paid to non-controlling interests	-0.4	-0.5
NET CASH USED IN FINANCING ACTIVITIES	**-75.2**	**340.0**
Translation differences in cash	-1.6	-8.6
CHANGE OF CASH AND CASH EQUIVALENTS	**-2.6**	**38.9**
Cash and cash equivalents at beginning of period	233.1	194.1
Cash and cash equivalents at end of period	230.5	233.1
CHANGE OF CASH AND CASH EQUIVALENTS	**-2.6**	**38.9**

The effect of changes in exchange rates has been eliminated by converting the beginning balance at the rates current on the last day of the reporting period.

FREE CASH FLOW (alternative performance measure)

EUR million	1–12/2018	1–12/2017
Net cash from operating activities	109.2	249.4
Capital expenditures	-38.3	-28.7
Proceeds from sale of property, plant and equipment	2.2	3.7
Free cash flow	**73.1**	**224.4**

Notes

1. CORPORATE INFORMATION

Konecranes Plc ("Konecranes Group" or "the Group") is a Finnish public limited company organized under the laws of Finland and domiciled in Hyvinkää. The company is listed on the NASDAQ Helsinki.

Konecranes is a world-leading manufacturer and servicer of cranes, lifting equipment and machine tools, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes operates internationally, with its products being manufactured in North and South America, Europe, Africa, the Middle East, and Asia and sold worldwide. In 2018 Konecranes has three operating segments, which it calls Business Areas: Business Area Service, Business Area Industrial Equipment and Business Area Port Solutions.

2. BASIS OF PREPARATION

The audited interim condensed consolidated financial statements of Konecranes Plc for twelve months ending 31.12.2018 and 31.12.2017 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). As such, they do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2018. The audited interim condensed consolidated financial statements including notes thereto are presented in millions of euros and all values are rounded to the nearest million (€ 000 000) except when otherwise indicated.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in accordance with IFRS requires management to make estimates and judgments that affect the valuation of reported assets and liabilities and other information, such as contingent liabilities and recognition of income and expenses in the statement of income. These assumptions, estimates and judgments are based on management's historical experience, best knowledge about the events and other factors, such as expectations on future events, which are assessed to be reasonable in the given circumstances. Although these estimates and judgments are based on the management's best understanding of current events and circumstances, actual results may differ from the estimates. Possible changes in estimates and assumptions are recognized in the financial reporting period the estimate or assumption is changed.

4. SIGNIFICANT ACCOUNTING POLICIES

The Company's accounting policies adopted in the preparation of the audited interim condensed consolidated financial statements are consistent with those followed in the preparation of the consolidated financial statements for the year ended December 31, 2018. From January 1, 2018 onwards Konecranes applies also new and changed IFRS standards: IFRS15, IFRS9 and IFRS2 as described below.

Konecranes has adopted IFRS15, Revenue from contracts with customers, standard from January 1, 2018 onwards. The main differences to the previous revenue recognition method have arisen from:

- Right to return the goods in which company should not recognize revenue for sales for which the customer is expected to exercise its right to return the goods;
- Unusual warranty times or service type of warranties in which a portion of the transaction price needs to be allocated to the extended warranty time by using the estimated stand-alone price of the warranty and
- Volume discounts, where the most likely amount for volume discounts needs to be estimated and it should be periodized to each sales transaction to the customer which is entitled to the volume discount.

Konecranes applied the full retrospective approach in transition and thus the comparables for the periods in 2017 have been restated. The effects of implementing IFRS15 in 2017 reported numbers are reported in the following table. Changes to reported figures have effected to all reported segments.

Notes

IFRS 15 adjustments to selected key figures per quarters

Statement of income (EUR million)	1–12/2017	1–9/2017	1–6/2017	1–3/2017
Sales	0.7	0.8	0.3	1.1
Operating costs	-0.3	-0.4	0.0	-0.6
Adjusted EBITA	0.4	0.4	0.3	0.4
EBIT	0.4	0.4	0.3	0.4
Taxes	0.0	0.0	0.0	0.0
Net result	**0.4**	**0.4**	**0.3**	**0.4**

	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Sales	-0.1	0.6	-0.8	1.1
Operating costs	0.1	-0.4	0.6	-0.6
Adjusted EBITA	0.0	0.1	-0.1	0.4
EBIT	0.0	0.1	-0.1	0.4
Taxes	0.0	0.0	0.0	0.0
Net result	**0.0**	**0.1**	**-0.1**	**0.4**

Balance sheet (EUR million)	31.12.2017	30.9.2017	30.6.2017	31.3.2017
Inventories	0.5	0.5	1.1	1.3
Receivables and deferred assets	-0.6	-0.5	-1.2	-1.5
Deferred tax assets	0.1	0.1	0.1	0.1
Total assets	**0.0**	**0.0**	**0.0**	**0.0**
Equity	-0.6	-0.6	-0.7	-0.7
Accruals	0.5	0.6	0.7	0.6
Deferred tax liability	0.0	0.0	0.0	0.0
Total equity and liabilities	**0.0**	**0.0**	**0.0**	**0.0**

Konecranes has adopted IFRS9, Financial Instruments, standard from January 1, 2018 onwards. On adoption, entities are required to apply the amendments without restating prior periods. IFRS9 introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities especially with regard to managing non-financial risks. The Group applies the simplified approach to record expected credit losses on its accounts receivable. The Group estimates credit losses in the future by using a provision matrix where accounts receivable are grouped based on different customer bases and different historical loss patterns. The effect of the transition to IFRS 9 is for the credit loss provision EUR +1.2 million, EUR +0.4 million for the deferred tax assets and EUR -0.8 million for the the retained earnings at January 1, 2018.

Konecranes has adopted amendment to IFRS2 Classification and Measurement of Share-based Payment Transactions standard from January 1, 2018 onwards. On adoption, entities are required to apply the amendments without restating prior periods. The Group has performance share plans in which the share-based payment transaction with net settlement have features for withholding tax obligations. According to IFRS 2 amendment, the existing plans at 1.1.2018 are not divided anymore into two components (cash-settled and equity-settled) but are classified in their entirety as equity-settled share-based payment transactions. The effect of IFRS 2 amendment to the equity is EUR +1.5 million, to non-interest bearing liabilities EUR -5.3 million and to deferred assets EUR -3.8 million at January 1, 2018.

5. DISPOSALS

Konecranes divested in January, 2018 the Machine Tool Service business in USA. Konecranes received cash proceeds of EUR 1.1 million from the transaction and did not record any loss or profit from this disposal.

Notes

6. SEGMENT INFORMATION

6.1. Operating segments

EUR million

Orders received by Business Area	1–12/2018	% of total	1–12/2017	% of total
Service [1]	986.5	30	966.3	31
Industrial Equipment	1,248.9	37	1,127.3	36
Port Solutions [1]	1,096.0	33	1,056.2	34
./. Internal	-241.1		-142.4	
Total	**3,090.3**	**100**	**3,007.4**	**100**

[1] *Excl. Service Agreement Base*

Order book total [2]	31.12.2018	% of total	31.12.2017	% of total
Service	214.3	12	196.0	13
Industrial Equipment	590.6	34	526.9	34
Port Solutions	910.5	53	812.9	53
Total	**1,715.4**	**100**	**1,535.8**	**100**

[2] *Percentage of completion deducted*

Sales by Business Area	1–12/2018	% of total	1–12/2017	% of total
Service	1,192.5	36	1,179.5	36
Industrial Equipment	1,150.9	34	1,118.2	34
Port Solutions	1,012.9	30	975.7	30
./. Internal	-200.1		-136.2	
Total	**3,156.1**	**100**	**3,137.2**	**100**

Adjusted EBITA by Business Area	1–12/2018 MEUR	EBITA %	1–12/2017 MEUR	EBITA %
Service	180.0	15.1	161.3	13.7
Industrial Equipment	42.6	3.7	34.6	3.1
Port Solutions	71.3	7.0	44.8	4.6
Group costs and eliminations	-36.8		-24.0	
Total	**257.1**	**8.1**	**216.6**	**6.9**

Operating profit (EBIT) by Business Area	1–12/2018 MEUR	EBIT %	1–12/2017 MEUR	EBIT %
Service	162.8	13.6	139.7	11.8
Industrial Equipment	15.1	1.3	-4.0	-0.4
Port Solutions	40.0	4.0	11.7	1.2
Group costs and eliminations	-51.7		171.3	
Total	**166.2**	**5.3**	**318.7**	**10.2**

Notes

Business segment assets	31.12.2018 MEUR		31.12.2017 MEUR	
Service	1,284.8		1,287.1	
Industrial Equipment	865.1		880.4	
Port Solutions	884.4		840.6	
Unallocated items	532.8		554.7	
Total	**3,567.0**		**3,562.9**	

Business segment liabilities	31.12.2018 MEUR		31.12.2017 MEUR	
Service	207.7		204.5	
Industrial Equipment	365.0		336.5	
Port Solutions	411.4		398.1	
Unallocated items	1,298.7		1,344.9	
Total	**2,282.8**		**2,284.0**	

Personnel by Business Area (at the end of the period)	31.12.2018	% of total	31.12.2017	% of total
Service	7,372	46	7,206	44
Industrial Equipment	5,782	36	6,024	37
Port Solutions	2,830	18	3,067	19
Group staff	93	1	74	0
Total	**16,077**	**100**	**16,371**	**100**

Notes

Orders received by Business Area, Quarters	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Service [1)]	249.3	241.9	256.8	238.5	236.8	231.8	251.4	246.3
Industrial Equipment	343.9	294.7	338.6	271.6	285.3	262.8	308.5	270.7
Port Solutions [1)]	399.1	240.0	230.7	226.2	255.3	292.2	261.6	247.1
./. Internal	-62.6	-60.1	-65.2	-53.2	-44.9	-36.7	-31.2	-29.6
Total	**929.8**	**716.5**	**760.9**	**683.1**	**732.6**	**750.1**	**790.2**	**734.5**

[1)] *Excl. Service Agreement Base*

Order book by Business Area, Quarters	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Service	214.3	239.6	237.8	212.0	196.0	222.5	217.6	217.6
Industrial Equipment	590.6	572.0	579.0	527.6	526.9	565.7	571.2	575.2
Port Solutions	910.5	813.0	830.7	836.2	812.9	868.4	817.2	811.6
Total	**1,715.4**	**1,624.6**	**1,647.5**	**1,575.8**	**1,535.8**	**1,656.6**	**1,605.9**	**1,604.5**

Sales by Business Area, Quarters	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Service	336.4	296.3	293.3	266.4	321.4	273.9	298.7	285.5
Industrial Equipment	325.6	291.7	285.0	248.6	312.9	260.2	295.4	249.7
Port Solutions	306.4	262.3	243.7	200.6	312.9	243.9	237.6	181.4
./. Internal	-57.5	-50.0	-49.7	-42.8	-37.2	-31.2	-35.3	-32.5
Total	**910.8**	**800.2**	**772.2**	**672.8**	**909.9**	**746.8**	**796.4**	**684.1**

Adjusted EBITA by Business Area, Quarters	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Service	55.8	48.0	42.4	33.8	48.7	37.9	41.2	33.4
Industrial Equipment	14.8	14.6	6.5	6.6	17.2	11.7	6.2	-0.5
Port Solutions	25.3	20.5	19.3	6.2	16.7	12.6	12.9	2.6
Group costs and eliminations	-10.3	-8.6	-8.5	-9.4	-2.6	-7.7	-9.1	-4.5
Total	**85.6**	**74.5**	**59.8**	**37.2**	**79.9**	**54.5**	**51.1**	**31.1**

Adjusted EBITA margin by Business Area, Quarters	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Service	16.6	16.2	14.5	12.7	15.2	13.9	13.8	11.7
Industrial Equipment	4.5	5.0	2.3	2.7	5.5	4.5	2.1	-0.2
Port Solutions	8.3	7.8	7.9	3.1	5.3	5.2	5.4	1.4
Group EBITA margin total	**9.4**	**9.3**	**7.7**	**5.5**	**8.8**	**7.3**	**6.4**	**4.5**

Personnel by Business Area, Quarters (at the end of the period)	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Service	7,372	7,351	7,252	7,187	7,206	7,234	7,311	7,432
Industrial Equipment	5,782	5,831	5,829	5,872	6,024	6,146	6,132	6,142
Port Solutions	2,830	3,084	3,069	3,039	3,067	3,177	3,248	3,263
Group staff	93	95	90	87	74	68	63	59
Total	**16,077**	**16,361**	**16,240**	**16,185**	**16,371**	**16,625**	**16,754**	**16,896**

Notes

6.2. Geographical areas

MEUR

Sales by market	1–12/2018	% of total	1–12/2017	% of total
Europe-Middle East-Africa (EMEA)	1,593.5	50	1,633.6	52
Americas (AME)	1,049.9	33	980.9	31
Asia-Pacific (APAC)	512.7	16	522.7	17
Total	**3,156.1**	**100**	**3,137.2**	**100**

Personnel by region (at the end of the period)	31.12.2018	% of total	31.12.2017	% of total
Europe-Middle East-Africa (EMEA)	10,027	62	9,920	61
Americas (AME)	3,172	20	3,205	20
Asia-Pacific (APAC)	2,878	18	3,246	20
Total	**16,077**	**100**	**16,371**	**100**

Sales by market, Quarters	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Europe-Middle East-Africa (EMEA)	461.7	380.9	402.8	348.0	513.9	394.9	381.4	343.5
Americas (AME)	312.2	262.0	256.1	219.6	241.5	242.5	263.3	233.5
Asia-Pacific (APAC)	136.9	157.3	113.3	105.1	154.5	109.3	151.7	107.1
Total	**910.8**	**800.2**	**772.2**	**672.8**	**909.9**	**746.8**	**796.4**	**684.1**

Personnel by region, Quarters (at the end of the period)	Q4/2018	Q3/2018	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	Q1/2017
Europe-Middle East-Africa (EMEA)	10,027	10,021	9,902	9,854	9,920	10,037	10,069	10,068
Americas (AME)	3,172	3,161	3,139	3,123	3,205	3,291	3,294	3,385
Asia-Pacific (APAC)	2,878	3,179	3,199	3,208	3,246	3,297	3,391	3,443
Total	**16,077**	**16,361**	**16,240**	**16,185**	**16,371**	**16,625**	**16,754**	**16,896**

Notes

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

EUR million	31.12.2018	31.12.2017
The cumulative revenues of non-delivered projects	433.2	389.6
Advances received netted	317.5	310.9
Progress billings netted	0.0	0.0
Contract assets	**115.7**	**78.7**
Gross advance received from percentage of completion method	375.3	395.9
Advances received netted	317.5	310.9
Contract liabilities	**57.8**	**85.0**

Net sales recognized under the percentage of completion method amounted EUR 411.8 million in 1–12/2018 (EUR 348.7 million in 1–12/2017).

Contract assets relate to receivable arising from percentage of completion method. Net asset balances are balances where the sum of contract costs, recognized profits and recognized losses exceed progress billings. Where progress billings exceed the sum of contract costs, recognized profits and recognized losses these liabilities are included in the line item contract liabilities.

Advance payments received	31.12.2018	31.12.2017
Advance received from percentage of completion method (netted)	57.8	85.0
Other advance received from customers	283.6	214.8
Total	**341.4**	**299.8**

8. IMPAIRMENTS

EUR million	1–12/2018	1–12/2017
Property, plant and equipment	13.8	3.8
Other intangible assets	0.0	2.4
Total	**13.8**	**6.2**

All impairments in 2018 relate to restructuring actions. In 2017 mainly restructuring actions have led to an impairment of tangible assets (machinery and equipment and buildings) and intangible assets.

9. RESTRUCTURING COSTS

Konecranes has recorded EUR 53.4 million restructuring costs during 1–12/2018 (EUR 65.6 million in 1–12/2017) of which EUR 13.8 million was impairment of assets (EUR 5.8 million for 1–12/2017). The remaining EUR 39.6 million of restructuring cost is reported 1–12/2018 in personnel costs (EUR 23.4 million) and in other operating expenses (EUR 16.2 million).

10. INCOME TAXES

Taxes in statement of Income	1–12/2018	1–12/2017
Local income taxes of group companies	49.3	68.0
Taxes from previous years	-4.4	-1.0
Change in deferred taxes	-4.3	-16.4
Total	**40.7**	**50.6**

Notes

11. KEY FIGURES

	31.12.2018	31.12.2017	Change %
Earnings per share, basic (EUR)	1.29	2.89	-55.3
Earnings per share, diluted (EUR)	1.29	2.89	-55.3
Alternative Performance Measures:			
Return on capital employed, %	7.9	23.7	-66.7
Adjusted return on capital employed, %	12.5	15.4	-18.8
Return on equity, %	7.7	26.1	-70.5
Equity per share (EUR)	16.06	15.95	0.7
Interest-bearing net debt / Equity, %	42.5	41.1	3.4
Net debt / Adjusted EBITDA	1.7	1.8	-5.6
Equity to asset ratio, %	39.8	39.2	1.5
Investments total (excl. acquisitions), EUR million	35.4	35.7	-0.8
Interest-bearing net debt, EUR million	545.3	525.3	3.8
Net working capital, EUR million	410.4	324.6	26.4
Average number of personnel during the period	16,247	15,519	4.7
Average number of shares outstanding, basic	78,811,265	78,272,680	0.7
Average number of shares outstanding, diluted	78,811,265	78,272,680	0.7
Number of shares outstanding	78,816,503	78,756,145	0.1

Notes

Calculation of Alternative Performance Measures

Konecranes presents Alternative Performance Measures to reflect the underlying business performance and to enhance comparability between financial periods. Alternative Performance measures should not be considered as a substitute for measures of performance in accordance with the IFRS.

Return on equity (%):	=	Net profit for the period / Total equity (average during the period)	X 100
Return on capital employed (%):	=	Income before taxes + interest paid + other financing cost / Total amount of equity and liabilities - non-interest bearing debts (average during the period)	X 100
Adjusted return on capital employed (%):	=	Adjusted EBITA / Total amount of equity and liabilities - non-interest bearing debts (average during the period)	X 100
Equity to asset ratio, %:	=	Shareholders' equity / Total amount of equity and liabilities - advance payment received	X 100
Interest-bearing net debt / Equity, %:	=	Interest-bearing liabilities - liquid assets - loans receivable / Total equity	X 100
Equity per share:	=	Equity attributable to the shareholders of the parent company / Number of shares outstanding	
Net working capital:	=	Non interest-bearing current assets + deferred tax assets (excluding Purchase Price Allocation) - Non interest-bearing current liabilities - deferred tax liabilities (excluding Purchase Price Allocation) - provisions	
Interest-bearing net debt:	=	Interest-bearing liabilities (non current and current) - cash and cash equivalents - loans receivable (non current and current)	
Average number of personnel:	=	Calculated as average of number of personnel in quarters	
Number of shares outstanding:	=	Total number of shares - treasury shares	
EBITDA:	=	Operating profit + Depreciation, amortization and impairments	
EBITA:	=	Operating profit + Amortization and impairment of Purchase Price Allocations	

Notes

Reconciliation of adjusted EBITDA, EBITA and Operating profit (EBIT)	1–12/2018	1–12/2017
Adjusted EBITDA	**325.7**	**289.2**
Transaction costs	0.0	-4.9
Restructuring costs (excluding impairments)	-39.6	-59.8
Release of MHPS purchase price allocation in inventories	0.0	-7.3
Gain on disposal of Stahl CraneSystems	0.0	218.4
EBITDA	**286.1**	**435.7**
Depreciation, amortization and impairments	-119.9	-117.0
Operating profit (EBIT)	**166.2**	**318.7**
Adjusted EBITA	**257.1**	**216.6**
Purchase price allocation amortization	-37.5	-38.6
Adjusted Operating profit (EBIT)	**219.6**	**178.0**
Transaction costs	0.0	-4.9
Restructuring costs	-53.4	-65.6
Release of MHPS purchase price allocation in inventories	0.0	-7.3
Gain on disposal of Stahl CraneSystems	0.0	218.4
Operating profit (EBIT)	**166.2**	**318.7**

Interest-bearing net debt	31.12.2018	31.12.2017
Non current interest bearing liabilities	584.6	600.8
Current interest bearing liabilities	191.8	157.9
Loans receivable	-0.7	-0.3
Cash and cash equivalents	-230.5	-233.1
Interest-bearing net debt	**545.3**	**525.3**

The period end exchange rates:	31.12.2018	31.12.2017	Change %
USD - US dollar	1.145	1.199	4.7
CAD - Canadian dollar	1.561	1.504	-3.6
GBP - Pound sterling	0.895	0.887	-0.8
CNY - Chinese yuan	7.875	7.804	-0.9
SGD - Singapore dollar	1.559	1.602	2.8
SEK - Swedish krona	10.255	9.844	-4.0
AUD - Australian dollar	1.622	1.535	-5.4

The period average exchange rates:	31.12.2018	31.12.2017	Change %
USD - US dollar	1.181	1.130	-4.4
CAD - Canadian dollar	1.529	1.465	-4.2
GBP - Pound sterling	0.885	0.877	-0.9
CNY - Chinese yuan	7.809	7.629	-2.3
SGD - Singapore dollar	1.593	1.559	-2.1
SEK - Swedish krona	10.258	9.633	-6.1
AUD - Australian dollar	1.580	1.473	-6.8

Notes

12. GUARANTEES, LEASE COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	31.12.2018	31.12.2017
For own commercial obligations		
Guarantees	619.2	499.7
Leasing liabilities		
Next year	39.8	39.8
Later on	77.5	81.8
Other	33.4	19.8
Total	**769.9**	**641.0**

Guarantees

The guarantees are related to the fact that from time to time Konecranes provides customers with guarantees that guarantee the Company's obligations pursuant to the applicable customer contract. In sale of investment goods (machinery) the typical guarantees are the following:

- tender guarantees (bid bonds) given to the customer to secure the bidding process
- advance payment guarantees given to the customer to secure their down payment for project
- performance guarantees to secure customers over the Company's own performance in customer contracts, and
- warranty period guarantees to secure the correction of defects during the warranty period.

Contingent liabilities relating to litigation

Various legal actions, claims and other proceedings are pending against the Group in various countries. These actions, claims and other proceedings are typical for this industry and consistent with a global business offering that encompasses a wide range of products and services. These matters involve contractual disputes, warranty claims, product liability (including design defects, manufacturing defects, failure to warn and asbestos legacy), employment, vehicles and other matters involving claims of general liability.

While the final outcome of these matters cannot be predicted with certainty, Konecranes is of the opinion, based on the information available to date and considering the grounds presented for such claims, the available insurance coverage and the reserves made, that the outcome of such actions, claims and other proceedings, if unfavorable, would not have a material, adverse impact on the financial condition of the Group.

Notes

13. FINANCIAL ASSETS AND LIABILITIES

13.1. Carrying amount of financial assets and liabilities in the balance sheet

EUR million **Financial assets 31.12.2018**	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	577.2	577.2
Derivative financial instruments	5.8	3.1	0.0	8.9
Cash and cash equivalents	0.0	0.0	230.5	230.5
Total	**5.8**	**3.1**	**807.7**	**816.6**

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

EUR million **Financial assets 31.12.2017**	Fair value through OCI	Fair value through income statement	Amortized cost	Carrying amounts by balance sheet item
Current financial assets				
Account and other receivables	0.0	0.0	581.5	581.5
Derivative financial instruments	17.1	20.6	0.0	37.7
Cash and cash equivalents	0.0	0.0	233.1	233.1
Total	**17.1**	**20.6**	**814.5**	**852.2**

Financial liabilities 31.12.2017				
Non-current financial liabilities				
Interest-bearing liabilities	0.0	0.0	600.8	600.8
Other payable	0.0	0.0	10.5	10.5
Current financial liabilities				
Interest-bearing liabilities	0.0	0.0	157.9	157.9
Derivative financial instruments	5.8	1.0	0.0	6.8
Accounts and other payable	0.0	0.0	251.0	251.0
Total	**5.8**	**1.0**	**1,020.1**	**1,027.0**

Notes

At the end of December 2018, the outstanding long-term loans were: EUR 150 million five-year term loan, EUR 36 million for the R&D loan, EUR 150 million for the Schuldschein loan and EUR 250 million for the bond. The Schuldschein loan contains floating and fixed rate tranches with maturities of four and seven years. The term loan and the R&D loan bear a floating six months interest period and the bond yield is fixed with annual coupon payment. The weighted average interest rate for these loans and the bond is currently 1.36% per annum. The company is in compliance with the quarterly monitored financial covenant (interest-bearing net debt/equity) for the loans. No specific securities have been given for the loans. The Company continues to have healthy Interest-bearing net debt / equity ratio of 42.5% (31.12.2017: 41.1%) which is in compliance with the bank covenants the Company has to comply with.

Derivatives are initially recorded in the balance sheet at fair value and subsequently measured at fair value at each balance sheet date. All derivatives are carried as assets when fair value is positive and liabilities when fair value is negative. Derivative instruments that are not designated as hedges (hedge accounting) are measured at fair value, and the change in fair value is recognized in the consolidated statement of income. When the derivative is designated as a hedge (hedge accounting) the effective part of the change in fair value is recognized in other comprehensive income. Any ineffective part is recognized in the consolidated statement of income. The foreign exchange forward contracts are measured based on the closing date's observable spot exchange rates and the quoted yield curves of the respective currencies. Interest rate swaps are measured based on present value of the cash flows, which are discounted based on the quoted yield curves.

Notes

13.2 Fair values

Set out below is a comparison, by class, of the carrying amounts and fair value of the Group's financial assets and liabilities:

Financial assets	Carrying amount 31.12.2018	Carrying amount 31.12.2017	Fair value 31.12.2018	Fair value 31.12.2017
Current financial assets				
Account and other receivables	577.2	581.5	577.2	581.5
Derivative financial instruments	8.9	37.7	8.9	37.7
Cash and cash equivalents	230.5	233.1	230.5	233.1
Total	**816.6**	**852.2**	**816.6**	**852.2**

Financial liabilities				
Non-current financial liabilities				
Interest-bearing liabilities	584.6	600.8	586.7	608.3
Other payable	5.9	10.5	5.9	10.5
Current financial liabilities				
Interest-bearing liabilities	191.8	157.9	191.8	157.9
Derivative financial instruments	7.7	6.8	7.7	6.8
Accounts and other payable	254.0	251.0	254.0	251.0
Total	**1,044.0**	**1,027.0**	**1,046.1**	**1,034.6**

The management assessed that cash and short-term deposits, accounts receivable, accounts payable, bank overdrafts and other current payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates and the risk characteristics of the loan.

Notes

13.3 Hierarchy of fair values

Financial assets	31.12.2018 Level 1	31.12.2018 Level 2	31.12.2018 Level 3	31.12.2017 Level 1	31.12.2017 Level 2	31.12.2017 Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	8.9	0.0	0.0	37.7	0.0
Fuel oil derivative	0.0	0.0	0.0	0.0	0.0	0.0
Electricity derivatives	0.0	0.0	0.0	0.0	0.0	0.0
Total	**0.0**	**8.9**	**0.0**	**0.0**	**37.7**	**0.0**
Other financial assets						
Cash and cash equivalents	230.5	0.0	0.0	233.1	0.0	0.0
Total	**230.5**	**0.0**	**0.0**	**233.1**	**0.0**	**0.0**
Total financial assets	**230.5**	**8.9**	**0.0**	**233.1**	**37.7**	**0.0**

Financial liabilities	31.12.2018 Level 1	31.12.2018 Level 2	31.12.2018 Level 3	31.12.2017 Level 1	31.12.2017 Level 2	31.12.2017 Level 3
Derivative financial instruments						
Foreign exchange forward contracts	0.0	7.7	0.0	0.0	6.7	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0
Electricity forward contracts	0.0	0.0	0.0	0.0	0.1	0.0
Total	**0.0**	**7.7**	**0.0**	**0.0**	**6.8**	**0.0**
Other financial liabilities						
Interest bearing liabilities	0.0	776.4	0.0	0.0	758.6	0.0
Other payables	0.0	0.0	1.3	0.0	0.0	6.3
Total	**0.0**	**776.4**	**1.3**	**0.0**	**758.6**	**6.3**
Total financial liabilities	**0.0**	**784.1**	**1.3**	**0.0**	**765.5**	**6.3**

14. HEDGE ACTIVITIES AND DERIVATIVES

EUR million	31.12.2018 Nominal value	31.12.2018 Fair value	31.12.2017 Nominal value	31.12.2017 Fair value
Foreign exchange forward contracts	1,224.2	1.2	1,006.1	31.0
Electricity derivatives	0.0	0.0	0.5	-0.1
Total	**1,224.2**	**1.2**	**1,006.6**	**30.9**

Derivatives not designated as hedging instruments

The Group enters into other foreign exchange and electricity forward contracts or currency options with the intention of reducing the risk of expected sales and purchases, these other contracts are not designated in hedge relationships and are measured at fair value through profit or loss.

Notes

CASH FLOW HEDGES

Foreign currency risk

Foreign exchange forward and option contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of forecast sales and purchases in US dollar. These forecast transactions are highly probable, and they comprise about 51.8% of the Group's total hedged transaction flows. The foreign exchange forward contract balances vary with the level of expected foreign currency sales and purchases and changes in foreign exchange forward rates.

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

The cash flow hedges of the expected future sales and purchases in 2018 and 2017 were assessed to be highly effective and a net unrealized loss, with a deferred tax asset relating to the hedging instruments, is included in OCI. The amounts recognized in OCI are shown in the table below and the reclassifications to profit or loss during the year are as shown in the consolidated statement of income.

Fair value reserve of cash flow hedges

EUR million	31.12.2018	31.12.2017
Balance as of January 1	10.8	15.0
Gains and losses deferred to equity (fair value reserve)	-13.4	-5.3
Change in deferred taxes	2.7	1.1
Balance as of the end of period	**0.1**	**10.8**

15. TRANSACTIONS WITH RELATED PARTIES

EUR million	31.12.2018	31.12.2017
Sales of goods and services with associated companies and joint arrangements	47.1	37.7
Sales of goods and services with significant shareholders	0.0	13.1
Receivables from associated companies and joint arrangements	8.9	11.1
Receivables from significant shareholders	0.0	0.0
Purchases of goods and services from associated companies and joint arrangements	50.5	45.7
Purchases of goods and services from significant shareholders	0.0	0.7
Liabilities to associated companies and joint arrangements	8.7	4.3
Liabilities to significant shareholders	0.0	0.0

ANALYST AND PRESS BRIEFING

An analyst and press conference will be held at the restaurant Savoy's Salikabinetti (address: Eteläesplanadi 14, Helsinki) on February 7, 2019, at 11.00 am Finnish time. The Interim Report will be presented by Konecranes' President and CEO Panu Routila and CFO Teo Ottola.

A live webcast of the conference will begin at 11.00 am at www.konecranes.com. Please see the stock exchange release dated January 24, 2019 for the conference call details.

NEXT REPORT

Konecranes Plc plans to publish Interim Report January–March 2019 on April 26, 2019.

KONECRANES PLC

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Konecranes is a world-leading group of Lifting Businesses™, serving a broad range of customers, including manufacturing and process industries, shipyards, ports and terminals. Konecranes provides productivity enhancing lifting solutions as well as services for lifting equipment of all makes. In 2018, Group sales totaled EUR 3,156 million. The Group has 16,100 employees at 600 locations in 50 countries. Konecranes shares are listed on the Nasdaq Helsinki (symbol: KCR).

www.konecranes.com